

Territorial Cohesion: definition of the concept and implications for territorial cooperation

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Foreword

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

These research activities aim at supporting the SeeNet programme through the analysis and systematization of governance experiences for local development within the involved territories of South East Europe. The unit of analysis for the research 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 South East Europe local authority parties; iv) coverage of different administrative levels of South East Europe; and v) different Italian partners.

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

Table 1: Case studies

	Territory	Theme
Albania	Region of Shkodra	Social planning
Bosnia & Herzegovina	Municipality of Travnik	Mountain tourism
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

SeeNet partners have expressed the need to deepen their knowledge of some specific aspects in their partner territories. As a consequence, this third report is focussed on different issues for each of the selected territories. The issues are the following:

- In the Region in Shkodra (Albania) the analysis is concentrated on the multilevel governance in the social policy reform;
- In the Municipality of Travnik (Bosnia Herzegovina) and in the Central Bosnian Canton the report deals with the potentials of typical local products and multilevel policies;
- In the case of the municipality of Trebinje (Bosnia Herzegovina) the report is focussed on the dispute between Trebinje and Dubrovnik, analysing in particular its impact on the rural tourism potentials in Trebinje and Eastern Herzegovina;
- In the Region of Istria (Croatia) and the City of Varadjin the report focuses on the multilevel coherence of the legal framework in the fields of environment, tourism, culture and transport sector;
- In the Municipality of Pejë/Peć (Kosovo), the report deals with the main features of the national park proposed in the area of the Rugova Valley and multilevel laws and policies;
- In the Municipality of Budva (Montenegro), the report is focussed on the potentialities for the development of cultural tourism in a multilevel and multi-stakeholder framework;
- In the Province of Vojvodina (Serbia), the report offers an analysis of the local Business Service Sector and programmes.

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 the 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) the 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 deals with a general issue relevant in all the selected territories and for the Italian Regions partners in the SeeNet Programme; the definition of the new objective of territorial cohesion and its practical implementation. The issue is particularly relevant considering future perspective of territorial cooperation between Italy and Western Balkan Countries, in all the different fields explored by the reports realized in each territory, and according to the new perspective of a European Union macro-regional strategy in the Adriatic-Ionic area.

Executive Summary

In the last few years, territorial cohesion has become a priority in the European policy. Starting with the draft of the European Convention (2003) and the Third Cohesion Report (2004), the concept of territorial cohesion has been quoted and analysed in several official documents by the European Commission.

Nevertheless, the concept of territorial cohesion is in someway still unclear. There is no single definition officially adopted by the European Commission; the meaning and objectives of territorial cohesion have to be identified by analysing different documents and statements that have been produced by the EC on this matter in recent years.

The following elements can be identified as key aspects in the definition of territorial cohesion: first of all, territorial cohesion is about reducing existing disparities within the European Union, referring to an explicit solidarity dimension in the European regional policy and adding a “spatial justice” dimension to European spatial policy. Nevertheless, pursuing territorial cohesion is not just about equity in the distribution, but it is also about an improvement of the general competitiveness of the European Union. Furthermore, territorial cohesion is about the need to enhance territorial capital and regional potentials. A fourth key element in the territorial cohesion concept is about the key role played by cooperation and integration among European regions and territories, to ensure that common assets are used in a coordinated and sustainable way. From an operative point of view, two crucial issues emerge from the analysis of the documents: the coordination of policies and the need for better knowledge on territorial data. Finally, territorial cohesion is a shared competence between member states, the Commission and the Regions, representing the evolution of a process leading the EC to strengthen its competence on spatial planning and territorial matters.

The core policy instruments identified by the European Commission to pursue territorial cohesion within European Union territory include a focus on sustainable urban development and on areas with specific natural or demographic features, and a specific attention to the role played by territorial cooperation. The role of territorial cooperation in achieving territorial cohesion has already been well recognized in the documents produced between 2001 and 2011, and it is confirmed in the framework of the new proposals for the Cohesion Policy 2014-2020. Macro-

regional strategies are explicitly mentioned, as new tools to address territorial cooperation and cohesion.

The Western Balkan countries have to face a very strong process of spatial polarization, derived from the transition process started in the 90s and influenced also by the enlargement perspectives in the region. As a consequence, the issue of territorial cohesion is even more urgent than in the European Countries.

Italian regions can offer significant support to the territories of South East Europe in pursuing the territorial cohesion objective. At least three main areas of cooperation can be identified: i. Improve the availability of territorial data; ii. Produce knowledge on regional and local developmental problems in the Balkans; iii. Strengthen multilevel governance mechanisms also within the framework of the Adriatic-Ionic macro-regional strategy.

1. Territorial cohesion: an introduction

In the last few years, territorial cohesion has become a priority in European policy.

According to Camagni (2005) the new concept was created for several reasons; first of all, the introduction of territorial cohesion was the proof of political recognition to the good job made on territorial affairs by the Commission and the Spatial Development Committee, both of whom were responsible for the implementation of the European Spatial Development Perspective (ESDP). Secondly, the territorial cohesion concept was based on the success of the URBAN initiative, which has shown the potentiality of European involvement in the field of urban and territorial planning, and on INTERREG experiences as an instrument to implement the ESDP, in particular in its strand B - transnational cooperation (Camagni, 2006). As a consequence, the territorial cohesion concept is based also on the recognition of the role that regional and local authorities can have in the European integration process.

But probably the most important political reason that has made this concept so fashionable has to be found in the problems of allocating the structural funds after the 2004 enlargement. In fact, following the traditional criteria of economic and social cohesion, almost all the Objective 1 regions in the 2000-2006 period would no longer be eligible for European support in the 2007-2013 programming period. The agreement on the new distribution of funds for 2007-2013 was reached easily at political level (split 50/50 between new and old members), but there was a need to justify such an agreement at technical level. In this framework, the “vague concept of territorial cohesion immediately seemed suited for the purpose: the term ‘cohesion’ assures continuity with the traditional approach (...), while the term ‘territorial’ indicates a new context for which imbalance deserving of European Support can be identified” (Camagni, 2006, pp. 55 - 56).

Territorial cohesion was first introduced in the “Second Report on Economic and Social Cohesion, published in January 2001. The report used the concept to describe the spatially uneven development of the EU territory and particularly the concentration of population and economic activity in the core area of Europe” (Davoudi, 2005, p. 683). In 2003 the draft of the European Convention adopted territorial cohesion as an objective to be pursued for the development of the European Union. The convention states that “The Union (...) shall promote economic, social and territorial cohesion” (art. I.3). In the field of territorial cohesion, the European Union has a shared competence with member states (Art.I-13.2): this overcomes the traditional lack of competence of the EU in the field of spatial planning and territorial policies.

A strong attention to territorial cohesion was included in the framework of the Third Cohesion Report, in 2004. In the same year an “Interim report on territorial cohesion” was published. In 2005, the concept of territorial cohesion is explored in the “Scoping Document of the Commission on territorial state and perspectives”.

The concept was officially adopted as one of the objectives of the Cohesion policy 2007-2013, being included in the relative guidelines, in 2006. In 2007, territorial cohesion was included as an objective of European Union’s policies in the Lisbon Treaty.

In October 2008, the European Commission adopted a Green Paper on Territorial Cohesion, calling for a public debate on the concept and its policy implications. The results of the public debate are summarized in the Sixth Progress Report on Economic and Social Cohesion (2009) and represent the basis for the elaboration of the background document for the conference “Cohesion Policy and territorial Development: Make use of the territorial potential!”, held in Sweden in 2009.

One of the aims included in “The Territorial Agenda of the European Union 2020”, published in 2011, “making EU territorial Cohesion a reality” (p. 8). The territorial cohesion concept is a core aspect in the legislative proposals for the EU Cohesion policy 2014-2020¹.

The relevance of the concept of territorial cohesion heralds the “start of a new era in the European programming activity, being that the territorial issue is no longer simply a reference ambit for policy but assumes the role of a priority objective of the ERDF policy” (Pedrazzini, 2006, p. 33). But what is, in concrete, the meaning of this concept? And how is it possible to apply it in the enlargement countries?

In the next paragraph we will try to identify the main features of territorial cohesion, starting with the definitions adopted by the European Commission in the main documents produced in the last ten years. Paragraph three introduce the relevance of Territorial cooperation to pursue territorial cohesion, while paragraph four takes into account the specific challenges for the Western Balkan Countries. In the conclusions some reflections on the main challenges for the further development of the territorial cohesion concept and practice, in particular in South East Europe, are presented.

2. Defining territorial cohesion

Notwithstanding the relevance that it has acquired in the last few years, the concept of territorial cohesion is in someway still unclear (Faludi, 2006). There is no single definition officially adopted by the European Commission; the meaning and objectives of territorial cohesion have to be identified by analysing different documents and statements that have been produced by the EC on this matter in recent years.

In the following table some contents of the main documents produced by the European Commission in the last few years are summarized. In particular, the table includes definitions on territorial cohesion and elements included in the documents that might be useful to understand the meaning and the use of the territorial cohesion concept in the European Union policy arena.

¹ European Commission (2011), *Cohesion Policy 2014-2020. Investing in growth and job*, http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation2014_leaflet.pdf

Table 1: Definitions of Territorial Cohesion

Document	Year	Definition	Key elements
Third Cohesion Report	2004	“The objective is to help achieve more balanced development by reducing existing disparities, avoiding territorial imbalances and by making both sectoral policies, which have a spatial impact, and regional policy more coherent. The concern is also to improve territorial integration and encourage cooperation between regions” (p. 27).	The report enlists some aspects that should be considered in the application of the territorial cohesion principle: 1) The high concentration of economic activity and population in the European “pentagon” ² ; 2) The imbalance between the main metropolitan areas and the rest of the countries in terms of economic development; 3) At regional level, the growing congestion and pollution and the persistence of social exclusion in the main conurbations whereas rural areas suffer from inadequate economic links; the sprawling nature of urban growth; 4) Within regions and cities, the development of pockets of poverty and social exclusion in areas with only limited availability to essential services; 5) Specific problems of areas constrained by their geographical features (such as islands or mountain areas): ageing of the population, accessibility, environment; 6) The cumulation of natural and geographical handicaps in outermost areas. “Territorial disparities (...) affect the overall competitiveness of EU economy” (p. 28)
Interim Report on Territorial Cohesion	2004	“The balanced distribution of human activities across the Union”; territorial cohesion “translates the goal of sustainable and balanced development assigned to the Union into territorial terms” (p. 3).	The report recognizes “the need for coordination among the various Community policies which have a territorial impact, and between those and national policies. The aim of territorial cohesion therefore presupposes the establishment of cooperation in both horizontal terms (between policies) and vertical terms (between operators and authorities at different geographical levels). It should become a general concern, integrating the territorial dimension into the design and implementation of Community and national policies” (p. 5).
Scoping Document of the Commission on territorial state and perspectives	2005	“the concept of territorial cohesion (...) adds to economic and social cohesion by translating the fundamental EU goal of balanced competitiveness and sustainable development into a territorial setting” (p. 1)	“The key challenge for strengthening territorial cohesion is to enhance the territorial capital and potentials of all EU regions and promote territorial integration (...) In practical terms territorial cohesion implies focusing regional and national territorial development policies to better exploit regional potentials and territorial capital (...); better positioning of regions in Europe, both by strengthening their profile and by trans-European cooperation aimed at facilitating their connectivity and territorial integration; and promoting the coherence of EU policies with a territorial impact, both horizontally and vertically, so that they support sustainable development at national and regional level” (p. 1). Three main aims are identified in the territorial cohesion policy: “improving the strength and diversity/identity of urban centres/networks as motors for territorial development in Europe; improving accessibility and territorial integration in the Union; preserving and developing the quality and safety of Europe’s natural and cultural values and developing sustainable urban-rural linkages”. (p.2).
Community Strategic Guidelines on Cohesion 2007-2013	2006	“Success in the area of territorial cohesion depends on a comprehensive strategy which sets the framework within which specific objectives and actions are pursued” (p. 29)	“The successful implementation of actions to promote territorial cohesion requires implementing mechanisms that can help to guarantee fair treatment for all territories based on their individual capacities as a factor of competitiveness. Thus, good governance is important in successfully addressing the territorial dimension. (...) promoting territorial cohesion should be part of the effort to ensure that all of Europe's territory has the opportunity to contribute to the growth and jobs agenda. More

² The “pentagon” was identified in the Second Cohesion Report as the area that stretches from North Yorkshire in England, Franche-Comté in France, Hamburg in Northern Germany and Milan in the north of Italy.

			specifically, this means that a different meaning should be given to territorial cohesion, linked to each Member State's history, culture or institutional situation. The development of high-quality partnerships is also essential, bringing aboard actors at all levels, national, regional, urban, rural and local.”. (p. 29).
Green Paper on Territorial Cohesion	2008	Territorial Cohesion (...) it is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU” (p. 3)	Territories have to “make the best use of all territorial asset” (p. 3) to be competitive. “Competitiveness also depend on building links with other territories, to ensure that common assets are used in a coordinated and sustainable way” (p. 3) The priority issues include “overcoming differences in density” (p. 5), “overcoming distance” (p. 6), “overcoming division” (p. 7) and “regions with specific geographic features” (p. 8).
Sixth Progress Report on Economic and Social Cohesion	2009	“Harmonious and sustainable development of all territories by building on their characteristics and resources” (p. 11)	“the current crisis with its asymmetric territorial impacts has increased the importance of territorial cohesion within the EU, and the discussion about the concept has gained momentum” (p. 11). “the solidarity dimension of territorial cohesion”/ “the territorial dimension of European Social Model” (p. 12). Need for better coordination of policies and cooperation among actors, and for better tools for territorial analysis (eg territorial indicators). “Better coordinating cohesion and external policies; strengthening the ENP and using the EGTC on the external borders as well” (p. 13).
Territorial Cohesion: Unleashing the Territorial Potential	2009	“The EU has an incredibly rich territorial diversity. Territorial cohesion is about ensuring a balanced development of all these places and about making sure that our citizens are able to make the most of the inherent features of their territories – to transform diversity into an asset that contributes to sustainable development of the entire EU” (p. 3)	The document mentions the main policies relevant in the debate on territorial cohesion: urban and rural development and urban-rural linkages, different forms of territorial cooperation: cross border, transnational and interregional, with a special focus on CBC at external borders and European Grouping of Territorial Cooperation. Some of the main challenges in the application of territorial cohesion are identified in the need for a better coordination of policies and for a better knowledge of territorial impacts of public policies. The document stresses the relevance of macro-regional strategies as new integrated strategic frameworks for development, and offer a glance to available and missing data on territorial development across the EU
The Territorial Agenda of the European Union 2020	2011	“A set of principles for harmonious, balanced, efficient, sustainable territorial development” (p. 3) The Territorial cohesion aim is to at “unleash territorial potential” (p. 4) for development.	The document includes among its aims “making EU territorial Cohesion a reality” (p. 8). The document recognizes that “actions at the cross border, transnational and interregional level have a pivotal role to play in the implementation of territorial priorities of the WA 2020” (p. 9). “Territorial cooperation initiatives should be geared towards the long term objective of territorial cohesion (...). Integrated macro-regional strategies (...) could also contribute in this respect” (p. 10).

A look at the table shows that the concepts introduced with territorial cohesion are not really new: balanced development, sustainability and competitiveness were key words in the cohesion policy far before the introduction of this new concept. Nevertheless, the explicit focus on the territorial dimension of policies move the cohesion policy further towards a more territorial approach. The analysis of the different documents summarized in the table can help the identification of the main features of territorial cohesion.

First of all, territorial cohesion is about imbalances. According to the documents, several kinds of territorial imbalances have to be faced to pursue the European Union's harmonious development: imbalances in the distribution of human activities and in the natural and geographical characteristics of European territories. The imbalances in the European Union are visible at different scales: at EU level, between the "pentagon" and the other territories of the Union; at national level, between regions with different level of growth and competitiveness (with specific attention to areas constrained by their geographical features); at regional level, between main metropolitan areas and smaller centres and between cities and countryside; at metropolitan level, between citizens with the persistence of social exclusion and poverty. Territorial cohesion is about reducing existing disparities within European Union, referring to an explicit solidarity dimension in the European regional policy: it "calls for an extension of the underlying principle of the European model from *individuals* to *places* and territories. It calls for solidarity not only amongst European *citizens* but also amongst European *territories*. It extends the call for work-based *social protection* to place-based *territorial protection* (...). The discourse of territorial cohesion has added a spatial justice dimension to European Spatial Policy" (Davoudi, 2005, p. 685).

Secondly, the solidarity is not the only aim of territorial cohesion, that it is also linked to competitiveness. In fact, according to the Third cohesion Report (2004), "territorial disparities (...) affect the overall competitiveness of EU economy" (p. 28); as a consequence, pursuing territorial cohesion is not just about equity in the distribution, but it is also about an improvement of the general competitiveness of the European Union. More precisely, the concept of territorial cohesion is about translating the goal of "balanced competitiveness and sustainable development into a territorial setting" (Scoping Document of the Commission on territorial state and perspectives, 2005, p. 1). As a consequence, to improve territorial cohesion, investments in fields such as innovation and accessibility are foreseen (Interim Report on Territorial Cohesion, 2004). Competitiveness and especially "sustainability" are key words for territorial development also according to Camagni (2006), who proposes a definition of territorial cohesion as "the territorial dimension of sustainability" (p. 58). He identifies three main components in territorial cohesion:

- "territorial quality, namely the quality of the living and working environment; comparable living standards across territories; similar access to services of general interest and to knowledge;
- territorial efficiency: resource-efficiency with respect to energy, land and natural resources; competitiveness and attractiveness; internal and external accessibility;
- territorial identity: enhancing social capital; developing a shared vision of the future; safeguarding specificities, strengthening productive vocations and competitive advantages of each territory" (p. 58).

The definition offered by Camagni, in particular with regards to the concept of "territorial identity", leads us to what can be defined as the third feature of territorial cohesion: the need to enhance territorial capital and regional potentials. The definition offered by the Background Document for the Kiruna Conference (2009) can be taken as an example: "The EU has an incredibly rich territorial diversity. Territorial cohesion is about ensuring a balanced development of all these places and about making sure that our citizens are able to make the most of inherent features in their territories – to transform diversity into an asset that contributes to sustainable development of the entire EU" (p. 3). The valorization of the specific aspects of each territory is a key element for pursuing territorial cohesion, that aims at "unleashing territorial potentials". Territorial Cohesion "is a means of transforming diversity into an asset that contributes to the sustainable development of the entire EU" (Green Paper on Territorial Cohesion, 2008, p. 3). According to the Scoping Document by the Commission on territorial state and perspectives (2005), "In practical terms territorial cohesion implies focusing regional and national territorial development policies on better exploiting regional potentials and territorial capital". This definition underlines an endogenous and bottom up approach to spatial development; an approach that can be compared with what the Barca Report (2009) called "place based development policies".

A fourth key element in the territorial cohesion concept is about the key role played by the cooperation and integration among regions and European territories (Third Cohesion Report, 2004). Competitiveness is not just about unleashing local potentials, but it depends also on “building links with other territories, to ensure that common assets are used in a coordinated and sustainable way” (Green Paper on Territorial Cohesion, 2008, p. 3). The development of high-quality partnerships is essential for territorial cohesion, “bringing aboard actors at all levels, national, regional, urban, rural and local” (Community Strategic Guidelines on Cohesion, 2006, p. 29).

The last key element in the territorial cohesion concept is related to the governance mechanisms of territorial cohesion. Territorial cohesion is a shared competence between member states and the Commission, representing the evolution of a process leading the EC to strengthen its competence on spatial planning and territorial matters. One of the main steps of this evolution has been the approval of the European Spatial Development Perspective, in 1999. Following Pedrazzini (2006), we can say that “the ESDP was important for promoting a new partnership between member states and the Commission on the theme of spatial planning and also for recognising the new role of regions as privileged interlocutors in this process” (p. 22). In fact, regions are the third key subject of multilevel governance in the field of territorial development, as they have the responsibility to unleash their own territorial potential.

Finally, from an operative point of view, two crucial issues emerge from the analysis of the documents: the coordination of policies and the need for better knowledge on territorial data. The coordination is mentioned in several documents: promoting the coherence of EU policies with a territorial impact and making them more coherent is a key issue in supporting sustainable development in the European Union: “The aim of territorial cohesion therefore presupposes the establishment of cooperation in both horizontal terms (between policies) and vertical terms (between operators and authorities at different geographical levels)” (Interim Report on Territorial Cohesion, 2004, p. 5). Furthermore, there is a need for better tools for territorial analysis and for a better knowledge of territorial impacts of public policies. There is a lack of quantitative indicators to measure territorial cohesion, depending on the difficulty to measure the big differences between territories. As a consequence, there is a need to improve the evidence base and develop indicators for territorial cohesion, in order to monitor territorial dynamics related to the policy aims.

3. From definition to implementation: the role of territorial cooperation

The concept of territorial cohesion offers a new tool to carry out local development initiatives at European level. Territorial cohesion is a particularly relevant and appropriate concept due to the current economic crisis: “the current crisis with its asymmetric territorial impacts has increased the importance of territorial cohesion within EU, and the discussion about the concept has gained momentum” (Sixth progress report on economic and social cohesion, 2009, p. 11). Furthermore, the current framework has exasperated competitiveness and competition among territories, highlighting the possible trade off arising between the two main objectives of Cohesion Policy: more cohesion, and at the same time higher growth and efficiency. Also in this framework territorial cohesion concept might offer an interesting contribution.

In fact, following Camagni and Fratesi (2011), it is possible to identify two main factors that can influence the arising of trade offs between cohesion and efficiency within the EU. The first factor is the extent of the agglomeration economies: “the stronger the agglomeration economy, the more likely the trade-off is to appear. Since congestion diseconomies only appear beyond a certain threshold, the positive effects of agglomeration economies are stronger in those cases in which the

starting income per capita is relatively small, such as in the case of the 12 New member countries” (p. 12). The second factor is “the presence of regional disparities. These differences are due to different endowments of territorial capital. The stronger those differences, the larger it is likely to experience the trade-off arising. What is less intuitive is that the trade-off arises even in the case of weak agglomeration economies if the regions are sufficiently different. For this reason, policies which endow regions with territorial capital will be less affected by the trade-off, with respect to policies of traditional support to firms” (p. 13). In other words, policies with a strong territorial dimension, that take into account the specificities of the localities and aims at strengthening local capital can help to avoid the arising of the trade off. The “territorial turn” in the EU policies might be an appropriate instrument for pursuing both growth and cohesion.

As already mentioned, territorial cohesion is about strengthening territorial capital. The core policy instruments, identified by the European Commission, to pursue territorial cohesion within European Union territory include a focus on sustainable urban development and on areas with specific natural or demographic features. Moreover, as mentioned in the previous paragraph, one of the main elements of territorial cohesion is identified in the key role played by the cooperation and integration among regions and European territories, to achieve a greater competitiveness and to ensure the harmonious development of the European Union. As a consequence, regions and cities not only have to play a key role in developing their own territory, but they are also called to strengthen their cooperation networks in order to address territorial cohesion (Polverari and Quiogue, 2005).

Several of the documents by the European Commission mentioned in the previous paragraph make an explicit reference to territorial cooperation as a means to addressing territorial cohesion: according to the Scoping Document of the European Commission on territorial state and perspectives (2005), European regions might reach better positioning in the global scenario also through trans-European cooperation which might facilitate their connectivity and territorial integration. According to the Territorial Agenda for the European Union 2020 (2011), “actions at the cross border, transnational and interregional level have a pivotal role to play in the implementation of territorial priorities of the Territorial Agenda 2020” (p. 9) and “territorial cooperation initiatives should be geared towards the long term objective of territorial cohesion” (p. 10).

Several documents included in the main policies, relevant to the debate of territorial cohesion, list all the different forms of territorial cooperation: cross border, transnational and interregional. Some documents, presenting the results of the debate on the Green Paper on Territorial Cohesion, focus on CBC at external borders, calling for a strengthening of the European Neighbourhood Policy and for using the European Grouping of Territorial Cooperation on the external borders as well. Finally, macro-regional strategies are mentioned, as new integrated strategic frameworks for development that could contribute to the aims of territorial cohesion.

The role of territorial cooperation, already enhanced in the 2007-2013 programming period³, is going to be strengthened even more in the future, also due to its relevance in achieving the territorial cohesion objective. A look at the recent proposals, (October 2011) the European Commission for the Cohesion Policy in the future programming period⁴, seems to confirm this idea. In fact for the first time, and officially, in order to provide a more tailor-made frame for cooperation programmes, the regulation of European Territorial cooperation programmes separated from the general ERDF regulation is proposed⁵. Furthermore, specific regulation is proposed for the

³ Territorial cooperation became in 2007-2013 the third objective of the cohesion policy, based on the experience of the Interreg programme in its three strands (crossborder, transnational, interregional cooperation).

⁴ http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm

⁵ The legislative architecture for cohesion policy comprises: i) an overarching regulation setting out common rules for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF), and further general rules for the ERDF, ESF and Cohesion Fund; ii) three specific regulations for the ERDF, the ESF and

European Groupings of Territorial Cooperation. The definition of specific regulations for territorial cooperation and EGTC shows not only the relevance attributed to this form of cooperation by the EC, but is also made to take better account of the multi-country context of the programmes, and make more specific provisions for each cooperation programme.

The proposal for territorial cooperation (2011) recognizes that “European Territorial Cooperation can (...) provide an important contribution to fostering the New Treaty objective of territorial cohesion” (p. 1). This sentence confirms the approach already identified in the documents elaborated on territorial cohesion in the last years, attributing a specific role to territorial cooperation in order to achieve territorial cohesion.

The proposed regulation for territorial cooperation 2014-2020 also confirms the specific attention paid to territorial cooperation at external borders. In fact, the proposal recalls the relevance of cross border, transnational and interregional cooperation at EU external borders, and calls for coordination both with the European Neighbourhood and Partnership Instrument (ENPI) and with the Instrument for Pre-Accession (IPA). Considering the main policies identified by the European Commission to pursue territorial cohesion (urban policies, policies for the outermost regions, territorial cooperation), the trans-national and multi-country nature of territorial cooperation, and its coverage of not only internal but also external partner regions, make it a key instrument in pursuing territorial cohesion at EU external borders. Also the proposal on European Grouping of Territorial Cooperation includes some interesting elements for the cooperation with third country partners; in particular, the proposal of opening EGTCs to non-EU regions (EC, 2011, p. 13).

Finally, the proposal for territorial cooperation 2014-2020 explicitly mentions the experience of European Macro-regional strategies: “The 2007-2013 programming period has seen the emergence of new forms of territorial cooperation, tailor-made responses to address macro-regional challenges. At the request of the European Council, two macro-regional strategies have been prepared by the Commission for the Baltic Sea and the Danube Regions respectively” (p. 6). For the future programming period, the proposed regulation foresees that transnational cooperation can support also the development and implementation of macro-regional strategies. According to the Working Document on “Territorial cooperation in the Mediterranean through the Adriatic-Ionian Macro-region”, presented in May 2011 at the Committee of the Regions, “implementation of the Adriatic-Ionian Strategy is expected to start in 2013” (22), with the mission of “connecting and protecting: connecting the territories of the macro-region to foster its sustainable development while protecting the fragile maritime and coastal environment” (23)⁶.

The future Structural Funds 2014-2020 are expected to further progress the concept of territorial Cohesion, and in particular to implement tools for its concrete achievement.

4. Territorial cohesion in the Balkans: what contribution from Italian Regions?

As mentioned in the introduction of this paper, several causes can be identified to explain the introduction of the territorial cohesion concept, and not all of them are related to the aim of a more balanced and sustainable development: for instance the success of previous policy initiatives (Urban and Interreg); or the need to cope with the new features of a EU 27. Nevertheless, the territorial

the Cohesion Fund; iii) two regulations on the European Territorial Cooperation goal and the European Grouping of Territorial Cooperation (EGTC).

⁶ For detailed information on the Adriatic-Ionian Macro-region please see the general introduction to SeeNet Second Report elaborated by CeSPI, available at the webpage: www.cespi.it/SeeNet.html

cohesion concept undoubtedly catches the essence of an ongoing trend in most European countries: a trend of disintegration and polarization at local and regional level (among cities, among cities and countryside, among population groups within the same city etc), that poses serious threats to the European integration process.

These problems are even more accentuated in the Western Balkans Countries. The transition process started in the 90s, but also the enlargement perspectives that involve the region, has led to a radical transformation of the Balkan economic space. In particular “the dual process of transition and European accession has altered radically the spatial organization of the economy, leading to combined experiences of economic decline, rising inequality and polarisation. An immense concentration of human and physical capital in the main urban centres, coupled with a wider trend of de-industrialisation in the periphery and the collapse of ‘enterprise space’ (...) has created urgent problems of local development and spatial cohesion” (Monastiriotes and Petrakos, 2009, p. 1). In fact, all countries in the Western Balkans have experienced a process of spatial polarization and a strengthening of the main metropolises: capital cities are often three or even five times larger than the second largest city; and disparities in the local GDP are even many times larger than in terms of population (Monastiriotes and Petrakos, 2009).

Furthermore, notwithstanding the formal commitment of the European Union to improve regional cooperation in the Balkans⁷, the process of differentiated integration that is taking place in the region is working in detriment to regional cooperation, *de facto* encouraging antagonisms in a “race to accession” (Economides, 2008).

In October the European Commission published the document on “Enlargement Strategy and Main Challenges 2011-2012”. According to this document, the situation in the Countries with regards to accession perspectives is uneven. The most advanced situation is of course Croatia, that closed accession negotiations in June 2011 and for whom accession is foreseen for the 1 July 2013.

Montenegro has been a candidate country since December 2010. Since then, the European Commission has recognized that the Country has made good progress in meeting the Copenhagen political criteria, although sustained efforts are still needed, especially in the area of the rule of law.

Also Serbia has made important steps toward accession, in particular through the arrest and transfer to the International Criminal Tribunal for the former Yugoslavia of Ratko Mladić and Goran Hadžić, thus removing “a major stumbling block from the European path of Serbia” (p. 3) and marking an important step towards reconciliation. Also the establishment of a dialogue between Belgrade and Pristina is seen as a major issue from the European Commission. As a consequence, the Commission has recommended the European Council to grant Serbia the status of candidate country. Nevertheless, the Commission also recommends that negotiations for accession to the EU should be opened in Serbia as soon as it achieves further significant progress in the normalisation of the relations with Kosovo.

The situation appears to be much more critical in the cases of Albania and Bosnia and Herzegovina. According to the report, Albania has made limited progress in meeting the political criteria for membership and the twelve key priorities for the opening of accession negotiations. As a consequence, “it is urgent that the political forces (...) re-establish and maintain a level of political dialogue that would allow the proper functioning of key democratic institutions, notably the Parliament, and progress on the EU integration path” (p. 15). In Bosnia and Herzegovina, “the actions of its political representatives continue to reflect a lack of common understanding on the overall direction and future of the country and its institutional set up (...). As a result, the overall pace of reform has been very limited” (p. 16).

⁷ And notwithstanding the position of the European Commission, that referring to the accession of Croatia states that “Far from drawing a dividing line in the Balkans, it should serve as an incentive and catalyst for the rest of the region to accelerate its course towards the EU” (EC 2011, Enlargement Strategy and Main Challenges 2011-2012, p. 3).

Finally in the case of Kosovo, progress achieved with the reform agenda was limited, but “the President and government have demonstrated commitment to Kosovo’s European perspective. This has produced some initial reform” (p. 27). The issue of the dialogue between Pristina and Belgrade is clearly a key aspect, particularly in light of the tensions experienced by northern Kosovo in recent months.

A lot of different needs can be identified for future harmonious development perspectives in the Balkan countries: for instance the need to attract FDI and domestic investments; the need to improve the quality of human, social and physical infrastructures; and the need for coherent and efficient forms of governance, both at regional and central levels (Monastirios and Petrakos, 2009). An important contribution to these aims can be offered by Italian regions, in the framework of territorial cooperation initiatives.

Cross border and transnational cooperation across the Adriatic Sea might encourage the exchange of knowledge, capacity building at institutional level and equitable growth, thus contributing to the achievement of territorial cohesion. Moreover, the role of territorial cooperation has already been recognized in the case of the 2004 enlargement: talking about the difficulties faced by current enlargement countries in terms of territorial development, Monastirios and Petrakos (2009) state that in the 2004 enlargement, “in the countries of Central and Eastern Europe this trend has to some extent been ameliorated due to the development of another dichotomy, namely the development of border regions which are adjacent to more developed European Countries. In the Balkans these effects are much weaker – although still partly identifiable” (p. 5).

The enhancement of territorial cooperation across the Adriatic Sea, in particular through the Adriatic-Ionian Macro-region, might offer a key opportunity to strengthen these effects, putting in place a joint effort towards territorial cohesion in the EU and enlargement territories.

5. Conclusions

As Camagni (2006) points out, through the development of the territorial cohesion concept “new opportunities are arising for the implementation of more robust territorial policies in the European Union” (p. 64). This is true also with regards to enlargement countries, namely the Western Balkans and Turkey.

At the same time, the achievement of territorial cohesion in the European Union and in particular in the Western Balkans is challenged by several criticisms. For some of them, connected with the very definition of the policy’s implementation tools and with the contextual elements (such as the economic crisis), regions can offer only a limited contribution. But there are some more practical issues that can be put at the top of the agenda in the cooperation of Italian regions with the Western Balkans, in order to help them be ready to pursue territorial cohesion both in the current phase and after the enlargement. At least three main issues can be identified: i. the problem of measuring the impact of territorial cooperation; ii. the lack of information on regional and local developmental problems in the Balkans; iii. the problem of strengthening multilevel governance.

The first issue, already mentioned in paragraph two, represents a key challenge both for EU and non EU territories, at least for some aspects. There is the need “to define a new set of quantitative indicators enabling the measurement of territorial cohesion”, to make “the new concept a practical reference for orienting structural policies” (Camagni, 2006, p. 54). This issue represents a problem both for EU and non EU territories, but for the latter the situation is even more complicated. The European Commission, mainly through ESPON, is putting in place significant efforts to design a

complex set of indicators that might be useful in measuring territorial cohesion, but the first step in the Western Balkans Countries is to overcome the limitations in the availability of data. Connected to this topic, is also the key issue of defining indicators in the field of territorial cooperation, in particular in the Adriatic Sea (Piccarozzi, Proto, Stocchiero, 2008).

According to ESPON (2010, 2011) the situation is quite uneven across the SEE territories: with regards to “basic” themes⁸, considering the years 2000-2007 and NUTS 0, 1, 2 and 3 levels, the situation is the following (ESPON, 2011):

- For Croatia and FYROM, which have adopted the NUTS classification, available data covers the majority of themes and years at NUTS3 level;
- For Albania, Bosnia and Herzegovina, Montenegro and Serbia including Kosovo there are considerable gaps at NUTS2 and NUTS3 levels.

With regards to some additional themes of primary importance for territorial analysis at NUTS3 level⁹, the situation is the following:

- Available data for Croatia, FYROM and Serbia covers a large number of themes, years and levels and working on harmonisation is relatively easy;
- For the other Western Balkans countries there are numerous gaps and working on harmonisation of the existing data is much more difficult.

As a consequence, there is a need to work on the production of reliable and comparable data in the Western Balkans, in order to fully involve enlargement territories in cohesion policies.

The second issue that can be identified is specific to the Western Balkans situation. In fact, there is a weak appreciation of the nature of regional and local developmental problems facing these countries. “Research on issues of spatial cohesion, economic backwardness and regional interactions is unsurprisingly limited in the region and thus the understanding of the true nature of the regional problems and of the appropriate solutions that should be favoured are also limited. This is further hindered by the limited historical and institutional capacities of the relevant administrations (...). As a result, the objectives of regional policy are in most cases not well defined: they remain abstract and sometimes conflicting, showing little engagement with the processes that are essential for balanced local economic development, such as diffusion effects, spatial linkages and spillovers” (Monastiriotes and Petrakos, 2009, p. 9). Further efforts in research and the diffusion of knowledge are required in the Balkans Countries, in order to design the best policy response to achieve development and cohesion.

There is also a third and final issue. As already mentioned in the paper, territorial cohesion is by its nature a matter of multilevel governance, both horizontal and vertical. There is a strong need for coordination and cooperation among different sectors and different levels of governance (EU, National, Regional, Local) to achieve its aims. As stated in the Guidelines for Cohesion 2007-2013, “good governance is important in successfully addressing the territorial dimension” (p. 29), and to achieve territorial cohesion. Institutional cooperation and support in strengthening multilevel governance mechanisms is a key instrument to achieve territorial development and cohesion in EU and Western Balkan Countries. The key challenges identified in the 2011 Enlargement Strategy document are the following:

- a. Increased focus on strengthening the rule of law and public administration reform;
- b. Ensuring freedom of expression in the media;
- c. Enhancing regional cooperation and reconciliation in the Western Balkans;
- d. Achieving sustainable economic recovery and embracing Europe 2020;
- e. Extending transport and energy networks.

⁸ GDP, Area, Population density, Age pyramid, Crude Births rate, Crude Deaths rate, Natural growth rate, Active population, Migration and Population sex.

⁹ In the fields of demography/society, economy/employment and environment (for example data from the Labour Force surveys etc)

As far as their competences are involved, these should be taken by Italian regions as key priorities in their relations with the Western Balkan territories, to actively contribute to their path towards accession and to contribute to the strengthening of multilevel governance mechanisms in each specific sector.

To this aim, territorial cooperation instruments and in particular the Adriatic Ionian Macro-region perspective can offer a useful framework to elaborate new multilevel governance tools to pursue territorial cohesion across the Adriatic sea.

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

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Assignment performed under the guidance of CeSPI

Third Report

January 2012

**SEENET Programme: A trans-local network for the cooperation between Italy and South
East Europe**

Horizontal Action C - Research



Executive summary

This progress report focuses its analysis on the implementation of the “*Sectoral Strategy of Social Protection 2008 – 2013*” and its action plans at central and local levels. The analysis concerns the major steps towards the objectives of the Social Policy Reform in convergence with decentralization and de-institutionalization processes. The report brings a review of actual financial allocation at central and local levels versus the projected financial resource required by the strategy.

The Medium-Term Budget Programme (PBA) 2011–2013 of the Ministry of Labour, Social Affairs and Equal Opportunities (MoLSAE) – as approved by the Ministry of Finance (MoF), the annual budget forecasted and the actual budget allocated and spent for the Social Protection Program – highlight the consistency of their links but also show gaps and the need to cope with challenges in order to accomplish the EU’s required actions. The detailed action plan and the project need identified by the Shkodra District Municipality show a demand for financial resources to cover the project ideas to implement the framework of its strategic development plan.

In concert with the national *Sectoral Strategy of Social Protection 2008 – 2013*, the Shkodra Regional Council has developed the *Strategic Concept of Shkodra Regional Development 2010–2016* to make its actions more tangible, by tailoring national objectives to regional ones. The Strategic Concept details the regional development approach, based on five main fields of action incorporating their respective vision, objectives, priorities, and indicators. The five fields are: education, training and capacity building; infrastructure and services; tourism and agribusiness; interregional and other partner cooperation; and flood protection. This document provides a comprehensive attempt to coordinate efforts in developing the region.

The decentralization process is long and complex, and is based on the requirements indicated by the EU for the integration of Albania. During 2010 and 2011, the European Commission issued two important strategic documents for Albania to follow. The first is the 2011 *European Commission Opinion on Albania's application for membership of the European Union*, which analyses Albania's application on the basis of the country’s capacity to meet the criteria and the conditionality of the Stabilisation and Association Process. The Opinion highlights 12 specific recommendations with regard to the stability of institutions that guarantee democracy, the rule of law, respect for human rights, and protection of minorities to be followed by the respective responsible governmental structure. With regard to these, MoLSAE is responsible for priority 11, which relates to the issues of human rights and vulnerable groups. The second document, the *2011 EU Progress Report*, reviewed developments of the capacity of Albania to assume the obligations of membership for the period from October 2010 to September 2011, including criteria for Social Protection, Human Rights and Social Services issues. Both these documents bring the EU’s perspective, which helps to define the challenges of the dynamic process of social protection strategy at central and local levels.

This report tries to illustrate the dynamic of the main national and local policies aimed at achieving the objectives of social planning reforms. The analysis presents the context and action plans on which central and the local levels are working in order to address the challenges. When possible, the need for assistance to achieve the objectives of the action plan are identified. At central and local levels, besides the need to harmonise action plans from the bottom up, there is the need for a monitoring mechanism to optimize and boost results and add value to existing investment. Additionally, the monitoring of deadlines and indicators set for respective action plans requires support and assistance from local and international actors. Horizontally, the harmonization of

integrated, decentralized social services by promoting the involvement of all actors - such as local communities, civil society and business/private sector participation - requires increased focus from the partners assisting the decentralization process.

1. Social Policy reform in the framework of the decentralization process

A reform of social policy is currently ongoing in Albania. The guiding document for this reform is the *Sectoral Strategy of Social Protection 2008 – 2010* (SSSP), approved by the Council of Ministers, in Decision No. 80 on 28th January, 2008.

This Strategy gives a detailed view of the social protection policies of the Ministry of Labour, Social Affairs, and Equal Opportunities (MoLSAE). It is part of the *Sectoral Strategy of Social Inclusion* approved by the Council of Ministers with Decision No. 218, on 3rd February 2008, and defines concrete objectives for poverty reduction and social services to be offered to vulnerable groups within the framework of the *National Strategy for Development and Integration 2007-2013* (approved by the Council of Ministers in Decision [VCM] No. 342, on 12th March 2008). It also stands within the framework of the *Government Program of European Integration 2009 – 2013* presented to Albanian Parliament on 16th September 2009, which aims to develop social policies on poverty reduction, improvement of the quality of living for vulnerable groups, integration, empowerment and social inclusion in community development, as well as to create an appropriate environment for equal opportunities in work, integration and social benefit.

Among the strategic priorities of this strategy is the reform of social services through: decentralization; institutionalization of relationships with civil society; de-institutionalization; ensuring the quality of social services by setting quality standards, monitoring outcomes and assessing and improving service quality; evaluation of community planning; and the training and development of staff providing social services.

The main objectives for social services in this strategy are:

1. Decentralization and the transfer of all residential services to the administration of Local Government Units (LGUs)
2. Expansion of a wide variety of community services to cover of all groups with basic services in all the districts
3. Expansion of community services by the year 2013 in all municipalities that do not have such services
4. Piloting a guardianship service in two municipalities (Shkodra and Vlora) until 2010, then expanding this until 2013 to other local government units in accordance with needs and budget capacity – *according to information from MoLSAE officials, activities to realize this objective will start in 2012*
5. Deinstitutionalisation and consolidation of the ‘family-homes’ service model for children and people with disabilities, expansion of these services to other social groups (youth, the elderly)

6. Implementation of standards to increase the quality of services for children, the disabled and the elderly¹
7. Twice-yearly inspection of all residential services and day-care offered by public and private operators
8. Licensing of new providers and the periodic re-licensing of all NGOs working in care services

In the *Sectoral Strategy of Social Protection* the objectives determined in other sectoral strategies are reassessed and coordinated. These strategies are: the *National Strategy for Children* (VCM No. 368; 31.05.2005); *Strategy for Physical Disabled Persons* (2004); *Strategy for Roma Living Condition Improvement* (VCM Nr.633; 18.09.2003); *Gender Equality and Domestic Violence* (VCM Nr.913; 19.12.2007).

1.1 The financing of social protection

An important part of this strategy is that of ‘Financial Implication’, which indicates the budget forecasting that the government will allocate to the ‘Social Protection’ Strategy. The Medium-Term (PBA) Budget of the MoLSAE will serve as a three-year action plan for the strategy. In fact the Medium Term Budget 2011-2013 has been approved by the Ministry of Finance and serves as the main document for implementation of the strategy and government budget resource allocation to respective fields.

Based on recent guidelines issued by the Ministry of Finance (No. 7/1 date 22.02.2010, No. 7/3, 10th July 2010), the procedures for the formulation of local annual budgets and medium-term budgets (PBA) are intrinsically intertwined. Planning for annual local budgets represents the first step towards a broader agenda that aims to set out forecasts of local revenues and expenditures for a three-year medium-term period. However the line ministries (including MoLSAE) follow the PBA and readjust it each year to design the ‘actual’ annual budget.

The MoLSAE PBA budget is subdivided in 6 Programs respectively: Planning, Management and Administration; Social Security; Social Protection; Working Market; Work Inspections; Equal Opportunities.

Following the PBA and the budget foreseen in the Social Security and Social Protection (SSSP) programmes we can see that the budget forecast for the ‘Social Protection’ programme for the year 2010 is 18,535,000 thousand Albanian lek (page 54) (€134,788,630)². Following the Strategy the government has allocated in the budget through PBA the sum of 18,867,500 thousand lek (€137,199,290). The annual budget allocation is 19,250,630 thousand lek (€139,974,420). The reality today (after analysing the finalized budget year of 2010) shows that the budget allocated from Government to MoLSAE achieved its allocated projection for the year 2010, of 19,250, 637 thousand lek (€139,977,710)

¹ In fact the MoLSAE has already set and approved standards for social services, for care services of trafficked individuals (or those in danger of trafficking, or in shelter care), and social care of children in residential centres.

² The amounts were converted from AL lek to euro using the website www.xe.com on December 2nd, 2011.

MoLSAE Expenditure 2010 (in lek and euro)

	PBA	Budgeted	Spent	% of spending Actual/Plan
Program Name	Vjetor2010	Vjetor2010	Vjetor2010	
Social Welfare	18,867,500,000 Lek or €137,199,290	19,250,637,000 Lek or €139,974,420	18,837,129,000 Lek or €136,944,480	98%
Equal Opportunities	23,200,000 Lek or €168,700	19,240,000 lek or €139,900	17,613,000 lek or €128.000	92%

Source: <http://www.mpcs.gov.al/programet-dhe-realizimi>

Derived from the analysis above for the year 2011 - for which we do not have a SSSP projected budget - the planned PBA budget is 19,387,010 thousand lek (€141,024,000). Compared with 2010 the budget allocation for the social protection program is 37.19% of all programs, versus 37.23% in the year 2010 (table below).

MoLSAE Budget expenditure for the year 2011 - 2011 (in LEK and euro)

		PBA 2010 Planned Budget	% to the Total Programs Budget	PBA 2011 Planned Budget	% to the Total Programs Budget
1	Social Protection	19,250,637, 000 lek or 140,025,700 €	37.23	19,387,010,000 lek or 141,015,654 €	37.19
2	Equal Opportunity	19,240,000 lek or 139,979 €	0.04	20,900,000 lek or 153,055 €	0.041
	Total Budget for all MoLSAE Programs	51,693,420,000 lek or 376,032,350 €		60,201,000,000 lek or 437,918,860 €	

The actual figures for the year 2011 show that the budget allocated for the first 9 months of 2011 is 22,432,507 thousand lek (€163,134,000), which is 15% more than in 2010, and actual expenditure has been 22,432,056 thousand lek (€163,131,000), which means that 100% of the allocated budget was spent.

2. Financing for social protection at local level

At the local level, the following table shows the trend of Unconditional Transfers (MoF) in local currency for the respective districts of the Shkodra Region as distributed at district level for the period 2010-2011. The Ministry of Finance has detailed and specified the allocated unconditional funds for each LGU within districts (communes or municipalities).

Unconditional Transfers for Shkodra districts allocated from MoF during the period 2009-2012 in thousand lek and euro:

District	Currency	2009	2010	% of change	2011 (reviewed July 2011)	% of change	2012	% of change
Malësi Madhe	lek	173,139	150,661	- 13	148,108	-1.69	151,519	2.3
	euro	1,259	1,095		1,077		1,102	
Pukë	lek	197,508	171,692	- 13	172,620	0.5	175,678	1.7
	euro	1,436	1,249		1,256		1,278	
Shkodra	lek	726,193	643,626	- 11	642,659	-1.5	673,426	4.7
	euro	5,282	4,682		4,675		4,899	

Following the guidelines issued by the Ministry of Finance and the Central Government, the budget formulation as described by the local officials of the Municipality of Shkodra, starts between February and March. Planning for the budget proposal of the following year begins immediately after the National Budget for the forthcoming year (i.e. 2012) has been approved by Parliament. The National budget for the year 2012 is presented and expected to be approved from the Parliament, including the respective tables and guidelines for each line ministry and LGU. As confirmed by the Head of the Budgeting Department in Shkodra, the annual budget formulation phase usually only lasts two to three months. The LGU starts detailing the coming year's annual budget based on the Budget Law approved from Parliament using the forms and annexes attached to guidelines given by the MoF. The annual budget starts on the 1st January and ends on the 31st of December. Following the Budget Law for the upcoming year (i.e. the law for the 2012 annual budget), the LGU has to detail its respective planned budgets. This planning process needs to start early in the year and according to MoF Templates and Forms, sent back to the MoF in electronic form. The detailed LGU annual plan is then approved by the MoF and becomes effective through the local system.

As we know from previous SeeNet reports on the Shkodra Region³, in addition to the unconditional transfers that cover about 50% of local government budgets, LGUs receive conditional grants which are used to finance the 'shared' functions of municipalities/communes. Conditional transfers are central government funds given to LGUs through line ministries. MoLSAE is the line ministry that receives conditional funds for social support and payments for persons with disability from Central Government.

³ Reports are available at the webpage www.cespi.it/seenet.html

In addition to unconditional and conditional grants, the central government budget invests according to the priorities emanating from the line ministries. The PBA for 2011 – 2013 has therefore already planned to finance the following projects, considered as priorities by Ministry of Health (MoH) of the Shkodra Region:

- In the field of Primary Health Care, 112,112,000 lek (€815,618) for the third phase of regional hospital reconstruction, including the treatment for mentally ill hospital patients in the region
- Accomplishment of 30% of equipment needs for the treatment of patients during 2013, and 20% thereof in 2012, at a cost of 833,820,000 lek (€6,065,517)
- The reconstruction of Shkodra Municipality Hospital at 564,000,000 lek (€4,109,039) for the year 2011

The Shkodra Region has intensive and dynamic financing from international donors that covers various aspects of regional development. The *Strategic Concept of Shkodra Regional Development 2010 – 2016* has detailed regional development on five fields of action with their respective vision, objectives, priorities, and indicators. The five fields are: education training and capacity building; infrastructure and services; tourism and agribusiness; interregional and other partner cooperation; and flood protection.

This document introduces proposed project ideas for all actors to be implemented in order to achieve the specific objectives set for each field. In the field of improvement of social services and health the budget required to achieve the objectives set is €333,000 and €920,000 respectively.

	Budget forecasted (€)	Possible Financial Source
Improvement of social services		
Strengthen social service offices in all LGUs	200,000	- IPA CBC - LGU's competitive programs, Other donors: GTZ, UNDP, ADA, SDC, SNV, KFW, etc
Identification of financial needs for social service institutions	20,000	
Coordination between health, education structures and municipalities/communes offices	30,000	
Training for EU standards of social service delivery	32,000	
Expansion of diversity of community service	50,000	
Health		
Increase professional standards through medical supply and professional training	120,000	- IPA CBC - LGU's competitive programs, Other donors: GTZ, UNDP, ADA, SDC, SNV, KFW, etc.
Consolidation of medical network	100,000	
The purchase of health centre equipment	200,000	
Support for health projects	400,000	

Source: MoLSAE and Shkodra Municipality

Some examples proposed for the *Improvement of social services* project are:

- Workshop for quality service and assistance for blind people
- Training for quality service and assistance for the elderly
- Training for administrative staff with regard to their responsibilities deriving from the decentralization of social services

- Training for public institution staff offering social care services to ensure the achievement of approved quality standards
- Lobbying to encourage the participation of non-profit social businesses in the financing and provision of social services
- Workshop for promoting and encouraging the initiative for children

The projects are presented to donors to be financed in partnership with the LGU. The IPA - under the CBC program with Montenegro, the IPA CBC Adriatic, and trans-national programmes for Southeast Europe and the Mediterranean - is seen as the main potential source of financing for such projects, in addition to other donors, such as Italian Cooperation, Swiss Cooperation, GTZ, UNDP, and ADA. To implement the strategy, the Municipality of Shkodra will also use other self-funded resources such as competitive grants for LGUs, as well as partnership in joint projects (i.e. 15% of IPA-funded projects).

This strategic document provides a comprehensive attempt to coordinate efforts to develop the region, but still the central level suffers from a lack of evidence and/or a clear picture of ongoing running projects, and their modalities and types, as well as financial evidence in order to articulate social service planning. Both central and local levels are seeking a further strengthening and coordinating of priorities and financial allocation, according to the priorities set.

2.1 Participation in budget formulation and implementation

Local government in Albania, as an effective executive mechanism, acts within the powers delegated to it by the Constitution of the Republic of Albania, relevant legislation, and the directives provided by central government. In practice, a significant degree of decentralization has been attained through the vertical transfer of power and functions from the central government to local units at the first level (municipality/commune). The delegation of financial functions, in this respect, comprises the creation of a partially autonomous financial system. In order to fully realize financial autonomy, the public perception of local citizens must be an integral part of the local financial system management. This is a very important aspect, considered as key information for social planning for the Regional Council of Shkodra. For a better prioritization of financial resource allocation, the central level is also interested in concrete local community involvement for addressing the most needed interventions, and coordinating other financial donor resources.

In addition to the civil society, business/private sector participation in setting LGU priorities in shared financial project implementation is also seen as very important by the LGU. The participation of business/the private sector, civil society and public actors in local government activities, especially in the formulation and implementation of the local budget, is crucial to principles of good governance for several reasons. According to municipality officials the main reasons are:

- Since the budget is an estimate of what local government spends and where its priorities lie, there is a need to seek citizens' opinions on how and where public funds are channelled.
- Since the budget is a *tool for the provision of services* and the satisfaction of society's needs, it is essential that citizens are involved in the process of prioritization and allocation of funds. Being very close to local people, civil society groups can be an effective mechanism to assess the needs of various communities.
- The participation of civil society in the budget process brings in a *variety of skills* and experiences that can be very useful to the designation of an effective budget. Moreover, the experience and skills that civil society groups have gained either on their own, or through

cooperation with their counterparts outside the country, can be effective in facilitating budget reform processes.

Focusing on a participatory approach in policy design, Shkodra Municipality has been trying to involve these society actors in its regional development policy design. The design of the *Strategic Concept of Shkodra Regional Development 2010 – 2016* followed a consultation process which included various workshops with interested stakeholders, both from civil society and the business community. Knowledge is shared between actors in this process and sectoral expertise and the voice of community individuals is combined into the same platform.

However, the process is aimed at implementing the ideal formula of participation: 1/3rd – 1/3rd – 1/3rd from public, private and civil society participants respectively, but it was difficult to attain this rate of participation. In particular private sector participation is still low (even though it was expected to be higher). This is because the dialogue between public and private entities is a novel process and in particular the private business sector is not particularly aware of what the benefit of this process could be for their community.

3. Social inclusion in the framework of EU recommendation

Local and central governments have to prioritize their actions taking into consideration the 12 recommendations of the EU Delegation to Albania as well as the recommendations derived from the 2011 EU Progress Report, chapters 19 and 23, *Economic and Social Rights* and *Judiciary and fundamental rights* respectively. According to the latest report, the EU Progress Report for Albania, *there has been uneven progress in the area of social inclusion, [and] pockets of persistent poverty remain in rural and mountainous areas* (page 51). Therefore taking concrete steps to reinforce the protection of human rights, notably for women, children and Roma, and effectively implementing anti-discrimination policies, are key priorities of the EC's Opinion.

With this focus and objective, central and local governments intensified their investment and are working to improve social protection services and give specific focus to the highlighted recommendations, such as the rights of physically and mentally disabled people. According to official statistics there are 94,804 disabled people living in Albania, of whom thirty-five percent are women.⁴ In the analysis of this issue, MoLSAE states that in Tirana, Shkodra and Elbasan there are 250 disabled people who today benefit from the services offered by different organizations⁵. Centres placed in these areas serve not only those regions but also extend beyond their borders. However, we are still able to highlight from the *2011 EU Progress Report* the following observation: *Progress in the treatment of socially vulnerable and/or persons with disabilities is insufficient. The lack of access to equal rights resulting from the differentiated status for certain groups still persists. Individuals with mental disabilities still do not have an official status.*

⁴ http://albania.usaid.gov/shfaqart/58/62/Support_for_Persons_with_Disabilities.htm

⁵ There are no detailed records about the number of disabled people. Various attempts to study the numbers indicate that official numbers are under-estimated.

Implementation of the national strategy on persons with disabilities continues to be inadequate and employment quotas are not enforced.” (page 54)

The same document, following the theme of social rights, notes: “...implementation of the Strategy on improving Roma living conditions continues to be slow, due to inadequate resources and insufficient coordination of institutions involved at local and central level. Local level action plans for implementing the strategy have not been developed and responsibilities have not been clearly devolved. Despite an effort by the Roma Technical Secretariat to strengthen the functioning of the regional committees on planning and evaluation of social needs by including the National Action Plan for Roma Decade into their agenda, there continues to be a general lack of awareness at local level. There have been no specific budgetary allocations for the provision of critical social services for Roma and there is excessive reliance on civil society and international donors in this field.” (page 20)

In coherence with these documents and in response to *The Strategy of Social Protection* which has specific focus on the Roma Population, MoLSAE, in cooperation with the donor community, and based on the SSSP action plan, must implement the following measures:

- Integration of Roma Children:
 - Create non-residential centres serving as tailored school centres for better development and integration of this group of children.
 - Inspection from Governmental institutions in relation to child labour.
- Supporting and assisting the Roma community in applying for social assistance for poor Roma families, through:
 - Organizing a media campaign to inform them of their rights to social benefits
 - The issuing of administrative acts to oblige communes and municipalities to support Roma families with legal aid
- Supporting and boosting Roma NGOs as the main representatives for their problems and issues, through:
 - Identifying and registering existing Roma NGOs
 - Creating a Roma NGO Network
 - Assisting Roma NGOs in setting up and increasing their cooperation with government and decision-making structures

Evidence shows that the Roma community still faces many difficulties in living conditions and frequent discrimination, particularly regarding access to education, social protection, health, employment and adequate housing.

Finally, the conclusion of the EU Report with regard to social protection issues states that: “*There has been some progress as regards **social protection** ... [but] implementation of policies also remains insufficient, particularly as regards vulnerable groups and social inclusion.*” (page 48)

4. Social protection services in national and local action plans

The process of decentralization needs to be further consolidated through continuous intergovernmental and multi-stakeholder dialogue and consultation, as the situation at the time of writing is uneven: while some municipalities are well advanced in this process, others are still lagging behind. Given increasing responsibilities at local level, as well as rising standards expected by citizens, it is necessary to further strengthen the capacity of local governments, which remain asymmetric and relatively weak.

The Ministry of the Interior's officials recognize that actual development on decentralization has already highlighted lessons to be learned, such as:

- Prior and ongoing assistance shows the need to shift efforts to implementation of action plans, to follow the decentralization strategy and EU recommendation, as well as to focus attention on projects that may have a more direct impact in building institutional capacities and sustainable resources at local/regional level.
- Many of the problems and issues related to improving local infrastructure and services may require a supra-municipal approach, implying multi-LGU levels of intervention.
- There is a need to promote and strengthen co-operation between municipalities and communes.

In the new challenges facing the reform of social protection, MoLSAE has reviewed the SSSP action plan in the framework of the decentralization process and has increased the responsibilities of LGUs to improve the provision of social services via the public and private sectors, through strengthening cooperation with line ministries, prefectures and state-level authorities, municipalities and communes. *Five technical working groups* were composed to do the analysis and give recommendations on the further institutionalization and effective management of social services which concern: **regulation; distribution of responsibilities; planning; financing and budgeting; human resources; and communication/reform promotion**. The actors attended a two-day conference, and the five technical working groups brought out an action plan for the period of January – December 2011, with a division of responsibilities between central and local authorities and civil society.

The action plan is driven by a holistic approach to provide integrated, equitable, qualitative, accountable, accessible and integrated social services from local government, in concert with the principles and vision of national social protection strategy. Emphasis should be given to qualitative and efficient training of the staff in charge of Social Services in a manner to enable them to undertake the tasks required. Service provision should not be provided only by local government, but may be offered in a mix of governmental and non-governmental providers which should be licensed, experienced, evaluated and regulated by a national standardised system through an independent body that the Albanian government should set up. Furthermore, the issues of the development of capacity, together with further consolidation of the decentralization process, need to be tackled in harmony. In many cases, such problems can only be addressed in an effective way at a wider scale, rather than just in a single municipality. So far the 'social welfare mix' is the most common system in the EU, as it has proved to be the most effective and efficient.

Some highlighted activities to be implemented at local level according to the themes are:

1. Regulatory Framework and the role of Central and Local Government in Offering Social Services
 - a. Local training in the methodology of the evaluation of needs
 - b. Reviewing and drafting of sublegal acts better to regulate the local bidding process with regard to community social services

2. Share of Responsibilities between Public and Private Service Providers
 - a. Mapping local social services for the entire territory of Albania
 - b. Evaluation and estimation of actual needs, and setting up of priorities
 - c. Review of sublegal acts of social services
 - d. Improve data collection of public/non-public service provider institutions/organizations
3. Budget Planning and Financing of Integrated Social Services
 - a. Improve the planning structure at local levels and enhance cooperation between this structure and service providers
 - b. Improve fiscal policy to encourage individual contributions or business service offerings
 - c. Setting up a monitoring/auditing budget system
 - d. Increase public budget to ensure a baseline service level for all LGUs following the evaluation of requirements
 - e. Determine clear criteria for the quality of services to be offered and their respective financial needs
 - f. Standardize the bidding procedures for public and non-public institutions and organizations
4. Human Resources Requirements for Social Services
 - a. Regulating the legal framework for social service employees
 - i. Clearly determine the status of social workers
 - ii. Produce a code of ethics
 - b. Define job descriptions for social employees in LGUs
 - c. Increase cooperation between the local universities of Social Science and service providers
 - d. Standardize the training curricula
5. Promotion of Social Services
 - a. Increase information about services provided by the respective LGUs
 - b. Increase cooperation and agreement between various service providers
 - c. Training of media staff who deal with social issues, in written and electronic communications
 - d. Build a human resources database about the quality of social services functions

To address the 12 priority areas of the Opinion of the European Commission on Albania's readiness for candidate status will require the government's commitment to achieve priority 11, for which the main body responsible is the MoLSAE. In order to harmonize policies, actors and social services at central, regional and local levels in the framework of the EC recommendation, the MoLSAE has further elaborated a Short Term Action Plan that requires actors to: *"Take concrete steps to reinforce the protection of human rights, notably for women, children and Roma, and to effectively implement anti-discrimination policies"*. To accomplish this action plan, other government line ministries, institutions and partners are also responsible for implementing particular activities (page 104) such as the Ministry of Health, the Ministry of Interior, the Ministry of Education and Science, the Ministry of Justice, the Ministry of Economy Trade and Energy, the Ministry of Agriculture, Food and Consumer Protection, the Department of Strategy and Donor Coordination, NGOs, gender experts, academic areas, media, and local government. The action plan stands in coherence

and convergence with the SSSP and MoLSAE action plan for the year 2011, as presented in the previous section.

Following the Action Plan and aiming to be efficient in addressing financial resources towards the activities according to the priority and the set timeline, MoLSAE has already provided evidence of evaluated outputs during the year 2010 and the first 6 months of 2011, with respective budgets allocated for the activities carried out – see table below (Annex 3).

5. Initiatives to improve the social protection institutional framework at the regional and local level in Shkodra

After the central level, the local level is also implementing activities and projects based on the national framework. The local strategic documents are in themselves an integral part of the national strategic paper, but in particular they address the specific need evaluated on the ground. So, as mentioned above, the Strategic Concept of Regional Development (2010 – 2015) is one of the main documents in the implementation of social protection reform. Various important interventions are ongoing in supporting this reform. The *Need Evaluation Commission* is a structure under the Social Services Department in the municipality to better coordinate the efforts and aggregate intervention in the territory. This commission evaluates and decides the best way to assist clients and accommodate them in residential centres, municipal structures such as orphanages for 0-3 year-olds, residences for schoolchildren between 6-15 years old, centres for the elderly, and development centres.

Under the initiative of MoLSAE and with the assistance of the Ministry of Foreign Affairs of Italy, Regione Emilia-Romana, Regione Marche, Puglia Region and the Municipality of Forli and technical expertise of the Institute for Social Policy Renewal (IRPS), a national database on social services for the Municipality of Vlore, Elbasan and Shkodra is being built. This database is important in creating synergies between the institutional policies, which must rely on concrete indicators. Indicators from this database will serve as benchmarks to support planning in the social protection field.

This initiative will also enhance the accomplishment of the objectives set out in the MoLSAE agreement with Emilia Romagna to support the process of decentralization in the social sector by improving the institutional capacity for integrated and social planning of municipal and regional administrations (*Accordo di collaborazione operativa tra la Regione Emilia Romagna e il Ministero del Lavoro, Affari Sociali e Pari Opportunità della Repubblica di Albania*). This agreement is in the process of being signed by both partners and is planned to last until end of 2012.

Up-to-date information about the institutions offering social services in Shkodra is shown in the table below. With regard to the categories of Residential and Daily, many institutions offer both services in their centres.

Institutions for:	Total Number	Public	Private	Residential	Daily	Resid Daily +
Children	8	3	5	4	3	1
The Elderly	3	1	2	1	1	1
The Disabled	6	0	6	5	1	1
Women/Girls	5	0	6	1	3	1
Families in need	1	0	1	0	1	

To contribute to enabling staff of the LGUs successfully to face the challenges they face with regard to the management of multidimensional decentralization reform, as well as to integrate the central and local action plan in a wider scale than in a single Municipality, the “Strengthening the Local Government Unit Structure” Project is implementing activities which aim to improve the framework for Inter-Municipal Co-operation (IMC), to strengthen local governmental capacity in this area, and to develop and implement a set of modern Human Resources Management (HRM) tools on. This program, headed by the Ministry of Interior for the period of March 2010 – March 2013 under the assistance of Swiss Cooperation, includes the Shkodra Region, and it is focused on building the capacity of HR through: increasing awareness of IMC and its importance and developing and piloting a training programme on IMC tailored to the needs of Albania; development, introduction and piloting of modern HRM tools and methods relating to the definition of job profiles, selection and recruitment procedures, appraisal of staff performance and the evaluation of training needs.

As already indicated, with the aim of optimizing resources for the Shkodra Region Development, the *Strategic Concept of Shkodra Regional Development 2010 – 2016* is an important document on which the Shkodra Regional Council has detailed the Regional Action Plan for the period of 2010 - 2016 in the fields of education training and capacity building; infrastructure and services; tourism and agribusiness; interregional cooperation, and cooperation with other partners.

The following table shows the plan of action for the period 2012–2016, for two measures: improvement of social services and health.

	2012				2013				2014				2015				2016
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Improvement of social services																	
Strengthen social service offices in all LGUs																	
Financial need identification for social services institutions																	
Coordination between health, education structures and municipalities/communes offices																	
Expansion of the diversity of community services																	
Health																	

Short-term measures to address this recommendation are as follows:

- Adoption of a National Strategy on Gender Equality, Violence against Women and Domestic Violence for the period 2011-2015;
- Measures to enhance protection of the rights of lesbian, gay, bisexual and transgendered persons;
- Enhancement of women's representative ability to participate in overall decision-making in various sectors;
- Promoting the economic empowerment of women, in order to increase their participation in the public sphere and effectively to protect the victims of domestic violence;
- Review of the National Children's Strategy 2005-2010 and Action Draft Plan for the period 2011-2015;
- Completion of a legal framework in line with *acquis* and international conventions aimed at the establishment of a functional system for the protection of children's rights;
- Completion of a legal framework for persons with disabilities, in line with standards and best practices of EU countries;
- Protection of Roma's community rights in line with legislation in force and international conventions;
- Ensuring effective implementation of anti-discrimination policies through an enhanced role of the Office of the Commissioner and concrete activities such as awareness-raising.

The MoLSAE started the review and assessment process of the National Strategy on Gender Equality and Domestic Violence and the Action Plan 2007-2010, which has come to an end. The four priority areas of the new "*Action Plan Addressing the Recommendations of the EU Opinion for Albania*" are:

- Strengthening of the Institutional and Legal Mechanism in order to ensure and monitor the implementation of the Law "On Gender Equality in Society" and the law on "Measures Against Domestic Violence";
- Greater participation of women in political and public life via special measures, to reach equal participation of men and women in the decision-making of all sectors;
- Social and economic empowerment of women further to achieve the social and economic security of women and girls;
- Reduction of violence against women and of domestic violence by improving the legal framework to strengthen condemnation of these phenomena by a zero-tolerance approach, supporting domestic violence victims through different social services, etc.

UN Women will fund the costs of the consultancy work. The Directorate of Equal Opportunities Policies and Family (DEOPF) and MoLSAE will provide overall technical guidance to actors as well as facilitating work with appropriate offices in line ministries and dependent institutions. According to the budget of the strategy, the activities of the action plan will be realised from the budget of the government (MoLSAE and line ministries), the budgets of local governments, and other national/international donors. All actors, including the LGU, are part of this process and are responsible for the commitment of their budget allocation.

As regards protection and respect for children's rights, MoLSAE has adopted for the first time in an integral law '*For Supporting Children's Rights*' (No 10347 on 4th November 2010). This law

defines the rights and protection offered to each child, the mechanisms responsible for ensuring the effective implementation of protection of these rights, and special care for the child.

MoLSAE has started to review the National Children's Strategy and draft the new Action Plan for 2011-2015, including specific measures on the protection of children's rights, as well as all the necessary legal sub-acts which enable the adjustment and functioning of the responsible structures that operate in this area at central and local levels. LGUs and other interested parties are part of the consultation process in designing and approving the action plan and policies, as well as defining the objectives to be achieved when related to LGUs' responsibilities and structures.

The approved sublegal acts deriving from Law No 10347 '*For Supporting Children's Rights*' are as follows:

1. Draft Decision of the Council of Ministers (DCM) "On the types, methods of exchange, and processing of information and statistics requested by the state agency and the responsible state structures at a central and local level",
2. Draft DCM "On the procedures of carrying out controls and imposing sanctions on those that violate the rights of children",
3. Draft DCM "On the coordination of the activity of mechanisms at a central and local on issues regarding the protection of the rights of children",
4. Draft DCM "On the cooperation with non-profitable organizations regarding the implementation of local policies for the protection of the rights of children",
5. Draft DCM "On the mechanisms that coordinate work among the state authorities responsible for referring cases of children in danger and the manners for it to proceed".

Conclusions

This Progress Report focuses its analysis on the implementation of the *Sectoral Strategy of Social Protection 2008–2013* and on its action plans at central and local levels, focused on the major steps required to be taken toward the objectives of social policy reform in convergence with decentralization and de-institutionalization processes.

At this point of analysis, citing the EU Delegation from the 2011 Progress Report, we should note that: "*The decentralisation reform process is adversely affected by the difficult relationship between central and local government. The management of local government taxes remains weak. Local government authorities continue to lack the administrative capacity to improve revenue collection, increase their fiscal autonomy and improve their performance accordingly.*"⁸

Reviewing and assessing the implementation of Sectoral Strategy of Social Protection, we find that the central level (MoLSAE) highlight that the strengthening of decentralization and the improvement of performance and standards of social protection services require better:

⁸ *Commission Staff Working Paper; Albania 2011 Progress Report; Brussels, 12.10.2011*

- Harmonization of decentralized social service functioning
- Increase in the promotion of inclusion and participation
- Qualification of human resources

In the current dynamic, the coordination of roles and responsibilities at local and central levels remain key to the success of the reform. Despite the difficulties, the Shkodra Region is taking steps to be the main actor in Policy Design with regard to Social Protection and Social Service Delivery. Being aware of the challenges of this task, the Action Plan of the Shkodra Region Strategic Concept gives special attention to building the capacity of human resources, and inter-regional and other partner cooperation. Service provision should not just be provided by local government, but may be offered using a mix of governmental and non-governmental providers, which must be licensed, experienced, evaluated and regulated by a national standardised system through an independent body.

Financial resources dedicated to achieving the Shkodra Region Development vision are still limited. However, regional staff are focusing their attention on the coordination and efficient use of financial resources, either from government budgets, their own sources, or donors. In this context the monitoring and management levels need to be improved and to become more professional. This process should be coordinated with the central level which still lacks evidence-based analysis and/or a clear picture of ongoing running projects, modalities and their types, as well as financial evidence to articulate social protection service planning. Both central and local levels of government seek to further strengthen and coordinate the priorities and financial allocation according to the priorities set.

Optimizing the resources allocated to social protection services, and having a results-oriented vision on public expenses, the Municipality of Shkodra highlights the requirement that the budget formulation process be characterized by a participatory approach. More frequent reporting (i.e. monthly and quarterly performance reporting) is needed in order better to track expenditure trends and the results achieved. Additionally, the municipality needs to target more indicators in its own financial reporting. It is imperative that the municipality adopt more appropriate monitoring systems and take corrective steps when under-spending is recorded.

To be effective, regional development must be seen as a common objective for all actors/stakeholders at all levels. Coordination between institutions at local and central levels needs to be increased in a sustainable manner. In addition to the need to harmonise action plans using a bottom-up approach, there is also a clear need for a monitoring mechanism to optimize the results and add value to existing investments in order to boost them. Moreover the monitoring of deadlines and indicators set for respective action plans, in line with other needs mentioned, requires technical support and assistance where territorial cooperation can assist. Territorial/decentralized cooperation can also be essential in assisting the horizontal context of *harmonization of integrated decentralized social services*, thus reducing fragmentation of the project at a local level. For all actors, improving the involvement, participation and dialogue between partners - including local communities, civil society and the business/private sector - requires special efforts, via cooperation and assisting the decentralization process, to help those actors synergise their efforts and increase the sustainability of investments through an increased sense of ownership.

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Annexes

1. Short -Term Action Plan - in response to the European Commission Opinion on Albania's application for membership of the European Union

SHORT-TERM MEASURE	ACTIVITY	DEADLINE	RESPONSIBLE INSTITUTIONS
Effective Implementation of Domestic Violence Strategy	<p>1. Adoption of the National Strategy on Gender Equality and Domestic Violence for 2011-2015.</p> <ul style="list-style-type: none"> - Consultation on draft strategy with the responsible line ministries. - Consultation on draft strategy with the Civil Society. - Consultation on draft strategy with donor community. - Reflection on the recommendations - Pursue the adoption of procedures in the National Council of Gender Equality. - Pursue the adoption of procedures in the Council of Ministers. <p>2. Establishing a national coordination mechanism for the fight against domestic violence</p> <ul style="list-style-type: none"> - Adoption of the Decision of the Council of Ministers on the Establishment of National Referral Mechanism (NRM) for victims of domestic violence. - Informing local government (municipalities) on the establishment of this mechanism. - Monitoring of the DCM implementation for NRM 	<p>May 2011</p> <p>1 April</p> <p>1 April</p> <p>1 April</p> <p>3 April</p> <p>5 April</p> <p>May 2011</p> <p>Ongoing</p> <p>16 Feb 2011</p> <p>Ongoing</p> <p>Ongoing</p>	<p>MOLSAEO - (DEOPF), MoH, MoI, MoES, MoJ, METE, MoAFCP, DSDC, NGOs, gender experts, academic area, media, local government.</p> <p>NCGE, DEOPF</p> <p>Council of Ministers</p> <p>MoLSAEO</p> <p>GDSP</p>
Effective Implementation of Domestic Violence Strategy	<p>3. Putting into operation national shelters for the victims of domestic violence</p> <ul style="list-style-type: none"> - Adoption of standards - Strengthen building capacities that offer services in these shelters - Training of shelter staff by an international expert. <p>4. Imposing harsh penalties through a zero-tolerance legal framework against domestic violence</p> <ul style="list-style-type: none"> - Meetings with institutions responsible for the promotion of legal initiatives on imposing harsh penalties against domestic violence. <p>5. Conducting a study on the phenomenon of domestic violence during 2008-2010 and preventative measures</p>	<p>February 2011</p> <p>Ongoing</p> <p>17- 23 May</p> <p>Mar.-July 2011</p> <p>Ongoing</p> <p>Jan.- May 2011</p>	<p>Albanian Parliament, MoLSAEO - (DEOPF), MoH, MoI, MoES, MoJ, METE, MoAFCP, DSDC, NGOs, gender experts, academia, media, local government.</p>

SHORT-TERM MEASURE	ACTIVITY	DEADLINE	RESPONSIBLE INSTITUTIONS
	taken by the Police. 6. Training of 120 Police officers of crime investigation and prevention units on 'Treatment and protection of victims of domestic violence'.		
Enhancing the protection of the rights of lesbian, gay, bisexual and transgendered persons	<ul style="list-style-type: none"> - Establishment of a working group. - Revision of legislation in labour and social protection fields by the working group. - Development of a concrete work programme, awareness, and activities for LGBT persons. - Survey on the LGBT situation in the employment field. 	<p>April 14, 2011</p> <p>December 2011</p> <p>December 2011</p>	MoLSAEO, National Employment Service, State Social Service, Office of the Commissioner for the Protection against Discrimination
Social and Economic Empowerment of Women	<ul style="list-style-type: none"> - Organize information and training sessions on: management of existing enterprises, establishment of new enterprises, use of loans; - Promote women's enterprise through organization of annual national fairs on women's enterprise - Review the legislation on social insurance with regards to paternity leave in compliance with recommendations of CEDAW and EU 	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>MoLSAEO, METE, Bank of Albania, NGOs, International organizations</p> <p>MoLSAEO, METE, MoAFCP</p> <p>Associations of women's enterprises</p> <p>Trade Chamber</p> <p>M0LSAEO, NGOs, Media</p>
Upgrading women's representation level in every field of life (in decision-making structures)	<p>1. enhancement of women's representation and their ability to participate in decision-making structures to more than 30%</p> <ul style="list-style-type: none"> - Raising awareness of the participation of women and girls in policy with particular focus on local election in May 2011 - Monitoring of the application of the 30% quota at the highest decision-making levels of politics and administration 	<p>March 2011 –in progress</p> <p>May 2011 – in progress</p>	MoLSAEO (DEOPF), Local Government, line ministries, INSTAT, Associations of area Media
Effective Implementation of the Strategy on the Rights of the Children	<p>1. Drafting the national strategy on the rights of children 2011-2015 and its action plan:</p> <ul style="list-style-type: none"> -The approval of the order of the Labour Minister 'On the establishment of the inter-institutional working group with regard to drafting the national strategy on the rights of children 2011-2015' and its action plan; -The distribution and gathering of preliminary 	<p>April 2011</p> <p>January 2011</p>	MoLSAEO

SHORT-TERM MEASURE	ACTIVITY	DEADLINE	RESPONSIBLE INSTITUTIONS
	<p>comments by members of the working group on the assessment report of the national strategy for children 2005-2010;</p> <ul style="list-style-type: none"> - The first meeting of the inter-institutional working group regarding the preliminary discussion of the assessment report of the strategy; - Finalization of the first draft of the national strategy on children 2011-2015; - The definition of priority fields on the new action plan. - Comments and recommendations from working groups and other actors regarding the new action plan 2011-2015; - The compilation of the draft-decision of the council of ministers on the approval of the national strategy for children 2011-2015 and its action plan; - Approval by the Council of Ministers 	<p>January – March 2011</p> <p>March 2011</p> <p>May 2011</p> <p>June 2011</p> <p>July 2011</p> <p>August 2011</p> <p>Sep. 2011</p>	
<p>Establishing a Functional Child Protection System</p>	<p>1. The approval and drafting the sub-legal acts that will be approved and implemented based on Law No 10347 of 4th November 2011</p> <ul style="list-style-type: none"> - Approved a decision of the council of ministers on the organization and functioning of the national council on the protection of the rights of children - Approved an order on the structure of the state agency on the protection of the rights of children - The draft order of the Albanian prime minister on the establishment of the national council on the protection of the rights of children; - The process of drafting the Decision of the Council of Ministers ‘On the organization and functioning of the state agency on the protection of the rights of children’ has been completed and sent for opinion to the line ministries <p>Staff recruitment of the State Agency for protection of the rights of children.</p> <p>2. Building capacity of the National Mechanism on Human Rights Protection.</p> <ul style="list-style-type: none"> - Summon the first meeting of the National Council on Child Rights Protection. - Coordination of local actors to prevent and moderate domestic violence. 	<p>February- March 2011</p> <p>January – March 2011</p> <p>May 2011</p> <p>April 2011</p> <p>June 2011</p>	<p>Council of Ministers MoLSAEO</p>

SHORT-TERM MEASURE	ACTIVITY	DEADLINE	RESPONSIBLE INSTITUTIONS
The approval of other sublegal acts deriving from the Law No 10347 of 4.11.2011	<ol style="list-style-type: none"> 1. Draft Decision of the Albanian Council ‘On the kinds, way of exchange and processing of information and statistics requested by the state agency and the responsible state structures at a central and local level. 2. Draft Decision of the Council of Ministers “On the procedures of carrying out controls and imposing sanctions on those that violate the rights of children”. 3. Draft Decision of the Council of Ministers “On the coordination of the activity of mechanisms at a central and local on issues regarding the protection of the rights of children”. 4. Draft Decision of the Council of Ministers “On cooperation with non-profitable organizations regarding the implementation of local policies for the protection of the rights of children”. 5. Draft Decision of the Council of Ministers “On the mechanisms that coordinate work among the state authorities s responsible for referring the cases of children in danger and ways it can proceed”. 	<p>During 2011</p> <p>During 2011</p> <p>During 2011</p> <p>During 2011</p> <p>During 2011</p>	
Effective implementation of the National Strategy on People with Disabilities	<ol style="list-style-type: none"> 1. Drafting integral law in line with the EU Strategy on the Right of Persons with Disabilities and EU Action Plan, the Revised European Social Charter and Directive 2000/78/EC <ul style="list-style-type: none"> - Conducting an overall assessment study for the identification of compatibility in legislation, policies and institutional areas with the UN Convention on the Rights of Persons with Disabilities. - Establishing and functioning of the Inter-institutional Working Group on drafting the draft Integral Law on the rights of people with disabilities. <ul style="list-style-type: none"> • Organization of round table discussions in four districts of the country, with the participation of civil society and interest groups to attract opinions regarding the shortcomings in legislation, in order to respect of persons with disabilities rights. • Identify capacity needs of relevant Government departments, local government, judiciary, media, business and civil society on disability rights 	<p>April 2011</p> <p>May 2011</p> <p>May-June 2011</p> <p>July 2011</p> <p>June-Dec. 2011</p> <p>June-Dec. 2011</p>	<p>MoLSAEO, MoH, MoES, MoJ, MoPWT, MIE</p>

SHORT-TERM MEASURE	ACTIVITY	DEADLINE	RESPONSIBLE INSTITUTIONS
	<ul style="list-style-type: none"> • Public buildings identified and renovated to ensure improved accessibility for persons with disabilities • Accessibility guidelines reviewed and, where necessary, established and respected in line with CRPD 		
Protection of Roma Rights	<p>1. Monitoring of the objectives of the National Strategy and National Action Plan for the Decade of Roma Inclusion 2010-2015</p> <p>Establishment and functioning of the technical working groups in 10 regions of the country, which will inform on the real situation of the living conditions of Roma community at regional level.</p> <ul style="list-style-type: none"> - Regions of Tirana, Elbasani, Fieri and Durrësi. - Regions of Berati, Gjirokastra and Vlora - Regions of Shkodra, Lezha and Korça <p>2. Design a database and data collecting computerization at central and local levels.</p> <ul style="list-style-type: none"> - Organization of training workshops for technical working groups at regional level on data collection. - Drafting of Progress Report 2008-2010, on the assessment of the implementation of the National Strategy and National Action Plan for the Decade of Roma Inclusion 2010. 	<p>June-Sep. 2011</p> <p>November '11</p> <p>July 2011</p> <p>July-Aug. 2011</p> <p>Sep. 2011</p> <p>Sep. 2011</p> <p>July 2011</p> <p>Sep.-Oct. 2011</p>	<p>MoLSAEO, Commissioner for the Protection against Discrimination, MoES, State Social Service</p>
Establishing adequate administrative capacities of the "Commissioner for Protection from Discrimination"	<p>1. The development of staff recruitment procedures according to Law No 8549 of 11th November 1999, 'Civil Servant Status'.</p> <p>2. Improvement of institution infrastructure</p> <ul style="list-style-type: none"> - The reconstruction of offices and providing them with necessary equipment in order to fulfil the function stated by the law. <p>3. Drafting the development Strategy of the Commissioner's Office.</p> <ul style="list-style-type: none"> - Consultative meetings with SOROS <p>4. Strengthening of administrative capacities</p> <ul style="list-style-type: none"> - Participation in training in collaboration with NGOs <p>Measures already in place:</p>	<p>September 2011</p> <p>September 2011</p> <p>Sept. 2011</p> <p>Ongoing</p>	<p>Commissioner for the Protection against Discrimination</p> <p>Commissioner for the Protection against Discrimination and SOROS foundation.</p>

SHORT-TERM MEASURE	ACTIVITY	DEADLINE	RESPONSIBLE INSTITUTIONS
	<ul style="list-style-type: none"> - A series of training courses, supported financially from UNDP, on 'National and international legal standards for the protection from discrimination', held in Lezha, Elbasani, Durres and Tirana. - The 'Tolerance and Diversity, principles which guarantee the equality of citizens' project supported by the SOROS foundation, is in progress. - Participation in conferences and workshops with other public institutions and with NGOs. 	<p>January- March 2011</p> <p>September 2011</p> <p>September 2011</p>	<p>UNDP</p> <p>Commissioner for the Protection against Discrimination and SOROS foundation.</p>
<p>Awareness raising campaigns for Law No 10221 of 4th February 2010 'For the protection from discrimination' and the institution of the Commissioner</p>	<p>Participation in TV debates and interviews.</p> <p>Preparation and distribution of posters, booklets, etc.</p> <p>Activities of the Office in different regions.</p> <p>Concrete projects with NGOs</p> <p>Organisation of the round table discussions with NGOs which have on their focus the protection of human rights.</p> <p>In cooperation with OSCE, is in process of realization the official Website of the Commissioner.</p> <p>Information Session on the Law 'On Protection from Discrimination' held in the Information Centre of the European Union in Vlora.</p> <p>Measures already in place:</p> <p>Round table discussion on the topic of 'Civil Registration in Roma and Egyptian Communities in Albania'</p> <p>National Conference on the topic of 'Non-discrimination, challenges and commitment to Albania'</p> <p>Round table discussions regarding the Complaint Form and Register of Complaints</p> <p>Information Session on the Law 'On Protection from Discrimination' held in the Information Centre of the European Union in Shkodra.</p> <p>Awareness seminars held in Vlora, Saranda and Gjirokastra, with participants from schools and Universities.</p> <p>Activity on the topic of 'Discrimination: perception and current challenges', in cooperation with OSCE.</p>	<p>Ongoing</p> <p>July 2011</p> <p>May 2011</p> <p>On 22.2.2011</p> <p>On 23.2.2011</p> <p>On 1st and 29th March 2011</p> <p>3.3.2011</p> <p>23-25 March 2011</p> <p>11.4.2011</p>	<p>Commissioner for the Protection from Discrimination</p> <p>Commissioner and OSCE</p> <p>EUIC and Commissioner</p> <p>Ministry of Interior, MoLSAEO, UNDP.</p> <p>MoLSAEO, Commissioner and UN Albania</p> <p>Albania Helsinki Committee</p> <p>EUIC Albania and the Commissioner</p> <p>Albanian Helsinki Committee</p> <p>OSCE and Commissioner</p>
<p>Setting collaboration</p>	<p>1. Signing the cooperation memoranda with line ministries which have obligations according to Law</p>	<p>September 2011</p>	<p>Commissioner for the Protection against</p>

SHORT-TERM MEASURE	ACTIVITY	DEADLINE	RESPONSIBLE INSTITUTIONS
with public institutions and NGOs	<p>No10221 of 4th February 2010 'For the Protection from Discrimination', such as:</p> <ul style="list-style-type: none"> • Ministry of Justice • Ministry of Education and Science • Ministry of Labour, Social Affairs and Equal Opportunities • Ministry of Health <p>2. Signing the cooperation memoranda with NGOs.</p> <ul style="list-style-type: none"> • Memoranda signed by the Commissioner with: <ul style="list-style-type: none"> - State Commission for Legal Aid - Albanian Helsinki Committee 	<p>Ongoing</p> <p>April 2011</p> <p>March 2011</p>	<p>Discrimination and the Ministries of Lines</p> <p>Commissioner for the Protection against Discrimination</p> <p>Commissioner for the Protection against Discrimination</p> <p>State Commission for Legal Aid</p> <p>Albanian Helsinki Committee</p>

2. Unconditional transfer for the commune and municipality of Shkodra for the year 2011 (in 000 lek)

Region	District	LGU	Comm/Municipal	2011	2012
Shkodra	Malësi e Madhe	Gruemirë	C	30,074	30,525
Shkodra	Malësi e Madhe	Kastrat	C	23,522	24,333
Shkodra	Malësi e Madhe	Kelmend	C	25,715	26,335
Shkodra	Malësi e Madhe	Koplik	M	30,618	31,353
Shkodra	Malësi e Madhe	Qendër	C	15,882	16,121
Shkodra	Malësi e Madhe	Shkrelë	C	22,297	22,832
Shkodra	Pukë	Blerim	C	12,287	12,471
Shkodra	Pukë	Fierzë	C	12,507	12,695
Shkodra	Pukë	Fushë-Arrëz	M	19,855	20,153
Shkodra	Pukë	Gjegjan	C	20,224	20,527
Shkodra	Pukë	Iballë	C	16,397	16,643
Shkodra	Pukë	Pukë	M	33,857	34,537
Shkodra	Pukë	Qafë-Mali	C	14,650	15,002
Shkodra	Pukë	Qelëz	C	11,403	11,574
Shkodra	Pukë	Qerret	C	18,271	18,809
Shkodra	Pukë	Rrapë	C	13,169	13,366
Shkodra	Shkodra	Ana e Malit	C	11,142	11,309
Shkodra	Shkodra	Bërdicë	C	16,930	17,184
Shkodra	Shkodra	Bushat	C	40,551	41,524
Shkodra	Shkodra	Dajç (Bregbune)	C	16,021	16,704
Shkodra	Shkodra	Gur i Zi	C	22,061	22,392
Shkodra	Shkodra	Hajmel	C	12,185	12,672
Shkodra	Shkodra	Postribë	C	32,790	33,282
Shkodra	Shkodra	Pult	C	14,182	14,523
Shkodra	Shkodra	Rrethinat	C	42,184	42,817
Shkodra	Shkodra	Shalë	C	17,261	17,520
Shkodra	Shkodra	Shkodra	M	324,527	348,633
Shkodra	Shkodra	Shllak	C	10,248	10,494
Shkodra	Shkodra	Shosh	C	9,337	9,477
Shkodra	Shkodra	Temal	C	10,539	10,792
Shkodra	Shkodra	Vau i Dejës	M	35,819	36,697
Shkodra	Shkodra	Velipojë	C	15,574	15,948
Shkodra	Shkodra	Vig-Mnelë	C	11,307	11,476

3. Output derived from activities undertaken in accomplishing the action plans (SSSP and EU) for the time reported (In thousands lek)

Nr.	Output	Planned	Spent	Planned	Spent
		Year 2010	Year2010	6 months of 2011	6 months of 2011
1	Strengthening of gender officers network	1,261	1,261		
2	Awareness campaign to increase women's participation in politics	1,244	1,244	660	620
3	Community awareness regarding women and girls at risk	1,261	1,261		
4	'Fushate sensibilizuese' awareness campaign for the prevention of domestic violence	1,062	1,062		
5	Creation of network against domestic violence at the local level	829	829		
6	Increase staff capacity in shelters	829	100		
7	Recognition of the domestic violence situation	895	895		
8	Assessment of environmental suitability of PAK	1,161	1,161		
9	Draft evaluation report for PAK objectives	1,294	1,294	1,308	1,229
10	Promoting children's rights	1,095	1,095		
11	Preparation of legal framework for the Children's Law	1,260	1,260		
12	Establishment of local units for the protection of children	1,260	489	1,306	1,227
13	Monitoring report for the Roma community strategy	1,493	1,366	1,306	1,227
14	Recognition of the situation of the Roma population throughout the country	1,493	1,493		
15	Draft progress report for the social inclusion strategy	2,803	2,803	1,306	1,227
16	Seminars and publications for women and girls at risk			1,308	1,229
17	Gender Equality Strategy and domestic violence			1,304	1,230
18	Research on domestic violence			646	607
19	Strategy for Children's rights			1,306	1,227
	TOTAL	19,240	17,613	4,564	4,293

4. Unconditional Transfer for All Albanian Regions - 2011 (In thousands lek)

Nr	Qarku	Unconditional Transfere
1	QARKU BERAT	63,971
2	QARKU FIER	69,145
3	QARKU ELBASAN	113,200
4	QARKU KORCE	82,046
5	QARKU KUKES	81,320
6	QARKU SHKODRA	83,428
7	QARKU TIRANE	56,586
8	QARKU DURRES	53,881
9	QARKU VLORE	62,565
10	QARKU GJIROKASTER	71,991
11	QARKU DIBER	98,573
12	QARKU LEZHE	71,785
TOTAL		908,492

Municipality of Travnik Local Products and Agritourism in the Central Bosnia Canton Opportunities and Constraints

Think Tank Popolari of Sarajevo
Assignment done under the CeSPI guidance

**SEENET Programme: A trans-local network for the cooperation between Italy and
South East Europe**

Horizontal Action C - Research



January 2012

Executive Summary

Bosnian farmers on Mt. Vlašić have a long tradition of producing sheep's milk cheese, and this product undoubtedly has the potential to act as a "flagship" for the region, becoming an integral part of the area's tourism offerings. This report describes the main characteristics of local production and gives an overview of the current legal regulations under which cheese is produced in the municipality of Travnik. It also presents anecdotes illustrating the key problems facing producers, as well as examples of best practices.

Dissonant relations between the farmers themselves, often combined with a lack of coordination between various governmental sectors and unclear policies, prevent cheese producers from achieving maximum capacity production, as well as issues around compliance with basic hygiene standards in accordance with the existing mechanisms for quality control. As a result of Bosnia and Herzegovina's (BiH) complex constitutional arrangement, government competencies at the municipality, Canton, Entity and state-level are often overlapping, leading to confusion and inefficiency. Currently, two *Rulebooks* are the only documents that define BiH's policies for traditional, local products. Such minimal legal frameworks currently provide insufficient guidelines and will need to be amended in order to meet the European Union's standards.

Nevertheless, several important projects utilizing the potential of linking cheese production with tourism are currently underway, and others are being planned. Taking advantage of these positive synergies could help promote development in rural Central Bosnia and eventually allow for increased access to European Union funding. Potential SeeNet partners could provide a meaningful contribution to this process through carrying out work in the Travnik municipality similar to that which they are currently conducting in Livno, Bosnia and Herzegovina. Assistance could come in the form of supporting restructured and organized agricultural associations capable of implementing EU standards and producing high quality, standardized cheese. SeeNet partners could contribute valuable on-the-ground experience in improving legislation, introducing new regulations on local, typical products and streamlining registration processes, all fields in which Italian regions possess significant capacities. Well-versed in Italian and EU standards and regulations, partners could share this knowledge with Bosnian producers as they work towards implementing the EU's requirements.

During this process, farmers, bureaucrats and civil society are likely to face a number of challenges as they attempt to produce high-quality, standardized cheese. In return for their efforts, regional development will be enhanced and producers may begin to see the concrete benefits of compliance with European Union standards.

1. Local Products in BiH - An Overview

1.1 Introduction

No concrete, official policy for local, typical products exists in Bosnia and Herzegovina. However, some important steps, particularly concerning registration of agricultural products and geographical indication, have been taken. A critical actor in this process is the Food Safety Agency (FSA), a state-level institution tasked with providing “scientific advice and technical support regarding legislation for all areas that have a direct impact on food security and feed in BiH.”¹

1.2 Agriculture Sector Legal Framework

Two Rulebooks,² the Regulations on Signs of Originality and Geographical Indications for Food and the Regulations on the Labels of Traditional Food Specialties, comprise the only existing documents defining BiH's legal framework for traditional products, and no specific legislation concerning typical local products exists at any of the lower administrative levels in BiH.³ The Rulebooks were adopted by the Council of Ministers (CoM) in January 2010 and include key definitions and registration procedures.⁴

The main laws regulating agriculture in the Federation of Bosnia and Herzegovina (FBiH) include the Law on Agriculture, the Law on Financial Aid to Primary Agricultural Production, the Agricultural Land Act and the Cooperatives Act. With regard to the institutional architecture, BiH's constitutional arrangement distributes certain, often overlapping, competencies to all levels of government, from the state to municipality levels. As a state-level Ministry of Agriculture does not exist, most state-level competencies in this sector are under the jurisdiction of the Ministry of Foreign Trade and Economic Relations (MOFTER), while some lie with the Ministry of Finance and Treasury and within the Directorate for European Integration (DEI). Since 2008, the state-level Law on Agriculture, Food and Rural Development has been in force. This law aims to provide structure to policies within the agriculture sector and assists in the harmonization of BiH's agricultural policies with those of the EU.⁵

At the entity level, agricultural policy is addressed by the Ministry of Agriculture, Water and Forestry. Within the FBiH, each of the ten cantons has its own agricultural department.

¹ For the law that regulates the activities of the FSA, please see the following website: http://www.fsa.gov.ba/bs/?page_id=389.

² All of the FSA's bylaws may be found on the following page: http://www.fsa.gov.ba/bs/?page_id=592.

³ Interview with Dragan Brenjo.

⁴ Regulations on Signs of Originality and Geographical Indications for Food, available at: <http://www.fsa.gov.ba/bs/wp-content/plugins/downloads-manager/upload/Pravilnik%20o%20oznakama%20originalnosti%20i%20oznakama%20geografskog%20po.pdf> and Regulations on the Labels of Traditional Food Specialties, available at: <http://www.fsa.gov.ba/bs/wp-content/plugins/downloads-manager/upload/Pravilnik%20o%20oznakama%20tradicionalnog%20ugleda%20hrane.pdf>.

⁵ For a detailed examination of agricultural incentives available in BiH, please see the following report: http://www.vpi.ba/bos/sadrzaj/dokumenti/Spoticaji_u_poljoprivredi_Bosne_i_Hercegovine.pdf.

Individual municipalities also exercise their own competencies within this sector.⁶ Both the state-level government and Cantons have their own incentive programmes, which should not overlap in theory, but often do in practice. Producers should not receive incentive funds from both the FBiH and their respective Canton, but a lack of coordination often allows for them to receive both. It is not uncommon to find an absolute absence of coordination between these levels, which, combined with overlapping institutional competencies, leads to an inefficient allocation of budget funds. As a result, the same types of production sometimes receive incentives at the federal, canton-level and municipal levels.⁷

1.3 Registration of Agricultural Producers

As is the case in many policy areas, Bosnia needs to align its agricultural policy with the EU *acquis communautaire*. The registration of farms or estates is the first step towards planning successful agricultural policy reform. Creating an accurate database of producers, recording the numbers of livestock they own, the size of their properties and available human resources can better enable strategic planning for agricultural development. A transparent and efficient registration process will help focus on concrete levels of production, appropriate standards of living for producers, and the conservation of rural areas.⁸

In order to implement reforms and create the necessary conditions for the use of EU pre-accession funds for agriculture and rural development, the establishment of both a Register of Agricultural Holdings (RPG) and a Client Register (RK) is required. Given these conditions, and in the interest of promoting legal harmonization at the state level,⁹ the CoM passed a decision in 2007 to create a register of agricultural holdings and producers in BiH.¹⁰

The state-level FSA is charged with maintaining a central register based on data it receives from the FBiH, Republika Srpska (RS) and Brčko District (BD). Relevant municipal services are to directly submit data to the FBiH Ministry of Agriculture, which then makes sure this information is incorporated in the Federation's central registry. The Federal Ministry is required to ensure that technical requirements related to registries are implemented. Given the complex constitutional structure of the FBiH entity, it is prescribed that Canton-level ministries responsible for agriculture have access to data in registers in all areas throughout their Canton. The system should function in such a way that Cantons have access to information about all the registered farms in their Cantons, so that this information can be taken into account when implementing programs directed towards farms and farmers at both the Federal and Canton-level levels.¹¹

According to the Central Bosnia Canton (CBC) Ministry of Agriculture, the registries are still in a very early stage of development.¹² In theory, enrolment in the registry is mandatory for producers who wish to place their products on the market, request any financial incentives, or

⁶ Ibid.

⁷ Ibid.

⁸ Please see the following webpage for a detailed description of the Register of Agricultural Holdings and Clients, available at: <http://www.fmpvs.gov.ba/index.php?user=4cc0d619afb6a52f56f2f8477337367§or=1&pageID=218&pageOwner=77>.

⁹ In cooperation with the EU's SESMARD project, MOFTER established a working group composed of representatives from relevant Entity-level ministries, as well as from Brcko District, who are to cooperate with one another.

¹⁰ Službeni Glasnik BiH Number 85/07.

¹¹ The following law provides an explanation of the rules on registration of farms and owners/clients. Sl.novine FBiH br.42/08

¹² Interview with Imelda Šormaz.

apply for any other form of support.¹³ “It is in the interest of producers to register their animals,”¹⁴ but many producers forego registration processes.¹⁵ Producers must meet certain minimal standards in order to be eligible for registration, and this is often a problem for small local producers.¹⁶ Ilhan Aščić, an expert advisor at the Municipality of Travnik, believes that all producers are genuinely interested in being registered. “If producers aren’t registered, it is because the associations they belong to are either not active or don’t have large enough budgets to provide sufficient assistance in registration processes.”¹⁷

1.4 Geographical Indication Protection

Excluding wines and spirits, there are now more than 750 agri-food products with a geographical indication in the EU.¹⁸ In order for a product to be registered at the EU level, it must first undergo a registration process at the state level.¹⁹ Although BiH has many unique, indigenous products for which a geographical indication could be applied, not a single product had acquired this status at the time of writing.²⁰ In January 2010, the CoM adopted regulations regarding the originality and geographic origin of food,²¹ outlining the procedures that producers must undergo if they wish to protect either the geographical indication or originality of a product.

According to these regulations, producers’ organizations covering a specific region, or independent producers who are the only manufacturers of a specific product, have the right to register – or protect – a food product. Food products will be required to undergo an inspection process in which their basic physical, chemical, microbiological and organoleptic characteristics must be proven. Additional inspections are to be conducted to ensure that the product’s origin has not been falsified. In interviews with representatives of agricultural associations and local government officials, no one was able to specify who would carry out such inspections, nor at what level they would be conducted.²² “Branding Vlačićki cheese is something we want, but this is something we are still very far away from and it is an issue that will first have to be dealt with by high-level political institutions.”²³

¹³Please see the following webpage for a detailed description of the Register of Agricultural Holdings and Clients:<http://www.fmpvs.gov.ba/index.php?user=be12b6b0a4849c9d6b4a4410eb898d77§or=1&pageID=218&pageOwner=77>.

¹⁴ Interview with Zijad Konjalić.

¹⁵ Interview with Omer Mrakić. This comment was made in relation to the registration of an economic entity at the court.

¹⁶ Interview with Zijad Konjalić.

¹⁷ Interview with Ilhan Aščić.

¹⁸Adding Value to Traditional Products of Regional Origin – A Guide to Creating a Quality Consortium. United Nations Industrial Development Organization. Available at: http://www.unido.org/fileadmin/user_media/Publications/Pub_free/Adding_value_to_traditional_products_of_regional_origin.pdf.

¹⁹ Please see European Union Directives 509 and 510. The Directives are available on the following website: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006R0510:EN:NOT>.

²⁰ BiH has many Products that are specific to certain areas but lack protection. This article may be found on the following website: <http://agroekosavjeti.com/2011/08/bih-ima-mnogo-proizvoda-koji-su-karakteristicni-za-pojedina-podrucja-ali-bez-zastite/>.

²¹ For information regarding the originality and geographic origin of food, please see the following law: Službeni glasnik BiH, broj 27/10.

²² Interviews with Ilhan Aščić and Anita Lozančić.

²³ Interview with Anita Lozančić.

The registration of food products is under the jurisdiction of the Commission for the Registration of Designations of Origin and Geographical Indication for Food Products.²⁴ The process of establishing the Commission is currently ongoing.²⁵ However, there is not an urgent need for the Commission, as the FSA has yet to receive a single application for the registration of a product.²⁶ A lack of applications does not necessarily represent a lack of interest. “Producers have asked for this and various Agricultural Faculties have provided advice. We even plan on holding a round-table on Geographical Indication in the near future. But, this is a long process that will take time.”²⁷

One key difference exists between registering the *originality* of a product and registering its *geographical indication*. In order to fulfil the necessary criteria for registering a product’s originality, the origin (or geographical area) of raw materials used to make the product is irrelevant. However, when registering a product’s geographical indication, not only must the raw materials used to make the product come from a specific area, but the product’s processing and preparation must take place within that specific region.

2. Local Production in the Central Bosnia Canton

2.1 Typical Products of the Central Bosnia Region

Travnik is the capital of the CBC, a highland area located in the heart of BiH. Forests cover 57% of the total area of the CBC, while 34% represents agricultural land.²⁸ Despite great potential for winter tourism in the regions’ numerous mountains, in particular Mount Vlašić, the tourism sector remains underdeveloped. Trade and agriculture dominate the Canton’s economy,²⁹ with livestock farming³⁰ representing its most important branch.

Typical products of the region include jam, honey, *rakija* (brandy), plums, potatoes, cabbage and *čevapi* (small sausages made from ground meat). A significant number of pigeons and *tornjak*³¹ are also bred and raised in the region. Cheese, however, is the quintessential product, and is the one most closely associated with the region.

²⁴ The Commission members would be proposed by the FSA, after which the Commission would be established via a decision taken by the Council of Ministers. The Commission should be formed in cooperation with the competent authorities of both Entities and the BD. The Commission is to be composed of permanent members, including at least one food technologist, one agronomist and one lawyer. Other members could be substituted depending on product category and geographical indicators of origin.

²⁵ Interview with Dragan Brenjo.

²⁶ Ibid.

²⁷ Interview with Anita Lozančić.

²⁸ For more information about the CBC, please see the canton-level government’s website, available at: www.sbk-ksb.gov.ba.

²⁹ The CBC’s major crops include grains (corn, barley, wheat, oats and rye), vegetables (potatoes, cabbage, onions, beans) and grasses (clover).

³⁰ The most commonly raised animals for livestock production include cattle, sheep, goats and horses.

³¹ A Tornjak is a type of indigenous sheepdog from the CBC area.

Cheese production has a long tradition in the CBC, and represents an important part of the region's image. This is particularly true in Mt. Vlašić. Known both as Vlašički and Travnički³² cheese, it is a well-known product throughout the country. "This cheese definitely represents a brand of the region."³³ Travnički cheese can be purchased in most local grocery stores throughout BiH, but it is not frequently exported. The exception to this rule is the Poljorad Company,³⁴ which exports to the US and Australia, but not to the European Union where export standards are more stringent.³⁵

2.2 Cheese Production

It is generally assumed that there are many cheese producers in the mountain areas. However, the CBC Ministry of Agriculture does not know the precise number of producers (see the Registration of Agricultural Producers section). All numbers generated are based only on estimates, which often differ significantly. According to the CBC Agricultural Association, a non-governmental organization, there are 278 cheese producers in the entire Canton, with each producing approximately 2 tons of cheese annually. According to the Association, there are some 75,000 sheep in the area.³⁶ The CBC Chamber of Commerce representatives' opinion is different, and they argue that these numbers are overblown. Their estimates suggest that the current number of sheep dropped to approximately 20,000 animals following a Brucellosis³⁷ epidemic in 2007 and 2008. The number has not risen significantly since.³⁸ This uncertainty creates a lack of confidence in any of the available statistics. More importantly, it decreases chances for expanding the market for these valuable local products.

For the Municipality of Travnik, the 2010 data for agricultural producers is shown below.

Table 1 - Data for agricultural producers (2010)

Type	producer	livestock/hive/ha		Producers (flocks)	number of sheep in flock
Cows	146	894		32	50-99
Sheep	157	23 065	stationary sheep keeping	70	100-199
Bees	57	3 998		31	105
Cabbage	8	5,5			

Source: Municipality of Travnik

³² This appears to be an insoluble debate. In this paper we will be using both terms as synonyms. In reality, many disagreements exist regarding what to actually call the cheese.

³³ Development Strategy for the Municipality of Travnik 2010-2015. Commission for Municipal Development Planning (KPOR).

³⁴ Poljorad buys cheese and milk from individual producers and packages it for commercial, bulk sale. The information about Poljorad, which is used in this report, was gained through interviews with stakeholders. Poljorad's website is currently under construction and they refused both in-person and telephone interviews.

³⁵ Interviews with Asim Gradinčić (CBC Chamber of Commerce), Amira Đelilbašić (Travnik Municipality) and Omer Mrakić (EKO Vlašić).

³⁶ Interview with Anita Lozančić.

³⁷ Brucellosis, commonly known as Mediterranean or Gibraltar fever, is a disease caused by the Brucella bacterium. It is characterized, in humans, by profuse sweating and muscle pain. Brucellosis is highly contagious and caused by the ingestion of meat or non-sterilized milk from infected animals. Human to human transmission is rare.

³⁸ Interview with Asim Gradinčić.

According to available statistics, individual producers have flocks ranging in size from 50-199 sheep (please see the distribution illustrated in the table above). Interviews conducted during fieldwork demonstrate that individual cheese producers own relatively small numbers of sheep. For example, Ragib Langić has a flock of 200, and Sead Šalakovski owned 250 sheep when his primary occupation was cheese production rather than running his guesthouse.³⁹

Approximately 70% of the farmers on Mt. Vlašić are returnees who had to rebuild absolutely everything following the war.⁴⁰ Many of them still lack basic infrastructure such as electricity. In most cases, producers even lack running water.⁴¹ As a result, high-quality cheese cannot be produced consistently, and this leads to price instability. Most farmers sell cheese directly from their farms, and this means that few or no mechanisms for quality control exist. Many producers make cheese by mixing cheaper cow milk with sheep milk, which they then advertise and sell as pure sheep milk cheese.⁴² A similar problem exists among honey producers, where one can find at least 30% sucrose in every jar of honey.⁴³

Presently, microbiological analysis is the only type of inspection that cheese can be submitted to, as mechanisms for the inspection of the quality of a cheese sample are prohibitively expensive for small-scale producers.⁴⁴ However, it is important to understand that such analysis is not a requirement, but rather a service provided to producers who request it. Farmers may either call canton-level or FBiH inspectors, as no state-level institution tasked with providing microbiological inspections exists, or independently transport their cheese samples to an appropriately equipped laboratory.⁴⁵ It became clear in interviews with producers that many do not have sufficient understanding of the inspection process. Furthermore, the inspections do not occur on a frequent basis. “Cheese is only inspected prior to the ‘Cheese Fair’ that takes place annually, and all the producers who submit their cheese for analysis receive a *certificate*.”⁴⁶

It is up to producers to organise themselves and define precise standards for making their traditional products. Standards for making Travnički cheese were never defined during the Yugoslav era,⁴⁷ nor do they exist today.⁴⁸ “Producers have created a climate in which all kinds of products are being sold under the name Travnički or Vlašićki cheese, as the product has never undergone standardization. They don’t understand that such an approach is a bad advertisement for their own work.”⁴⁹ It is essential for producers to understand the benefits of joint standardization of product quality. Standardization, combined with compliance monitoring in alignment with agreed production procedures and collective marketing, are the key factors for adding value to a traditional product.⁵⁰

³⁹ Interviews with Ragib Langić and Sead Šalakovski.

⁴⁰ Interview with Ragib Langić.

⁴¹ Most farmers on Mt. Vlašić lack sufficient water supply networks and pump stations.

⁴² Interview with Zijad Konjalić.

⁴³ Ibid. Konjalić says this indicates that producers are adding additional sugar to their products.

⁴⁴ Interview with Zijad Konjalić. Although Konjalić did not know the exact price of a qualitative inspection for cheese, he informed the interviewers that a qualitative honey inspection costs between 300 and 400 BAM.

⁴⁵ Interviews with Ragib Langić and Sead Šalakovski.

⁴⁶ Interview with Ragib Langić. Producers who wish to enter the competition at the Cheese Fair are required to submit their cheese to a microbiological analysis prior to the event.

⁴⁷ During the Yugoslav era, several attempts were made to standardize Vlašićki cheese. For example, Dozet et al. found that significant levels of inconsistency made this impossible in 1975, 1976, 1981 and 1985. Numerous irregularities related to the size and shape of cheese samples were found. Cheese consistency also proved problematic.

⁴⁸ Interview with Nihad Korić.

⁴⁹ Interview with Zijad Konjalić.

⁵⁰ Adding Value to Traditional Products of Regional Origin – A Guide to Creating a Quality Consortium. United Nations Industrial Development Organization. Available at:

Of course, some producers take a more serious approach. “It is important to produce a high-quality product”, said Sead Šalak, a small-scale cheese producer on Mt. Vlašić, as he explained the traditional method of making Vlašićki Cheese:

“The process is precisely defined and requires timely procedures, as well as maximum hygienic conditions. If something is done too late or ahead of time at any point during the production process, the result will be poor quality cheese. Good cheese requires a storage facility with precisely regulated humidity and temperature. Vlašićki cheese must be packaged in wooden barrels, which need to be properly cleaned each time before new cheese is stored in them. The barrels should be replaced every three years.”⁵¹

Originally from the city of Travnik, Sead began farming in 1999 without any prior knowledge or experience. Together with his wife Emina, he started educating himself by reading professional literature and attending various seminars. Eventually, the couple had a flock of 250 sheep and were producing 4 tons of cheese annually. When the brucellosis epidemic broke out, Sead sold all his sheep and is currently buying milk from two local producers whom he believes are trustworthy. Today, Mr. Šalak produces only the amount of cheese that is necessary for his restaurant. However, he has plans to increase his production soon, and is currently finishing the construction of a 2-meter tall, 5x5-meter-wide cheese storage facility and refrigerator. He is also going to buy 50 sheep. According to Sead, this cheese storage facility is made of natural materials like stone in order to safeguard the traditional method of production. At the same time, it fully complies with modern standards.

2.3 Support for Production

A commonly echoed sentiment is that the “state” is failing to recognize BiH’s agricultural potential. Producers seem to feel that the Canton is totally uninterested in their needs. Some of the farmers interviewed even believe that the Canton-level government has a strong political influence over the CBC Agricultural Association. “The government doesn’t want a strong association. Otherwise, they would have to listen to what it demands.”⁵² These and similar perceptions illustrate the air of distrust among various stakeholders on Mt. Vlašić.

The purpose of the CBC Agricultural Association is not to sell the farmers’ products, but rather to help producers claim their rights through providing education and support. The farmers are therefore left to themselves to find a market, which presents an additional burden for them. Milk prices are guaranteed in the FBiH, but the price of cheese is not.⁵³ However, registered producers who hold proof of registration are eligible to participate in the CBC incentives program.⁵⁴ Producers of traditional products enjoy no special status compared with other agricultural producers.

Subsidies for agricultural producers are available from both the FBiH and the Canton, as well as from the municipality. However, Ilhan Aščić noted that, given problems with government formation at all levels, the definitive 2011 budget for the Municipality of Travnik is still not certain.⁵⁵ 1.5 million BAM were available via the CBC Canton Incentives Fund this year,⁵⁶

http://www.unido.org/fileadmin/user_media/Publications/Pub_free/Adding_value_to_traditional_products_of_regional_origin.pdf

⁵¹ Interview with Sead Šalak.

⁵² Interview with Ragib Langić.

⁵³ Interview with Anita Lozančić.

⁵⁴ Ibid.

⁵⁵ Interview with Ilhan Aščić.

⁵⁶ Interview with Imelda Šormaz.

while the FBiH allocated 55 million KM for its 2011 “Agriculture Incentives” program.⁵⁷ In order to be eligible to use any type of incentive, a producer must be registered. Travnik cheese produced on Mount Vlašić generally does not undergo such a registration process and producers fail to access subsidies.⁵⁸ The reason for the failure to register may be placed on the shoulders of inactive associations with small budgets and the producers themselves, who frequently are not well educated, and are unaware of the benefits that registration could bring, and unable to meet the minimum hygiene standards that registration requires.⁵⁹

Loans from commercial banks are usually not available to local producers, as they are not capable of paying them back. It is possible for producers to take loans from microcredit agencies. However, these loans are coupled with high interest rates, with which producers cannot keep up. Thus, producers’ only support channels are often funds they are not registered to receive, or high-interest microcredit loans which they cannot afford.

2.4 Regulation of Local Products

As mentioned in the first paragraph of this report, no specific legislation regarding typical local products exists at any administrative level in BiH. Cheese, as well as other products typical of the Travnik region are agricultural products, and as such are regulated by agriculture sector policies. The CBC does not have its own agricultural law. Instead, they act according to the FBiH laws. However, they do have their own incentives program, which in theory should not overlap with the FBiH’s incentives program, but often does in practice.⁶⁰

Currently, there is no agricultural strategy at the canton level, and no plan for creating one in the near future.⁶¹ Although a canton-level agricultural strategy existed for the period of 2002 – 2010, it represented little more than a piece of paper because responsible authorities and institutions failed to remain loyal to their plans and implement what they had agreed to.⁶² However, the Canton has managed to conduct veterinary inspections in coordination with the SBC Agricultural Association.

The registration procedures described earlier in this report create several problems for the producers on Mt. Vlašić. In fact, most producers are not able to meet the required conditions for registration. Low hygiene standards due to lack of basic infrastructure, particularly water, currently pose an obstacle to fulfilling these standards. As a consequence, registered producers who are able to meet registration criteria are purchasing and then re-selling the products of non-registered producers. The authorities “turn a blind eye”⁶³ to this, as they currently have no solution for these farmers.

Obviously, similar problems apply with regard to geographical indication protection.

“Considering the situation on Mt. Vlašić, where farmers still resort to nomadic livestock farming,⁶⁴ it would be easier for producers to pursue the originality protection status than protection of geographical indication.”⁶⁵

⁵⁷ 55 Million KM Available via the “Incentives for Agriculture” Program. Article available at: <http://www.mojevijesti.ba/novost/83294/predstavljen-program-39poticaj-za-poljoprivredu398230>.

⁵⁸ Interview with Dragan Brenjo.

⁵⁹ Interviews with Ilhan Aščić and Zijad Konjalić.

⁶⁰ Interview with Imela Šormaz.

⁶¹ Ibid.

⁶² Ibid.

⁶³ Interview with Zijad Konjalić.

⁶⁴ Individual producers often do not own the property where their sheep graze, nor do they contain their livestock to a particular elevation on Mt. Vlašić.

⁶⁵ Interview with Dragan Brenjo.

The Problem of Branding

Cheese is the region's best-known product. However, having two names for the same cheese, "Vlašički" and "Travnički", poses a branding problem.⁶⁶ The Travnik Municipality authorities seem to be aware of the problem, as the 2010-2015 Travnik Municipality Developmental Strategy refers to the cheese as "the famous sheep milk cheese for which the Travnik region is well-known,"⁶⁷ without ever mentioning the cheese's name.

The FSA recently sent a questionnaire to all of BiH's 144 municipalities, asking them to name each municipality's traditional products. Results from 54 municipalities (32 in the FBiH and 22 in the RS) were received, with a total of 155 products that municipal authorities throughout BiH believe should be protected. The FSA authorities believe that approximately ten products in BiH have the potential to have their geographical indication protected.⁶⁸ Considering that over 90% of the food and drink products with geographical indication registered at the EU level come from only six countries (France, Italy, Spain, Portugal, Greece and Germany),⁶⁹ this is not a negligible figure.

According to the Rulebook, the municipalities have no role in registering and protecting products. However, the FSA adopted the approach of contacting the municipalities because it represented a quick, low-cost solution for acquiring an overview of local products in BiH.⁷⁰ The Travnik Municipality did not respond to the questionnaire, saying that they will need to consult producers.⁷¹ Ultimately, it does not matter how the municipality of Travnik responds to the FSA, as it is the responsibility of producers to agree on a name for their product. Producers are supposed to set standards for themselves.⁷² The CBC Agricultural Association has already made a valuable contribution to this process through the distribution of a survey asking producers which name they prefer for the cheese, as well as what the cheese's essential characteristics are. In cooperation with the Agricultural Faculty of the University of Sarajevo, the Agricultural Association is planning to hold a round-table discussion on geographical indication protection for interested producers.⁷³

A traditional artisan product is almost by definition a non-standardized product. Therefore, it is normal that in a given area, diverse production practices co-exist in terms of raw materials used, processing techniques and manufacturing methods. However, in order to register a product's geographical indication the various stakeholders must work together to establish which attributes constitute the product's essence. They must also decide which characteristics are accidental or secondary, and can therefore be left to the discretion of each producer without the need for codification.⁷⁴ On Mt. Vlašić, this process remains in a preliminary stage.

⁶⁶ Interview with Nihad Korić.

⁶⁷ Development Strategy for the Municipality of Travnik 2010-2015. Commission for Municipal Development Planning (KPOR).

⁶⁸ Interview with Dragan Brenjo.

⁶⁹ Adding Value to Traditional Products of Regional Origin – A Guide to Creating a Quality Consortium. United Nations Industrial Development Organization. Available at: http://www.unido.org/fileadmin/user_media/Publications/Pub_free/Adding_value_to_traditional_products_of_regional_origin.pdf.

⁷⁰ Interview with Dragan Brenjo.

⁷¹ Interviewees at the FSA informed us that the Municipality of Travnik has yet to return its questionnaire.

⁷² Interview with Dragan Brenjo.

⁷³ Interview with Anita Lozančić.

⁷⁴ Adding Value to Traditional Products of Regional Origin – A Guide to Creating a Quality Consortium. United Nations Industrial Development Organization. Available at: http://www.unido.org/fileadmin/user_media/Publications/Pub_free/Adding_value_to_traditional_products_of_regional_origin.pdf.

However, producers' willingness to respond to the survey distributed by the CBC Agricultural Association indicates that sincere interest in the branding process exists.⁷⁵

Mt. Vlašić is spread over nine municipalities, seven of which are in FBiH and two in the RS.⁷⁶

“The first step to protecting the unique nature and origin of the cheese is to establish the borders of a concrete region.”⁷⁷ Whether inter-entity cooperation will occur in the branding process remains unknown, and CBC Agricultural Association representatives believe that such decisions will have to take place at a higher political level. What is known is that producers located directly on Mt. Vlašić, regardless of which Entity they live in, prefer the name Vlašićki cheese.⁷⁸ Branding requires mapping the geographical area of cheese production, an activity that the CBC Agricultural Association is planning to undertake in the future. They believe that branding the cheese will help promote the tourism offerings available in this area. “It’s time to start getting ready for the EU and branding is one important way to work towards this [goal]. To do that, however, we need a bigger budget.”⁷⁹

The CBC Agricultural Association wants to protect the product as “Vlašićki cheese,”⁸⁰ but not everyone agrees that this is the product’s appropriate name.⁸¹ According to the FSA, two public debates have been conducted regarding the name issue, which simply reflected different views without resulting in a compromise. “Even though, particularly outside of BiH, this cheese is better known as Travnički, because it is produced in a region covering several other municipalities from both entities, the name Vlašićki would be more appropriate.”⁸² Producers interviewed for this report indicated that they prefer the name “Vlašićki” because the cheese is produced on Mt. Vlašić and not in the city of Travnik.⁸³

Education and Training for Agricultural Production

The CBC Agricultural Association holds training sessions, and professors from the Agricultural Faculty in Sarajevo have provided a great deal of expertise for them. Education comes in the form both of lectures and more practical, hands-on workshops. However, such education does not occur on a regular basis and is not standardized. Producers generally lack access to sufficient education and trainings.

Producers believe education is very important, but often think they cannot implement what they have been taught. It is extremely difficult to introduce new methods and technologies because of producers' poor financial status.⁸⁴ Producers do not have storage facilities or hygiene conditions that comply with legal regulations and standards. For these reasons, educational programs have little impact in terms of motivating the producers to work toward adopting and implementing standards.⁸⁵

⁷⁵ Interview with Anita Lozančić.

⁷⁶ Interview with Ilhan Aščić.

⁷⁷ Interview with Anita Lozančić.

⁷⁸ Ibid.

⁷⁹ Ibid..

⁸⁰ Ibid.

⁸¹ For example, the President of the Tourist Association prefers the name Travnički cheese. His argument for this is that Franz Joseph referred to it as Travnički cheese.

⁸² Interview with Dragan Brenjo.

⁸³ Interviews with Ragib Langić and Goran Augustinović.

⁸⁴ Interview with Anita Lozančić.

⁸⁵ Interview with Anita Lozančić.

“Seminars should be adapted to the producers, their way of thinking, and their level of education.⁸⁶ Frequent, small-scale seminars (3-5 farmers) held on Mt. Vlašić are necessary. EU standards are simply not important to producers at present.”⁸⁷

“Producers don’t understand EU standards, or even the microbiological analyses that specify amounts of certain bacteria in their cheese. Producers are making sure their sheep are healthy, and that is the bottom line.”⁸⁸ The Association reports difficulties when working with producers because they are frequently close-minded and refuse to accept new ideas. They are too focused on tradition. As Anita Lozančić explained, “tradition is important, but it’s not enough - hygiene is the crucial element.”⁸⁹

“Traditional manufacturing techniques should be preserved, but there is a sanitary threshold below which producers must not go.”⁹⁰ The FSA has prepared several Rulebooks, which regulate hygiene principles and follow EU standards. However, they have yet to be adopted. “These regulations should present an ‘alphabet’ for producers, otherwise BiH will not have a competitive product.”⁹¹

2.5. Main Stakeholders and Multilevel Governance

As shown in this report, a wide variety of stakeholders play various roles in the production of traditional, local products in the CBC. At the state-level, the FSA holds a critical position, which will continue to grow in importance as BiH moves closer to the EU and the Rulebooks are aligned with European standards. The Ministry of Foreign Trade and Economic Relations (MOFTER) bears numerous competencies within the agricultural sector given the absence of a state-level Ministry of Agriculture. Lesser competencies are under the jurisdiction of the Ministry of Finance and Treasury and the Directorate for European Integration (DEI). The FBiH Ministry of Agriculture, Water and Forestry addresses agricultural policy at the Entity-level. Within the CBC itself, a large number of actors in both the governmental and non-governmental sectors contribute to the – at times dissonant – relations that take cheese from the field to the consumer.

Relevant canton-level ministries include the Ministry of Agriculture, the Ministry of Health and Social Politics and the Ministry of Economy, with its Sector for Trade, Tourism and Hospitality. A number of canton-level non-governmental organizations, such as the CBC Tourism Association Agricultural Association and the CBC Agricultural Association also exist. There is no region-wide association for cheese producers and the CBC Agricultural Association is currently the only forum where producers can organize themselves within the Canton. Few of the producers interviewed believe it would be useful to have an informal network of producers that would operate across canton-level and Entity borders.⁹² Additionally, the CBC Chamber of Commerce plays an important role in canton-level trade

⁸⁶ Interview with Ragib Langić. He said that he has been to several educational seminars. However, he thinks it is problematic that examples are always given with “1 cow.” The farmers need education that will help them apply standards on a greater scale. Lab results have shown that there is too much variation in the milk. Some months it is very good. At other times it is not good enough to be sold.

⁸⁷ Interview with Dubravko Milanović.

⁸⁸ Interview with Zijad Konjalić.

⁸⁹ Interview with Anita Lozančić.

⁹⁰ Interview with Dragan Brenjo.

⁹¹ Ibid.

⁹² Interview with Sead Šaljak.

issues. Within the Municipality of Travnik, the Office for Development, Economy and Foreign trade is the critical actor where the production and sale of cheese is concerned.

Finally, numerous small associations and cooperatives representing producers exist throughout the Canton, based in various municipalities. For example, EKO Vlašić is a small cooperative, which was established in 2003. Although it almost went out of existence during the Brucellosis epidemic on Mt. Vlašić, it was recently started up again. The cooperative sells cheese from cow, sheep and goat milk, as well as smoked cheese. It also sells Livanski cheese, which is a result of cooperation with a partner from Herzegovina. In exchange, their partner organization sells Vlašić cheese in the Herzegovina region. However, EKO Vlašić only sells its products within BiH.⁹³ Individual producers are the final - but most critical - link in the extensive chain of actors.

Effective mechanisms for both horizontal and vertical multilevel governance are lacking, as evidenced by a lack of communication between stakeholders and the frequent tendency to blame any institution other than one's own, as observed in interviews. In terms of vertical governance, state, Entity, Canton and municipal institutions are characterized by frequently overlapping competencies and inefficient budget allocation. Although the physical proximity of municipal and Canton-level institutions in Travnik is close, they fail to work effectively with one another and share information. The situation regarding non-governmental horizontal cooperation, however, is more hopeful. In its annual cheese fair the CBC Agricultural Association includes organizations and producers from the Republika Srpska who are also located on Mt. Vlašić; this, combined with EKO Vlašić's partnership with a similar organization in the Herzegovinian city of Livno, indicate that NGOs and small cooperatives have come to realize some of the benefits that horizontal arrangements can offer. In both cases, mechanisms for vertical and horizontal multilevel governance require strengthening, particularly regarding means for effective communication.

3. Looking Forward: Cheese and Tourism in the Central Bosnia Canton

The aim of the canton-level Tourism Ministry is to promote various forms of tourism throughout the Canton – from historical attractions in the city of Travnik to ski vacations on Mt. Vlašić. Cheese is mentioned in almost every brochure produced by the Ministry, and they present cheese at every seminar, fair and conference they attend.⁹⁴ Still, according to several producers, the core problem remains that individuals at various governmental levels do not know how to provide useful assistance to farmers and do not understand producers' real needs.⁹⁵

The CBC Agricultural Association tries to promote local production and products. One of their most notable achievements is the annual “International Cheese Fair”, held in the village

⁹³ It reports that its products sell well in Herzegovina, Sarajevo, Zenica and Banja Luka, but are not frequently purchased in Travnik. It remains interested in continuously improving the quality of its products.

⁹⁴ Interview with Dubravko Milanović.

⁹⁵ Interview with Ragib Langić.

of Babanovac on Mt. Vlašić. The fair, held in 2011 for the sixth consecutive year, represents an important opportunity to promote local cheese. Structurally, the Association is divided into 6 sections, each of which covers a specific agricultural segment (shepherds, farmers, beekeepers, fruit growers, herbs and dairy production).

No agricultural secondary school exists in Travnik and the nearest are located in Zenica and Sarajevo.⁹⁶ One of the EKO Vlašić founders, Omer Mrakić, has a dream to open a specialised agricultural secondary school on Mt. Vlašić in cooperation with Sarajevo University's Faculty of Agriculture. At this school, the students would gain valuable experience with livestock and acquire skills such as sheep shearing, milking, etc. The school would have a specialized cheese production program that would aim to keep the tradition of sheep milk cheese production alive, while simultaneously upgrading it through the use of modern technology.⁹⁷

Many ideas exist about how to increase both production and profits to improve the level of local development. For example, one idea is for farmers to open bed and breakfasts⁹⁸ where they could sell their dairy products and traditional handicrafts such as blankets, pillows or carpets. Both the cheese and the handicrafts could be sold to tourists at area hotels. In this way, farmers could continue raising sheep while expanding their income options. There is one existing example, Guesthouse Šalak, which holds a "Nature School" in cooperation with Hotel Blanca. Hotel Blanca offers a variety of one-day excursions, including lunches at Guesthouse Šalak where the owner gives cheese-making demonstrations. These excursions can be viewed on the hotel's website.⁹⁹

Significant and visible potential for enhancing linkages between cheese production and tourism exists. A new and innovative initiative called the "Cheese Road"¹⁰⁰ is currently in its completion phase. This project is funded by Caritas Belgium and Caritas BiH in order to help promote Vlašićki cheese abroad. The Cheese Road will lead tourists directly to producers who can host them as guests on their farms. The idea is for tourists to stay overnight with the farmers, visit animals, and see authentic cheese production. Tourists would even be able to milk sheep and cows. The CBC Tourist Association, a registered NGO, has mapped a 170 kilometre route based on collected GPS data, and will publish a map¹⁰¹ by the end of 2011.¹⁰² The route identifies 30 producers, but only 10 have satisfied preliminary hygiene standards. Of these 10, only 3 producers meet all the necessary requirements, and 7 must make more progress if they hope to be included.¹⁰³ The producers currently included in the Cheese Road project are those which currently maintain the highest standards of quality and hygiene on Mt. Vlašić.¹⁰⁴ "Travnik's cheese can contribute to tourism. However, we are often afraid to recommend that tourists try it because of its frequently questionable quality."¹⁰⁵

⁹⁶ Interview with Amira Đelilbašić.

⁹⁷ Students would be taught a general agricultural curriculum during the first three years and choose an area of specialization during the fourth year.

⁹⁸ Interview with Omer Mrakić.

⁹⁹ Hotel Blanca's excursion program may be viewed on its website, available at: <http://www.blanca-resort.com/izleti>.

¹⁰⁰ Due to the name dispute, the cheese will be described as Travnički Cheese from Vlašić Mountain.

¹⁰¹ It is essential that the CBC Tourist Association provide tourists with a high-quality, accurate map. Tourists would need to be armed with all the information and supplies they need when they travel to the mountains.

¹⁰² Interview with Nihad Korić.

¹⁰³ Ibid.

¹⁰⁴ Two of the producers currently included are Sead Šalak and Goran Augustinović.

¹⁰⁵ Interview with Nihad Korić.

Conclusions

Although locally produced, traditional cheese has the potential to significantly enhance rural development and tourism in the CBC, but a number of key challenges have yet to be addressed. However, as illustrated in this report, several projects, which clearly illustrate linkages between cheese and tourism, provide examples of best practices and demonstrate how progress can be made.

An insufficient legal framework, overlapping competencies at all government levels and dissonant relations among and within stakeholder groups has led to a situation in which neither maximum cheese production nor quality is attained. Producers lack sufficient infrastructure, education and open communication channels. Issues related to standardization, registration and quality cannot be addressed until farmers' real needs are heard and dealt with.

Despite these challenges, numerous projects in various phases of development aim to take advantage of linkages between cheese production and tourism. These positive synergies should be built upon and supported. SeeNet partners could make a meaningful contribution toward improving this situation by providing assistance similar to that which is currently provided in Livno, BiH. Strengthening and organizing existing agricultural associations could help place producers on even ground with municipal and canton-level officials, thus paving the way for clear and frequent communication aimed at addressing producers' needs, implementing EU standards and making a standardized, high-quality product. Drawing on EU and Italian experiences, potential partners have the capacity to assist in improving existing legislation, introducing new regulations and streamlining registration processes. Current arrangements for horizontal cooperation among stakeholders have been thus far beneficial and strengthening such decentralized cooperation could bring further benefits.

Today, cheese producers in the CBC remain a long way from the EU – in terms of both its standards and its markets. However, through promoting rural development projects that combine aspects of agriculture and tourism, Central Bosnia will move closer to EU funding, enhanced economic opportunities and the empowerment of its producers.

AT THE CROSSROADS

Towards new projects for (tourism) development between Trebinje and Dubrovnik

Aleksandar Draganic (EDA Banja Luka)
Assignment done under the CeSPI guidance

Third Report
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**SeeNet Programme: A trans-local network for the cooperation between Italy and South
East Europe**
Horizontal Action C - Research



Executive summary

For centuries, Dubrovnik and Trebinje had good neighborhood relations backed with mutual exchange of goods and products, linking South with North. The distance of 35 km between cities created some patterns – local population from Trebinje regularly went to Dubrovnik for a daily visit to go to the seaside and for shopping for luxurious goods while the local population from Dubrovnik regularly visited Trebinje's market, buying local food and agricultural products.

As the former Yugoslavia fell apart during the early 1990s, Dubrovnik and Trebinje became the war zones with the “iron curtain” between these two cities/areas. Former neighbors and friends became the worst of enemies. The relation between Trebinje and Dubrovnik during the last 15 years can be described as silent continuation of the war hostilities. Some previously conducted studies show that people from Dubrovnik do not forget bad things very easily, and that formal cooperation will progress very slowly in the case of these two cities/areas. However, the promising facts are seen in the movement of people where some of the population of Dubrovnik regularly visit Trebinje to buy food and agricultural products which are almost twice as cheap in Trebinje than in Dubrovnik. At the same time, some individuals and families from Trebinje visit Dubrovnik and its surrounding areas for their summer vacation and to sunbathe. But, the politics (local and upper) does not provide incentives for improvement in the relationship between these two areas. It has to be said that the dynamics of the relations after the mid-90s between Trebinje and Dubrovnik left severe consequences, preventing the valorization of resources on both sides while it seems that the Trebinje area suffers more than Dubrovnik. Furthermore, Trebinje can be considered as the centre and development pole for Eastern Herzegovina: as a consequence, Trebinje's development path influences the development perspectives of the entire region.

The first two SeeNet reports show that the potential for the valorization of local resources for rural tourism remains unused due to many factors (lack of support from upper level, prevalent focus on former industrialization, lack of initiatives for agriculture production, lack of proper decentralization, etc.). However, very important difficulties for the valorization of resources for rural tourism in the Trebinje area can be found in the bad political climate between Trebinje and Dubrovnik. The most important aspects for valorization of local resources for rural tourism and the dispute with Dubrovnik are seen in barriers to Dubrovnik's markets for goods and services, no organised offers for visiting Trebinje's area, lack of incentives for joint projects and non-existence of formal cooperation between these two cities.

The report shows that there are some possibilities for the improvement of relations through new custom and border policies, potential joint projects in the energy sector, potential joint projects in tourism and through the use of IPA funds, and through dynamism of free movement of people and goods and further business opportunities. Conducted analysis shows that the reconciliation of Trebinje and Dubrovnik lies upon upper level politicians, local government officials, local business and touristic subjects, development institutions, NGOs, citizens, etc. Also, an impetus from the international community and donors are more than welcome. SeeNet partners can offer their support in this framework. It is evident that the coordination of individuals and institutions that are for reconciliation is crucial. The dynamics of reconciliation will depend on the level of engagement of various actors, the size of mutual interest, and the urge for reconciliation.

1. Introduction

This paper examines the current “deadlock” in relations between the municipality of Trebinje and its surroundings with the Dubrovnik area. For centuries, Dubrovnik and Trebinje had good neighborhood relations backed with mutual exchange of goods and products, linking South with North. During the early 1990s, Dubrovnik and Trebinje became the war zones with the “iron curtain” between these two cities/areas while all economic activities (trade, transport, tourism, etc.) were stopped.

Dynamics of the relations after the mid-90s between Trebinje and Dubrovnik left severe consequences, preventing valorization of resources on both sides while it seems that Trebinje area suffers more than Dubrovnik. For centuries, Trebinje and its surroundings provided agriculture products to Dubrovnik and its area, serving at the same time as the traffic hub for tourists linking other parts of B&H and Serbia with the Dubrovnik area. However, the problems of the 1990s negatively affected these patterns, leaving more than 1000 people from Trebinje out of jobs where they worked prior to the war and hostilities.

The last 15 years in relations between Trebinje and Dubrovnik can be described as silent continuation of the war hostilities. This hardens any formal cooperation arrangement since everybody (especially the political representatives) has to be careful about their moves, especially in relation to the “other side”. However, it seems that there are some possibilities for improvement of relations in the future.

2. Historical overview of relations between Trebinje and Dubrovnik

Dubrovnik was founded in the mid 7th century. For a long time it was under the protection of the Byzantine Empire. From 1205 to 1385 the city was again under Venetian sovereignty, but after the signing of the Peace Treaty of Zadar in 1385, it became part of the Hungarian- Croatian Kingdom. Throughout the centuries and in spite of (or because of) foreign patronage, this city managed to preserve its independence. Following the 1815 Congress of Vienna, the city was annexed by Austria and remained part of the Austro-Hungarian Empire until the end of the First World War. From 1918 to 1939 Dubrovnik was part of the Zetska Banovina (District) within the Kingdom of Yugoslavia and from 1945 to 1990 the Socialist Federal Republic of Yugoslavia. With its many medieval churches, cathedrals, and palaces from the Baroque period, the city of Dubrovnik (in medieval times called Ragusa) is the pearl of the Adriatic. In 1974 Dubrovnik was listed by UNESCO as a world heritage site. The tourism and culture were the most important source of Dubrovnik’s revenues in the last 40 years, substituting previous trade as major business activity.

Travunia was a medieval region, administrative unit and principality, which was part of Medieval Serbia (850-1371), and in its last years, the Bosnian Kingdom (1373-1482). The county became hereditary in a number of noble houses, often kin to the ruling dynasty. The

region came under Ottoman rule in 1482. Its seat was Trebinje, modern eastern Herzegovina.¹ The medieval state is characterized with intensive transit trade between the southern Adriatic and Pannonia, where the Trebinje area export various agricultural products and imported luxury goods from the coast (Dubrovnik and surrounding areas). As part of the Kingdom of SHS from 1918, and then the Kingdom of Yugoslavia, the area has stagnated, especially in economic terms. In the period from 1945 to 1992, Trebinje was a part of new federal and socialist Yugoslavia. Like most other cities, Trebinje also experienced an economic boom, based on the intensive development of energy and industrial sectors. This economic boom stopped in mid the 80s, followed with huge destruction and losses during the war in Bosnia and Herzegovina (1992-1995).

For centuries, Dubrovnik and Trebinje had good neighborhood relations. There were no borders between areas while trade, transport 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 Dubrovnik and Trebinje became the war zones with the "iron curtain" between these two cities/areas. Former neighbors and friends became the worst of enemies. Everything stopped – the trade, the transport, and the tourism, while the area became the play yard of local war lords.

3. The dynamics of relations after mid 1990s

The last 15 years in relations between Trebinje and Dubrovnik can be described as silent continuation of the war hostilities. Although the human casualties were not as big as in cases of other parts of former Yugoslavia where many civilians were killed², the "iron border" in relations between two local communities is still present. This situation is seen the public opinion poll from 2008³ which was conducted by the East-West Institute.

The study, which included the population area covered by the marginal border points - Eastern Herzegovina in Bosnia and Herzegovina, Dubrovnik area in Croatia and the Bay of Kotor in Montenegro, was done in order to determine the attitudes of the population towards the recent war, the present cooperation and the possibility of cooperation in the future. The figures show that people from Dubrovnik do not forget bad things very easily, and that formal cooperation will progress very slowly in the case of these two cities/areas.

¹ Trebinje is first mentioned as Tribune in the 10th century. The town got its first urban contour in the Middle Ages. First, it was part of the Byzantine government, and then, until the 14th century, it was the centre of state Travunija, which was part of Nemanjici's state

² From October 1992 until August 1995, nine civilian casualties were recorded in the Dubrovnik-Neretva Canton

³ The survey of South Adriatic micro region in order to determine attitudes of the population related to the war past, the present cooperation and the possibility of cooperation in the future (done by the Strategic Marketing for the purpose of the East West Institute in Dubrovnik). The survey covered 1514 persons, older than 18, and based on random choice. The reconciliation project in the South Adriatic micro region lasted from the 2003 to 2008.

For 67 percent of the residents of Dubrovnik, Croatian politicians should not apologize to other nations for crimes committed during the war. Nearly 43 percent of the population of Trebinje has the same opinion that their politicians do not need to apologize. In the case that Montenegro, Croatia and Bosnia-Herzegovina join the EU, abolishing police and customs procedures at borders, 41 percent of the population of Dubrovnik considered that their everyday life will be worsened, while 71 percent of the population of Trebinje believes that their life will be better. The results also show that the populations of the three regions were ready to help the other two regions only in the event of natural disasters. In these cases, the population of Trebinje is very willing to help Dubrovnik (94 percent), while about 60 percent of the population of Dubrovnik is ready to help residents of Trebinje. Around 83 percent of the population of Trebinje thinks they should soon come to reconciliation with the people of Dubrovnik. Almost half the population of Dubrovnik would consider reconciliation, but not in the near future.

The above-mentioned figures show that the level of misunderstanding between Trebinje and Dubrovnik is huge. This hardens any formal cooperation arrangement since everybody (especially political representatives) has to be careful about their moves, especially in relation to “other side”. The level of ostracism is high if particular accepted norms are broken. These implicitly move forward policies that do not favor cooperation between Trebinje and Dubrovnik, except in cases where the international community and donors were heavily involved. The most important aspect is seen in the fact that elected politicians, even on the local level⁴, follow policies that do not endanger the current state of their majority “vote”. Thus, it is hard to see some local government cooperation arrangement initiated by Dubrovnik or Trebinje.

However, the promising facts are seen in the movement of people where some of the population of Dubrovnik regularly visit Trebinje to buy food and agricultural products which are almost twice as cheap in Trebinje than in Dubrovnik. At the same time, some individuals and families from Trebinje visit Dubrovnik and its surrounding areas for their summer vacation and to sunbathe. But, the politics (local and upper) are not providing incentives for improvement of relations between these two areas. This can be seen in the fact that the current nearby border point is just for the transportation of people, without a custom point for goods, pushing people who cross the borders to “smuggle” goods and products. According to interlocutors, it is interesting that many restaurants and cafes in Dubrovnik sell the wine “Zilavka” from Trebinje, without legal origin of this product. At the same time, it is not recorded that the wine producers from Trebinje have sold their wine to business subjects in Dubrovnik and its area.

The research has shown that up to now only two touristic agencies from Dubrovnik have realized organized excursions in Trebinje, while many guests from Dubrovnik organize themselves individually. The current hostility between the two cities is seen in the fact that there is no information about the other in their touristic offices, while the road from Dubrovnik to Trebinje is without any travel routes or signs for the destinations.

When looking at the use of funds and EU cross-border programs, there is no record of initiatives for joint projects between Trebinje and Dubrovnik. Besides obvious hostility, the reasons for this can be found in the fact that development organizations from Dubrovnik easily find partners in western Herzegovina while the organizations from Trebinje rely more on partners from Montenegro for cross-border programs.

Finally, it has to be said that the dynamics of relations after the mid-90s between Trebinje and Dubrovnik left severe consequences, preventing valorization of resources on both sides while it

⁴ Beside local level, Croatia has 2 upper levels – cantonal level and state level.

seems that the Trebinje area suffers more than Dubrovnik. For centuries, Trebinje and its surroundings provided agriculture products to Dubrovnik and its area, serving at the same time as the traffic hub for tourists linking other parts of B&H and Serbia with the Dubrovnik area. However, the problems of the 1990s negatively affected these patterns, leaving more than 1000 people from Trebinje out of jobs where they worked prior to the war and hostilities.

4. The impact of the dispute on Trebinje rural tourism development

Rural tourism is a relatively new branch of tourism, especially in Trebinje and Bosnia and Herzegovina. For years the focus has been on urbanization, where armies of the rural population fled from villages to the cities.⁵ This has left villages practically without any proper infrastructure, where the population has dealt mainly with agriculture production. The other branches of business were not the focus of the rural population, particularly tourism. However, new development trends and growing interest in development of rural areas and tourism development has changed this pattern throughout the world.

Trebinje development strategy 2008. – 2017

The problems in various economic sectors in Trebinje are recognized through the local development strategy where the first strategic goal focuses on “Creation of local economy and competitive business structure that optimally use Trebinje’s core competences in new globalised environment”. It is assumed that rural development and valorization of land for agricultural production represent Trebinje’s future competitive advantage.

The strategy also puts tourism as the future comparative advantage that will be based on Trebinje’s history and cultural heritage.

From previous analysis, it can be seen that there are some conflicts regarding vision when looking at rural tourism/territorial development. Since most of revenues⁶ in the municipality of Trebinje come from the energy sector, the majority of stakeholders (including citizens) still do not perceive rural tourism as very important for economic growth. The local population has a saying that *it is better to be a door keeper at the electricity power plant than a respectable farmer in a village around Trebinje.*

Besides, the energy sector is also a very important link between Trebinje and Dubrovnik due to the complex system of hydro energy and hydro-power plants on Trebisnjica river. Currently, the two Electric Power Companies from Croatia and the Republic of Srpska are negotiating possible joint investment into the hydropower plant Dubrovnik 2 with an installed capacity of 300 MWh.

⁵ Before the last war, the main migration trends in the municipality of Trebinje were from rural to urban areas. Also, many people have worked in tourism sector in Dubrovnik.

⁶ 54% of entire incomes generated in the municipality Trebinje comes from economic activities attached to energy sector (including water).

The first two SeeNet reports⁷ show that potential in valorization of local resources for rural tourism remains unused due to many factors (lack of support from upper level, prevalent focus on former industrialization, lack of initiatives for agriculture production, lack of proper decentralization, etc.). However, very important difficulties for the valorization of resources for rural tourism in Trebinje area can be found in the bad political climate between Trebinje and Dubrovnik. The most important aspects for valorization of local resources for rural tourism and the dispute with Dubrovnik are seen in barriers to Dubrovnik's markets for goods and services, no organised offers for visiting Trebinje's area, lack of incentives for joint projects and non-existence of formal cooperation between these two cities.

According to some authors, (Cehajic *et al.*, 2010), low levels of social reconciliation in B&H are due to the current political environment, which does not facilitate the process. This is typical also in the relation between two bordering cities – Trebinje in Bosnia and Herzegovina and Dubrovnik in Croatia. Positive effects on a process of social reconciliation have not yet been addressed. The potential solution for this problem will further be examined taking into account the possibility of enabling individuals from different cities to work together, based on the projects that are enhancing tourism development. Finding an alternative approach in order to institutionalize a partnership between divided communities is a necessity. Tourism projects are the first to be able to be implemented because of tourism being understood as rather benign and therefore may allow national pride to be put into another outlet. A further characteristic of tourism is that it operates in the sphere of natural borders, which are more important than the political one's created on war inheritance and political treaties.
Source: Tourism, Progress and Peace (edited by Moufakkir and Kelly), CABI, 2010

Table 1 - Tourists' arrivals/nights in Trebinje

Tourists' arrivals/nights in Trebinje in the period 2006-2010						
Year	Tourist arrivals			Tourist nights		
	Domestic tourists	Foreign tourists	Total	Domestic tourists	Foreign tourists	Total
2006	6.053	2.988	9.041	9.919	5.527	15.446
2007	8.046	2.882	10.928	13.042	6.124	19.166
2008	7.237	3.055	10.292	11.504	8.086	19.590
2009	7.416	2.787	10.203	12.750	6.834	19.584
2010	9.452	3.696	13.148	12.517	6.216	18.733

Source: RS Office for Statistics, Statistical Bulletin - Hotels and Restaurants, Tourism (2011)

If we compare tourist arrivals and tourist overnights in Dubrovnik and Trebinje, it can be seen that the number of tourists in Dubrovnik is 100 times larger than the number of tourists in

⁷ *Local democratic governance in Trebinje Municipality*, First research report under the SeeNet Programme (CeSPI), Rome, November 2010, <http://www.cespi.it/SEENET/Trebinje.pdf>

Decentralisation and local development in Western Balkans: convergences and divergences among different contexts - Decentralisation, power of local self-government and multi-level dynamics in Trebinje Municipality, Second research report under the SeeNet Programme (CeSPI), June 2011, <http://www.cespi.it/SEENET/report-2/report-2-completo.pdf>

Trebinje. For details, see Table 2 below. At the same time, the number of domestic tourists in Dubrovnik is significantly lower than the number of foreign guests. According to the data from Dubrovnik Touristic Community, the number of domestic tourists is in 3rd place for the period 2008 – 2010 when looking at the overall number of arrivals (after tourists from the UK and France).

Table 2 - Tourists' arrivals/nights in Trebinje and Dubrovnik

Tourists' arrivals/nights in Trebinje and Dubrovnik in the period 2008-2010			
	2008	2009	2010
Overnights (Trebinje)	19.590	19.584	18.733
Arrivals (Trebinje)	10.292	10.203	13.148
Overnights (Dubrovnik)	1.782.813	1.921.063	2.192.376
Arrivals (Dubrovnik)	379.322	505.543	456.745

Source: RS Office for Statistics, Dubrovnik Touristic Community

The increasing number of tourists and the improvement in local touristic offers has affected the growth of revenues in the municipality and has increased the employment. From 2006 to 2009, annual turnover in tourism in Trebinje increased four times, while the number of employees doubled. Still, it is estimated that the touristic potential is very poorly utilized due to lack of guests, especially tourists from Dubrovnik.

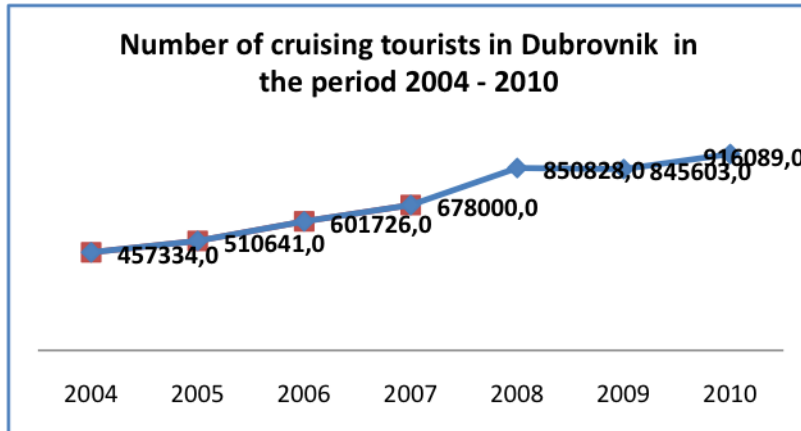
When looking at rural tourism, the official data shows that there are no registered accommodations/households in Trebinje in this tourism branch while more than 1000 subjects⁸ related to the provision of rural tourism services are registered in Dubrovnik area. Many foreign guests to Dubrovnik are using a combination of rural and coastal touristic services. At the same time, Dubrovnik touristic office and travel agencies provides many excursions to the rural area, but without putting Trebinje as a potential destination in their offers.

5. From coastal to rural tourism: who are potential clients/customers?

Dubrovnik is rated among the several top touristic destinations in the Mediterranean. With more than 500.000 touristic arrivals and more than two million overnights annually, the city is constantly attracting more and more guests every year. If we add more than 900.000 cruising tourists per year who visit this city, it is clear that this city represents a big attraction for many foreigners.

⁸ The huge number of units is also result of subsidy scheme where the registered accommodation as rural household is eligible for 4% of subsidy when taking loan from the bank. Only portion of these units are providing services that can be assumed as rural tourism services.

Chart 1 – Number of cruising tourists in Dubrovnik



Source: Port of Dubrovnik

The promotion of the city of Dubrovnik as a high category tourist destination depends on the total efforts by all the participants and the realization of their individual tasks. Touristic development cannot be achieved without a partnership approach among the various subjects, which at first glance are heterogeneous. However, adequate development of the transport infrastructure, improvement in the standard of the accommodation facilities and overall raising the level of the tourism product (excursions, services) with appropriate communication between the institutional and commercial subjects are guarantees of success.⁹

Some studies¹⁰ show that the average cruise tourist spends around 81 USD per day during their stay in Dubrovnik. These numbers differ slightly from the city's official estimation obtained during the interview who say that the average cruise tourist spends around 40 USD per day. In both cases, we can assume that there are no differences in the structure of expenditures which can be seen in following Table.

Table 3 – Structure of cruising tourist's expenditure in Dubrovnik

	Average consumption (%)	Average consumption (in USD) – Model 1	Average consumption (in USD) – Model 2
Transportation	8	6,48	2,59
Restaurants	21,1	17,09	6,84
Souvenirs	5,6	4,54	1,81
Clothes	13,1	10,61	4,24
Buying alcohol	7,5	6,08	2,43
Excursions	44	35,64	14,26
Others	0,6	0,49	0,19

Source: Interviews with city officials, Benic's article (author calculation)

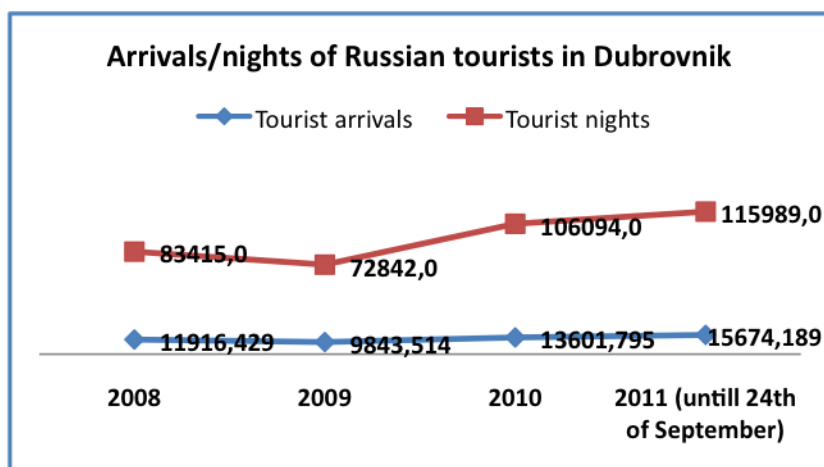
⁹ Djurkovic, V., Development of Dubrovnik as Port of Call in Cruising-Tourism and the Port of Dubrovnik Development Project, Magazine "Nase More", 54(1-2)/2007.

¹⁰ Benic, I., Cruise travelers visiting Dubrovnik: comparative analysis, Ekonomska misao i praksa nr 2, Zagreb, February 2008

The average cruising tourist in Dubrovnik port spends between 14,26 USD and 35,64 USD for excursions, and between 6,84 USD and 17, 09 USD for restaurants, depending on which source of expenditure data we use. It means that the potential market for cruising tourist excursions lies between 13 and 32,6 million USD, while the potential market for restaurants lies between 6,3 and 15,7 million USD. If only a small portion of this amount was spent in Trebinje, the results for local tourism would be more than evident. Also, if we add other non-cruising guests who would like to spend some nights in Trebinje, there would be a touristic boom in Trebinje and Eastern Herzegovina. However, the basic preconditions are seen in existence of tour operators who are willing to bring guests to visit Trebinje and its surroundings. According to conducted interviews, this precondition is far from current reality due to the hostility between these two cities.

Beside cruising guests, there is the second big group of potential tourists that are interested in visiting Trebinje and Eastern Herzegovina. This group of tourists are Russians who are ranked in 5th place of Dubrovnik visitors, according to nationality of tourists. Trebinje's heritage and orthodox religion background offer numerous churches and monasteries interesting for guests from Russia. The mixture of religious and rural tourism offers can attract many tourists to Trebinje. According to Dubrovnik Touristic Community, the number of Russian tourists is constantly increasing while they spend more than 7 days, on average, on vacation. For data, see Chart 2. It is evident that this group of tourists represents a potential niche for Trebinje and Eastern Herzegovina. The interest for Trebinje and its surroundings are confirmed with interlocutors from the Orthodox Church in Dubrovnik, who also said that there are a lack of organized excursions to Trebinje and Eastern Herzegovina.

Chart 2 – Number of Russian tourists in Dubrovnik



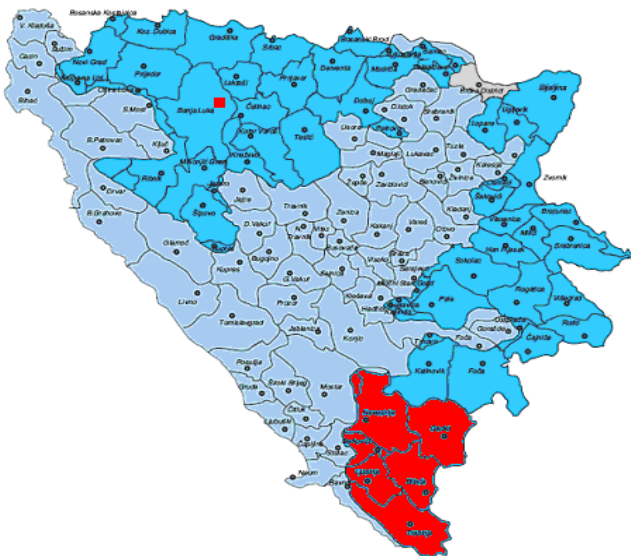
Source: Dubrovnik Touristic Community, October 2011

Finally, many other guests who visit Dubrovnik are eager to have excursions and to visit neighboring sites. Currently, there are no public advertisements for excursions to Trebinje and surrounding areas while guests are guided to visit the peninsula Peljesac, Korcula, Konavle, etc. Many of these excursions are parts of rural touristic offer in the Dubrovnik area.

6. The potential role of Trebinje for the development of Herzegovina and opportunities to support new relations between Trebinje and Dubrovnik

According to estimates from the local administration, Trebinje has 33 120 inhabitants, of which over 80% of the population were living in the urban part of the municipality. The Municipality of Trebinje is a medium size municipality in the Republic of Srpska, that has the natural regional character of the regional centre to Eastern Herzegovina (Trebinje and six other neighboring municipalities). The territory of Eastern Herzegovina represents 16% of the total territory of the Republic of Srpska with only 5,5% of its population. The area is extremely devastated due to continuous neglect from the upper level in terms of development. The former Yugoslavia had previously provided heavy support to this part of the Republic of Srpska and Bosnia and Herzegovina by creating business subjects and state institutions within this area (such as military facilities). The breakdown of socialism and the new administrative framework that has emerged after the war of 1992-1995 left this area to cope with their problems alone, with limited funds for investment in infrastructure and development. The total joint municipal budgets are around 6 – 7% of total local government expenditures in the Republic of Srpska. Although the budget is almost proportional to the number of population, the huge territory and unfriendly terrain requires more funds for maintenance and construction of basic infrastructure without considering further development needs.

Figure 1 –Municipalities in the Eastern Herzegovina (marked in red) related to the Republic of Srpska's capital Banja Luka (bolded with red square)



Previous analysis of institutions, politics and economy¹¹ in Trebinje and Eastern Herzegovina show that there is the complex system of interactions between upper politics, elected representatives (mayors and municipal assemblies), local administration and local economic actors. In this set-up, Trebinje is the most important municipality in Eastern Herzegovina acting as a development pole for all Eastern Herzegovina's local communities.

Table 4 – Basic characteristics of the Eastern Herzegovina’s municipalities

	Population		Territory (km ²)		Budget* (2010)	
		%		%		%
Berkovici	2.799	3%	270	7%	1.013.146	2%
Bileca	12.282	15%	633	16%	8.760.986	21%
Eastern Mostar	794	1%	88	2%	360.289	1%
Gacko	10.300	12%	736	19%	9.463.393	22%
Ljubinje	4.258	5%	321	8%	1.454.550	3%
Nevesinje	18.955	23%	1.040	26%	4.827.696	11%
Trebinje	33.120	40%	858	22%	16.536.923	39%
TOTAL	82.508	100%	3.946	100%	42.416.983	100%

* - in Convertible Marks (KMs) – 1 KM ≈ 0,51 EUR

Source: RS Institute for statistics, RS Ministry of finance, Municipalities

Trebinje is a municipality that was harshly hit by the transition period, previous war and changes from the 1990s. Previously, it was a municipality with several big developed industrial and energy enterprises. The same development pattern is seen in entire Eastern Herzegovina. While the energetic sector remained the pillar of Trebinje’s economy, the industry (especially big enterprises) recorded declines year by year. However, the issue of rural development, hence the issue of enhancement of local resources for the development of rural tourism in Eastern Herzegovina, is still at rock bottom.

Local politics leaned on the “national” issues

For centuries, Trebinje and Herzegovina were attached to Dubrovnik (Ragusa) as its source of agricultural products and food. This has been changed due to the war, where the border between Trebinje region and Dubrovnik region became an “iron curtain” due to nationalist politics in that period. The new elite – closely attached to the energy sector (water and electricity) - had no concern for lost economic opportunities because of the “iron border”. The situation is changing positively but still with huge problems among these regions. The positive course has begun since 2004, when the new mayor Dobroslav Cuk and the Alliance of independent social-democrats (SNSD) came under power with less nationalism in their political program. The Alliance of independent social-democrats (SNSD) are seen currently as mild nationalists, with their primary aim being the conservation of the current state regarding the territorial and constitutional situation in Bosnia and Herzegovina. Beside Trebinje, the Alliance controls 40 out of 62 municipalities in the Republic of Srpska and has almost half of the seats in the RS National Assembly. There were no changes after the General elections in October 2010.

Source: First SEENET report

¹¹ *Local democratic governance in Trebinje Municipality*, First research report under the SeeNet Programme (CeSPI), Rome, November 2010, <http://www.cespi.it/SEENET/Trebinje.pdf>

The most interested stakeholders for rural tourism development in Trebinje and in Eastern Herzegovina are seen in the local association of beekeeper and honey producers as well as the local association of wine producers. They do not see an alternative for future development besides tourism development where they will be able to offer their products to incoming tourists. The second supportive players are also seen in the vast number of unemployed citizens who can see extra value in valorization of their resources (land and work) through the improvement of future touristic offers. It can be said that nobody is explicitly against rural tourism development, but some resistance can occur due to previous patterns of development and domination of industry. The efforts of municipal administration and its institution in the promotion of rural tourism are still not utilized as it could be.

The analysis of possibilities in improvement of relationship between Trebinje and Dubrovnik show that potential opportunities are in:

- Upper level politics and their attitude toward the reconciliation of Trebinje and Dubrovnik
- Custom and border policies, especially from the Croatian side
- Joint projects in the energy sector
- Potential joint projects in tourism and the use of IPA funds
- Dynamism of free movement of people and goods and further business opportunities

Currently, there are no incentives from upper level politicians to relax the mutual relations between Trebinje and Dubrovnik. However, it is recorded that incentives from the upper level can be beneficial and represent a good signal for local politicians toward reconciliation. This can be seen in the case of Posavina in the Republic of Srpska, where a meeting of the Croatian president and the RS president and prime minister facilitated further dialogue and the return of displaced people in several municipalities in this region. The conducted interviews show that the involvement of upper politics is desirable on both sides, by municipal officials in Trebinje and city officials in Dubrovnik.

At this time, the closest custom point for goods and products at borders between Trebinje/Eastern Herzegovina and Dubrovnik area is in Metković, which makes the transport of goods and products very complex and costly due to the 200km distance. The previous attempt to open alternative border points for goods and services failed due to lack of understanding from the Croatian side. However, it is hardly to be expected that the situation will improve due to the announced entry of Croatia into the EU in 2013. There is still some small maneuvering space for negotiation, but through the B&H Council of ministers and the Ministry of Foreign Affairs.

Hydroelectric (HE) power plants in Trebisnjica basin are in two countries: the Republic of Croatia and Bosnia and Herzegovina (in the Republic of Srpska). HE Dubrovnik is the last step of the hydro system. HE Dubrovnik uses water from the river Trebisnjica - Bileća reservoir, created by the dam Grancarovo. The HE Dubrovnik was planned in two phases: the first was built, while the second phase (HE Dubrovnik 2) has never been finished. There are still some disputes regarding the distribution of energy from these power plants between the Electric Power Company of the Republic Srpska and the Croatian Electric Power Company, including both governments. However, if they find a way through, the investment in HE Dubrovnik 2 would be the biggest post-war investment between the Republic of Srpska (B&H) and Croatia, providing incentives for further reconciliation of nations and territories.

There are currently at least two open calls for joint projects between organizations/institutions from Trebinje and Eastern Herzegovina, and the Dubrovnik area – IPA cross-border program between Croatia and B&H and IPA Adriatic CBC program. However, there is no record that any organization/institution from Trebinje will apply jointly with a similar organization/institution from Dubrovnik. The reasons are many, but the most important reasons are the lack of knowledge about possible partners, no institutional contacts and/or cooperation, differences between potential applicants, no potential projects, etc. It is assumed that a joint project, especially in tourism, can institutionalize a partnership between divided communities. At the same time, tourism projects are the first to be able to be implemented because of tourism being understood as rather benign for both sides. The most important precondition for a joint project and use of IPA funds lies in the technical capacity of the partners and the possibility to candidate/manage future projects. The potential project that could bring huge benefits to both sides lies in the project idea of narrow-gauge railway from Dubrovnik-Ravno-Trebinje. This project has already started with the signature of the prefect of the Dubrovnik-Neretva Canton and the president of association „Narrow-gauge railways beyond borders“ in March 2011. The first 17 km will connect Dubrovnik and Uskoplje, providing the possibility to connect Ravno and Trebinje in B&H. Currently, there are ongoing activities to facilitate project financing from EU funds.

Finally, there is a saying that time heals everything. The positive trends in the movement of people from both sides of borders will have beneficial effects for reconciliation. It can be predicted that people from Dubrovnik will continue to buy goods and products at Trebinje's market or to use local services (haircutting, dining, etc.). Also, time will have positive effect on the number of people from Trebinje that are visiting Dubrovnik, and vice versa. The path of local population will lead in improvement of touristic offers and future potential business opportunities.

7. What can be done? A multilevel perspective and role of territorial cooperation

The conducted analysis shows that reconciliation of Trebinje and Dubrovnik lies with upper level politicians, local government officials, local business and touristic subjects, development institutions, NGOs, citizens, etc. Also, an impetus from the international community and donor is more than welcome. It is evident that the coordination of individuals and institutions that are for reconciliation is crucial.

If we take into account the level of engagement of various actors, the size of mutual interest, and urge for reconciliation, there are at least three alternatives:

- Status quo scenario
- Slow cooperation improvement scenario
- Faster cooperation improvement scenario

Table 5 – Reconciliation scenarios between Trebinje and Dubrovnik

	Level of engagement	Size of mutual interest	Urge for reconciliation
Status quo	Low	Small	Small
Slow improvement in cooperation	Moderate	Medium	Medium
Faster improvement in cooperation	High	Large	Large

In the first scenario, the current trends will continue. The level of engagement of local government actors will still remain low, without interference from upper level politicians. It is assumed that potential joint-projects will not be realized while the urge for reconciliation remains small. This scenario is based on the current dead lock without the possibility to go further in the improvement of institutional relations between Trebinje and Dubrovnik. The second scenario assumes slow cooperation improvement, either through improvement of institutional cooperation between local communities or upper level institutions. This scenario assumes that some potential mutual projects will start, with positive effects on both sides – Trebinje and Dubrovnik. This scenario is based on the development needs of both regions, with constant support from donors and upper level governments. The third scenario assumes faster cooperation that is based on big urge for solving problems (as in case of huge common problems or disasters). In this case, it is predicted that every subject will have a positive attitude toward the improvement of relations while all potential projects will transform it into a priority for both regions. Contacts between institutions will be frequent and almost on a daily basis.

If we accept that some evolution is ongoing, leaving aside the «status quo» scenario, the reality of the current situation shows that the second scenario will prevail on the third due to lack of incentives to push things faster from the Croatian side. As one interlocutor said, it is apparent that Trebinje needs Dubrovnik but it is not clear whether Dubrovnik needs Trebinje. However, in order to realize this scenario, it is necessary to have constant government or international¹²/donor support for potential joint projects between these two regions. Thus, the SeeNet Programme and the project “Valorisation of local resources for the development of rural tourism in the area of Dubrovnik and the region of Herzegovina” are paving new paths of future cooperation. The project activities like wine and taste routes are beneficial for both sides since they generate new incentives in tourism, especially in the branch of rural tourism. Besides, these activities make the two communities more integrated.

When looking at the future perspective, there are several things that could help the relations between Trebinje/Eastern Herzegovina and Dubrovnik area:

- Joint initiative for reconciliation backed by high level politicians from the Republic of Srpska and Croatia
- Joint initiative for reconciliation backed by local government authorities from Trebinje and Dubrovnik, and Eastern Herzegovina and Dubrovnik-Neretva Canton
- Joint projects in energy sector

¹² The municipality Trebinje urged to Russian and American Embassies in order to engage in improvement of relations between Trebinje and Dubrovnik

- Joint projects related to tourism and economic development and use of IPA cross-border funds

The first two issues (joint initiatives backed by high level politicians and/or local government authorities) have a precondition for a change of political climate and moving away from populist and national politics that was characterized in the 1990s. At the same time, joint projects - especially in tourism - require competent teams and structures that are able to develop and implement projects as requested. Currently, it is evident that both cities, Trebinje and Dubrovnik, do not have proper capacities, knowledge and skills in preparation of EU funded projects on a larger scale. The only exception is seen in the work of the DUNEA – Development Agency of Dubrovnik Neretva Canton. However, DUNEA is not a proper partner in Eastern Herzegovina since the Agency for development of Eastern Herzegovina (ARIH) exists only on paper, without current capacities to participate in the use of EU funds.¹³ SeeNet partners could offer significant support in this framework.

8. Conclusions

For centuries, Dubrovnik and Trebinje had good neighborhood relations that backed mutual exchange of goods and products, linking South with North. Nevertheless, the war in former Yugoslavia (1991-1995) ripped the previous relations while the last 15 years can be described as silent continuation of the war hostilities. Currently, life goes faster than politics since many people from Dubrovnik visit Trebinje and vice versa although surveys show that people from Dubrovnik do not forget bad things very easily, and that formal cooperation will progress very slowly in the case of these two cities/areas. The attitudes and prejudices harden any formal cooperation arrangement since everybody (especially political representatives) has to be careful about their moves, especially in relation to the “other side”. These implicitly move forward policies that do not favor cooperation between Trebinje and Dubrovnik, except in several cases where the international community and donors were heavily involved.

¹³ ARIH is the one of three common agencies within the Association of the municipalities of the Eastern Herzegovina. The other two are in charge for planning and engineering, and information, culture, sport and tourism. The agreement on inter-municipal cooperation between municipalities Trebinje, Nevesinje, Gacko, Bileca, Ljubinje, Berkovici and Istocni Mostar in November 2005 have created association of municipalities of Eastern Herzegovina. It is a voluntary association of local government units accepted by the municipal assemblies and signed by municipal mayors. The aim of the association agreed by its members is:

- Development, protection, promotion and improvement of local governments
- Cooperation and connection of municipalities in achievement of common goals
- Realization of mutual projects (development of regional projects, improvement of road infrastructure, improvement of civil protection capacities, regional economic development),
- Improvement of public institution and social groups (strengthening the institutional network in the area of culture, sport and media; environment protection, establishment of common institutions – agencies).

Development of rural tourism in Trebinje and Eastern Herzegovina depends, among others, on the quality of relations between Trebinje and Dubrovnik. Tourism is also a possibility for reconciliation since it is assumed that joint projects, especially in tourism, can institutionalize a partnership between divided communities. At the same time, tourism projects are the first to be able to be implemented because of tourism being understood as rather benign and therefore may allow national pride to be put into another outlet. However, it is apparent that Trebinje needs Dubrovnik more than Dubrovnik needs Trebinje when looking at development of further touristic offers.

The analysis of the possibilities for the improvement in relations between Trebinje and Dubrovnik shows that the potential lies in upper level politics and their attitude toward the reconciliation of Trebinje and Dubrovnik, custom and border policies, potential joint projects in the energy sector, potential joint projects in tourism and the use of IPA funds, and dynamism of free movement of people and goods and further business opportunities. Those are the topics where SeeNet partners could concentrate their attention if they wish to deal with the Trebinje – Dubrovnik dispute. Additionally, further reconciliation will depend on the level of engagement of various actors, the size of mutual interest, and an urge for reconciliation.¹⁴

¹⁴ A Declaration on Cross-border Cooperation in Natural and Other Disasters and Natural Resources Management was signed in Dubrovnik, Croatia, on May 5, 2008, at a conference organized by the Croatian government. The declaration includes the establishment of a joint cross-border commission to deal with issues and projects of common interest for border communities in the adjoining areas of Bosnia and Herzegovina, Croatia, and Montenegro. The signing of the declaration was a major breakthrough for regional cooperation and represents the culmination of years of efforts on the part of the East West Institute and other regional actors. However, there are still a lot of things to be done in order to make this declaration more operational.

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Cohesion and coherence of strategic development plans in Istria County

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Assignment done under the CeSPI guidance

Third Report

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SEENET Programme: A trans-local network for the cooperation between Italy and South East Europe

Horizontal Action C - Research



Executive summary

This research is based on the analysis of existing strategic documents related to the four dominant and interrelated sectors within Istria region – tourism, culture, transport and environment. Furthermore, the research is based on the interviews conducted with higher civil servants engaged in coordination structures at the regional/county and municipality/city level in Istria County and the City of Varaždin.

The aim of this research is to offer some insights into the problems of inter-sectoral and inter-ministerial cooperation in Croatia by studying the example of Istria County and the City of Varaždin. The research seeks to find out about the structures employed and their relationships, as well as the role of different actors and functions, within the four sectors and their level of coordination. Special emphasis is given to each of the three level of governance - national, county/regional and municipality/city governments. The main findings are related to the lack of structure for the coordination especially at the national level as a result of the political situation and the partial presence of coordinative mechanisms of the network type on all governance levels.

In general there are serious limitations in all phases of the strategic document and policy-making process at the national level. Ineffective coordination between participants, the role of applying policy analysis tools in the process of formulating a particular policy, and limited capacities for monitoring policy in the phase of implementation are the main weaknesses of the process at the national as well as at the regional and local level of governance (Petak, 2009). Moreover, adequate expert knowledge for the analysis of strategic policy analysis in each sector is lacking, especially one able to carry out policy analysis efficiently.

However, typical fragmentation of the Croatian state administration, with strong ministers and a general lack of cooperation, is improving, due to the common political goal and current type of coordination based on socialisation and internalisation of the European idea. Since the EU frames the direction of the policy and part of its content, the space for conflicts, contradictions and rivalries, otherwise common in Croatian public administration, are now narrow. The National programme for the Accession is playing a crucial role as a programmatic document with operative part, defining each activity and setting criteria for evaluation, for the first time in Croatia. The emerging call for the network type of coordination represents an indicator of deep and long lasting change in the approach to the development and implementation of sectoral strategic documents and public policies. In that context Istria County is showing evident progress, and can serve as a model to the other counties, although the expected changes on the local level (municipality/city) seem to be more difficult to achieve.

1. Introduction

This report is based on the idea that tourism, culture, environment and transport are sectors that should be harmonized for the general development of local/regional territories: in this particular case, Istria region and the City of Varaždin. The report analyzes sectoral policies and strategic documents in all the four fields, in order to understand how the policies overlap or differ from each other. The aim of the report is, on one side to give information about the current policies, and on the other side to offer recommendation to improve future sectoral policies at county/local level, identifying opportunities for territorial/decentralised cooperation.

Tourism is a rapidly growing phenomenon and is the largest industry in Croatia. The impact of tourism is extremely varied. On one hand, it plays an important and certainly positive role in the socio-economic and political development, for instance, by offering new employment opportunities¹. In addition it also contributes to a broader cultural understanding by creating awareness, respecting the diversity of cultures and ways of life. While at the same time, as a tool to create jobs, it has not fulfilled its expectations in Croatia and complaints from tourist destinations concerning massive negative impacts upon environment, culture and residents' ways of life have given rise to a demand for a more sustainable development in tourism (UNCSD, 1999). Therefore, to achieve sustainable development narrower cooperation between the tourism, culture, environment and transport sectors is crucial.

By analysing the key tourism development indicators in Croatia over the last ten years, prevention of seasonality is one of the main challenges for the future tourism development as negative seasonal trends are increasing (Čavlek, 2010). Tourism is a major generator of waste and in the case of Croatia, disposal of waste, sewage and wastewater issues are still not properly managed or planned. Lastly, tourism is also responsible for a considerable proportion of increased volumes and mileage in global transport and hence the associated environmentally damaging pollutant emissions. (UNCSD, 1999)

However, changes cannot be expected without significant improvement in creating a stimulating business and investment climate. Despite the many investment projects they cannot be realized due to numerous investment obstacles ranging from privatization problems, corruption and red tape to ownership issues, vested interests and slow planning processes (Čavlek, 2010).

¹ Tourism and sustainable development, Sustainable Tourism: A non-governmental organization perspective, Backroung Paper #4, Prepared by the UNCSD NGO Steering Committee, Commission on Sustainable Development Department of Economic and Social Affairs, 1999, New York.

2. Analysis on national sectoral policies (strategies and action plans) in the fields of tourism, environment, culture and transport sector

The natural environment is the largest economic and social capital of Croatia and one of the key elements of economic development (EEA, 2011). In the framework of the EU Accession process Croatia developed the **Strategic Development Framework 2006-2013** in 2006 setting the platform for sustainable development. Moreover, sustainable management of nature resources is presented in all national environmental legislation, from the Environment protection act to **Strategy for sustainable development (2009)**. This strategy contains the basic principles and criteria for determining goals and priorities that will ensure the sustainable development of the country. It makes reference to several key areas:

- Environment and natural resources;
- Promoting sustainable production and consumption;
- Ensuring energy independence and increasing energy efficiency

Major objectives according to the Strategy are:

- nature protection, which implies the conservation of biological and landscape diversity and protection of natural values;
- sustainable economic development that would have as little impact as possible on the degradation of nature and waste production;
- quality and stable energy supply with necessary reduction of negative impacts on the environment and society – this implies increasing the share of energy production from renewable energy sources and the implementation of energy efficiency measures in all sectors;
- promotion of cleaner fuels and more sustainable transport technologies;
- sustainable management of the Adriatic sea, coast and islands and conservation of marine ecosystems.

The Strategy objectives will be implemented through four action plans (AP) that will be developed in the near future:

1. AP for Education for Sustainable Development
2. AP **Environmental Protection**, that replaces the old **National Environmental Strategy (2002)** and **National Environmental Action Plan (2002)**, is currently under way. The new AP is primarily concerned with the protection of environmental components (air, water, soil, sea, etc.) and efficient management of sectoral pressures – transport, energetic, industry, tourism, etc. It is planned that the Action Plan will come into force by the end of 2011 (EEA, 2011). Some of the basic goals of the AP are the following:
 - a. To encourage energy efficient housing;
 - b. Reduction of fossil fuel consumption in power stations by using waste and / or landfill biogas
 - c. To encourage innovative projects that promote cleaner production and eco-efficiency, minimize energy consumption, protect natural resources, reduce emissions, deal with waste generation and overall environmental impact, etc.

This Action Plan is very relevant as the growth of economy and industrial production in Croatia is connected with an increase in energy consumption, and the expansion of transport and tourism is determining a strong development of infrastructure. This puts increasing demands on environmental structure in Croatia, particularly for high quality and reliable environmental services, such as water supply and the disposal of waste water, the management of solid waste, maintaining a clean air environment, clean sea and preserving the natural habitat.

3. **AP Sustainable Consumption and Production (SCP)** is currently being prepared by the Ministry of environmental protection, physical planning and construction (MEPPPC) in a wide consultation with governmental bodies and business and civil sectors and it is expected that it will be adopted by the end of 2011 (MEPPPC, May 2011). The plan represents a framework for the development and implementation of programs and measures for sustainable consumption and production in the five-year period. Measures foreseen in the SCP Action Plan also cover the issue of sustainable management of natural resources, with the identified measures:

- to develop a sustainability criteria for production of biofuels;
- to adopt a regulation on the management of protected natural areas by which the application of organic farming would be the only permitted method of agricultural management in these areas;
- to strengthen the national eco-labelling scheme; development of criteria for products and services that have high environmental impact;
- to prepare a plan of remediation of touristic sites;
- to introduce financial measures that will stimulate consumption and reduce environmental emissions from the industry sector;
- to promote the environment management systems in the industry sector in order to reduce resource consumption and emissions into the environment;
- to encourage the reduction of resource consumption and emissions into the environment by using the Green Public Procurement.

4. **AP for Protection of the Adriatic Sea, Costal Area and Islands** is currently being prepared in consultation with all the relevant governmental bodies and business and civil sectors coordinated by MEPPPC. Since the Adriatic Sea and coast are considered a resource of strategic importance for the sustainable development of Croatia, resource efficiency is going to be a very important part.

A Few measures for the environment preservation and encouraging the use of renewable energy and energy efficiency are also included in the **Action plan for implementation of the activities planned in the Economic recovery program (2010)**. The aim of which is the development of measures that should restore the Croatian economy to a path of sustainable growth, giving deadlines for their implementation. For example:

- the MEPPPC, the Ministry of Economy, Labour and Entrepreneurship and the Ministry of Finance should prepare an Action plan for the development and implementation of green technologies,
- the Ministry for Regional development, forestry and water management (MRDFWM) and Croatian Forests ltd. (Hrvatske šume d.o.o.) should develop

criteria for tendering and then tender the sale of firewood and wood chips for the production of heat and/or electricity.

The **Regional Development Strategy of Croatia 2011-2013** is a basic strategic document for future long-term development of Croatia. The main objective of the Strategy, which was built on the principle of partnership, is a more balanced development of the country and reduction of socio-economic disparities. One of the strategic objectives for all Croatian regions is sustainable management of cultural property and natural resources in order to enhance the competitiveness of the region and the sustainable management of environment and energy.

In general, sustainability and competitiveness of businesses is closely related to new capital investment. Hence, in order to stimulate new investment projects (FDI and domestic), the Croatian government passed the Law on Investment Incentives (December 2006) by which various financial incentives are granted to investors in “Greenfield” and/or “Brownfield” projects². Financial incentives are positively correlated to the size of the investment and/or new employment created. Apart from the provisions of the Law on Investment Incentives, and in order to stimulate the SME start-up process, the Croatian Ministry of Tourism (MT) has also introduced several investment subsidy programmes in the tourism sector³.

In order to promote SME development, Regional Development Agencies have been set up at the County level⁴. These agencies provide potential investors in tourism related start-ups with information on investment possibilities; organise various skill enhancement programs, and/or provide valuable one-stop consulting services.

Regarding the sustainability issues, there are neither national certification schemes nor educational – promotional campaigns. Few destinations have noticeable initiatives in those areas and although some international projects have appeared, they are still in too early a phase to be able to assess their effectiveness. There is a certain level of responsible tourist activity taking place through volunteering schemes of NGOs but there is no visible “responsible tourism” promotion from the Croatian tourism sector (CTR, 2008).

Table 1: Relevant National Strategic Document

National Strategic Documents	Year
Strategic Development Framework 2006-2013	2006
Regional Development Strategy of Croatia 2011-2013	2010
Economic Recovery Program	2010
Environmental sector	
National Environmental Strategy and National Environmental Action Plan	2002
Strategy for Sustainable Development	2009
Action Plan for Education for Sustainable Development	Under development
Action Plan Environmental Protection	Under development
Action Plan Sustainable Consumption and Production (SCP)	Under development
Action Plan for Protection of the Adriatic Sea, Coastal Area and Islands	Under development

Source: Authors research

²Tax reliefs, import duty reliefs, new employment grants, skills improvement grants, investment subsidies/grants etc.

³ Provision of interest rate under preferential terms.

⁴Information on the Regional Development Agencies can be found at previous SeeNet report for Istria County, available at the webpage [www.cespi.it/seenet.html].

The Development Strategy of Croatian Tourism by 2010 covered the period from 2003-2010 and was the main development document for the tourism sector. The Ministry of Tourism (MT), as responsible body for strategies, policies and measures at the national level, has adopted the Strategic plan for tourism for the period 2011-2013. On the other hand tourism promotion is the responsibility of the Croatian National Tourist Board-CNTB, the President of which is ex officio Minister of Tourism. Moreover, the Government appoints a special Committee for the preparation and monitoring of the tourism year⁵, members of which come from a number of line ministries (e.g. transport, ecology etc.) and public institutions/organizations (e.g. transport companies, National Protection and Rescue Directorate etc) (CTR, 2008).

The need to strengthen destination management⁶ is recognized at all levels (national, regional, local), but it can be stated that only some educational activities are realized (conferences and educational seminars supported by the Croatian National Tourist Board - CNTB) (CTR, 2008). According to the law and defined mission, the system of the CNTB is responsible for the majority of destination management functions.

Several features negatively influence Croatian tourism, the first of which is seasonality. Taking into consideration that in 2009, between April and September, Croatia realised 94% of total overnights and during the same period 86% of receipts from international tourism were recorded (international tourism makes up 90% of overall tourism turnover) it becomes evident that concentration during a specific time period does not favour a more efficient exploitation of tourism receiving capacities. Moreover it leads to their maximum exploitation during the season's peak. Second problem is the structure of accommodation capacities which is less favourable than with the Croatian competitors. Namely, hotels and similar facilities account for only 13% of total capacities while self-catering and camp-sites account for 74% of total capacities, where the annual occupancy rate is only 13% (Čavlek, 2010).

Therefore, in October 2010 the MT issued a public tender for a new strategic plan to develop Croatian tourism which would shape Croatia's travel and tourism industry for the next decade. In June 2011 the Ministry signed a contract with Institute for Tourism for the development of *Main Plan and Strategy of Tourism Development in the Republic of Croatia* as a basis for tourist development until 2020. The document should be finalized by the end of 2013 and it is directed at making new developmental visions for Croatian tourism based on the principles of sustainable development and in coordination with the quality resources which Croatia has and on the stronger development of continental tourism. For the development of the Strategic document, the Institute has developed and set a public forum (still in the implementing phase) targeting all the relevant issues in connection with future tourism development. The Strategy will have the following main features: renewal, protection and better evaluation of Croatian tourist potentials, defining a new identity for Croatian tourism and the positioning of Croatia on the international tourist market as a highly valuable lifestyle destination and one of the leading high quality receptive tourist countries in the Mediterranean, together with restoring national natural and cultural values, the competitiveness of Croatian tourism and high-quality tourism in line with sustainable development (WTO, 2010).

⁵ Croatian Tourism report 2008 – Volunteer, available at [http://ec.europa.eu/enterprise/sectors/tourism/files/annual_reports/hr_2008_en.pdf].

⁶ Destination management can include land use planning, business permits and zoning controls, environmental and other regulations, business association initiatives, and a host of other techniques to shape the development and daily operation of tourism-related activities (Global Development research Center - GDRS).

Table 2. Relevant National Strategic Documents in Tourism sector

Tourism sector	
Croatian Tourism Development Strategy 2003-2010	2003
Main Plan and Strategy of Tourism Development in the Republic of Croatia up to 2020 (finalization expected by the end of 2013)	Under development

Source: Authors research

The further development of Croatian tourism will continue based on sustainable growth, implying not only sustainability of area and natural resources, development of the so called eco-tourism, i.e. tourism in rural areas and near protected areas, but also the economic and social-cultural sustainability. Abundant cultural heritage and its restoration are an essential part of this sustainability. Croatia has an attractive tourist potential, primarily the unique natural, cultural and historical heritage, comprising of eight national parks and a number of protected areas. There are seven UNESCO localities as well, of which six are cultural and one is a natural heritage site. Recently seven Croatian non-material heritage assets were included in the UNESCO list.

The Croatian Cultural Development Strategy is an integral part of the Croatian Development Strategy in the 21 century (2003) in which for the first time cultural tourism has been addressed, but not in a satisfactory manner (Demonja, 2011). However, despite this, the document has encouraged research in the field of cultural tourism, the tracking of cultural statistics, and emphasizes the necessary decentralization of culture which includes development of local cultural tourism strategies.

The significance of the above mentioned Development Tourism Strategy by 2010 is that it has set a clear attitude towards the importance of cultural tourism in Croatia. The document points out that culture is an unmistakable potential of Croatian tourism and vital touristic resource. Therefore MT commissioned the drafting of the *Cultural tourism development strategy (2004)*. The Strategy is based on the organization and partnership of culture and tourism, which are jointly contributing to the development of Croatian cultural-touristic products in collaboration with relevant ministries and local communities. The Ministry of Culture (MC), The Ministry of Tourism (MT) and the Croatian National Tourism Board – CNTB are in charge of implementing the Strategy. Through small grant schemes these institutions invest in heritage preservation; supporting public access to these resources through improved management; investing in small and medium size enterprises and supporting community based programmes. The CNTB also runs extensive public awareness programmes. The MT and CNTB sponsor a series of tourism research projects, and among else a nation-wide survey of visitors to national/nature parks and of visitors to cultural sites and events.

The Cultural tourism development strategy will be conducted under the operational performance of the Cultural Tourism Office established under the CNTB and local regional key development actors, which are not sufficiently emphasized in this system (Demonja, 2011). This strategy will create conditions for systematic development of cultural tourism in Croatia. One of the key problems is in articulating and organizing all organizations, authorities and services that should participate in their implementation. On the other hand, there are number of cultural-touristic initiatives/program/projects, whose realization is largely dependent on the motivational will and perseverance of a few individuals who are interested in finding partners and support from local and regional level. Cultural tourism should function primarily at the local level, while the central government should have a role in terms of their proper mutual cooperation, by linking cultural and tourism projects, their promotion and development of partnerships between public and private sectors (Demonja, 2011).

In July 2011 *Strategy for protection, conservation and sustainable economic use of the Croatian cultural heritage for the period 2011-2015* was adopted. It contains guidelines and serves as a framework for specific development projects related to the sustainable use of cultural heritage. Given that the phenomenon of the sustainable use of cultural heritage is very complex and such a strategy has been developed for the first time in Croatia, it is necessary for its implementation to establish and develop strong intersectoral links and collaboration. This ensures that the Strategy is consistent, internally and externally coherent, relevant and highly feasible and based on the principle of sustainable development and the efficient and effective contribution to the overall development of Croatia.

Table 3. Relevant National Strategic Document in Cultural sector

Cultural sector	
Croatian Development Strategy in the 21 century – Croatian Cultural Development Strategy	2013
Cultural Tourism Development Strategy	2004
Strategy for protection, conservation and sustainable economic use of the Croatian cultural heritage 2011-2015	2011

Source: Authors research

The tourism and transport sectors are interconnected through their joint aim of providing a better quality of service, which then results in overall development of the country. Since more than 90% of international tourists use road transport to arrive in Croatia, the Croatian government efforts are focused on finishing the motorway network to improve the accessibility to tourism destinations and the safety of travelling.

Croatia's transport infrastructure consists of 28,750 km roads, 2,726 km railways, eight sea ports, two of which are dominantly freight oriented, and three dominantly passengers' oriented, seven airports, and two airstrips, 781,1 km of water ways with four river ports, and two terminals for combined transport. Croatian territory is crossed by two land corridors (corridor X/Xa, as well as Vb/Vc as branches of corridor V), and one river corridor (corridor VII – the Danube river) which are a part of the European Corridor Network (Pezelj, 2009). Although well branched, the transport infrastructure is unevenly developed. The recently achieved high level of road development is accompanied by the unsatisfactory quality of the national, regional and local roads. The road network length is 23km per 100.000 citizens, while the average value of this indicator in the EU-15 is 14 km⁷ (Plazibat, 2011). At the same time, only 35 percent of the national roads are covered with a satisfactory layer of asphalt. Moreover the administrative ability for the application and carrying out of the Laws is still limited (in particular, there is a lack of road inspectors), although the Croatian Government has adopted the Decree on Increasing the number of Employees in the Ministry for Sea, Transport and Infrastructure by an additional 350 employees (Pezelj, 2009).

Also the length of railways in Croatia is rated higher than the European average – with 62 km of railroad per 100.000 citizens, while the EU-25 average is 45 km. However, only 9% of the railways are double track, and only 36% of the railways are electrified, while the number of passengers in 2004 is only 57% of the total number of passengers in 1990 (Pezelj, 2009). In December 2007, Croatia signed the Appendix to the Memorandum on Understanding about the Basic South-East Europe Regional Transport Network Development Plan for railway

⁷ This data shows that Croatia has achieved a development level of the transport infrastructure of its road network which is higher than the European average, and also above its economic development level.

transport in South-East Europe. In March 2008, the Parliament adopted the *National Railway Infrastructure Program for the period 2008-2012*.

In February 2006, the International Sava River Basin Commission started working. This body was formed with the aim of revitalizing the waterways on the Sava River, and discusses issues concerning the management of the river basin, sailing, and prevention and monitoring of accidents, as well as preventing floods. In May 2008, the Parliament adopted the *Strategy for Development of River Transport for the Period of 2008-2018*. The main goals of the Croatian strategies and plans for river traffic development: to establish a combined railway-river traffic corridor and to connect the Danube region to the Adriatic river and maritime ports; to build the multipurpose channel, Vukovar-Šamac, as the main component of the aforementioned combined traffic corridor; to establish the balance between different branches of the traffic as the key factor of the strategy for sustainable traffic development.

Table 4. Relevant National Strategic Document in Transport Sector

Transport sector	
National Railway Infrastructure Program for the period 2008-2012	2008
Strategy for Development of River Transport for the Period of 2008-2018	2008

Source: Authors research

In maritime transport there is a principle of free provision of services⁸. In Croatia, the maritime port infrastructure consists of six public traffic ports that have importance for the state (Rijeka, Zadar, Šibenik, Split, Ploče and Dubrovnik), 40 county ports and about 280 local ports. There are also 24 marinas and 26 industrial and shipbuilding ports of state importance. The state of the infrastructure in Croatian maritime ports is open for public traffic of state importance.

The development of port and traffic infrastructure is very important for the development of the Croatian traffic system in order to integrate the Croatian area and to connect it to the unique traffic area of Europe and, therefore, has a positive impact on the economic and general development of Croatia (Plazibat, 2011). However, Croatian traffic policy should recognize the need for an integrated and coordinated approach to the ports and to the rest of the subjects in the logistic chains and to redirect the traffic from road to more energy efficient and ecological acceptable modes of transport. Port and traffic infrastructural development and functioning should be characterized by: a sustainable financing system of construction and maintenance, application of market mechanisms in the construction and exploitation, management systems base on information technology, coordinated with the guidelines of the traffic infrastructural development of adjacent countries and especially Paneuropean traffic corridor networks (Plazibat, 2011).

⁸ There are no restrictions with respect to the access to regular international lines between Croatian and foreign ports.

Table 5. Relevant National Strategic Documents

National Strategic Documents	Year
Strategic Development Framework 2006-2013	2006
Regional Development Strategy of Croatia 2011-2013	2010
Economic Recovery Program	2010
Environmental sector	
National Environmental Strategy and National Environmental Action Plan	2002
Strategy for Sustainable Development	2009
Action Plan for Education for Sustainable Development	Under development
Action Plan Environmental Protection	Under development
Action Plan Sustainable Consumption and Production (SCP)	Under development
Action Plan for Protection of the Adriatic Sea, Costal Area and Islands	Under development
Tourism sector	
Croatian Tourism Development Strategy 2003-2010	2003
Main Plan and Strategy of Tourism Development in the Republic of Croatia up to 2020 (finalization expected by the end of 2013)	Under development
Cultural sector	
Croatian Development Strategy in the 21 century – Croatian Cultural Development Strategy	2013
Cultural Tourism Development Strategy	2004
Strategy for protection, conservation and sustainable economic use of the Croatian cultural heritage 2011-2015	2011
Transport sector	
National Railway Infrastructure Program for the period 2008-2012	2008
Strategy for Development of River Transport for the Period of 2008-2018	2008

Source: Author research

3. Identification and analysis of existing strategic development documents at Istria County level in the same fields and analysis of their correlation with the national sectoral policies

The main development and planning document at county level and at local self-government units' level (cities and municipalities) is the Physical Plan. Physical plans are physical planning documents which, pursuant to Article 12 of Physical Planning and Building Act (OG 76/07, 38/09), determine organisation, use and purpose of space and define standards and guidelines for the development of space in the State, Counties, Cities and Municipalities. Physical Plans in the county must comply with the Physical Planning Strategy and Program of the Republic of Croatia, while physical plans adopted by the representative bodies of cities

and municipalities must comply with County Physical plan. Beside the Physical planning documents, the basic planning document for the sustainable socio-economic development of local/regional government is Regional/County Development Strategy (RDS).

The County of Istria has adopted its RDS for the period 2011-2013 and designed it as a logical continuation of the Regional Operational Program (ROP) previously developed for the period 2006-2010. It defines the main directions for development which are consistent with the identified objectives and development priorities. The plan of developments programs at the regional level must be in accordance with the Strategy. The Strategy is delivered by the regional government in accordance with the principles of partnership and cooperation. Consensus among all relevant national, regional and local partners on the development needs of the county has been reached during the development of the Strategy⁹ and it serves as a basis for negotiation, coordination and the financing of activities defined in the strategy. The RDS in Istria has set five strategic development goals, which target all four sectoral policies (tourism, environment, culture and transport) in the following matter (RDS, 2011-2013):

1. Competitive economy with following priorities
 - (1.5) Restructuring and repositioning the tourism economy and encouraging promotion and development of new tourism products (with the emphasis on direct investment in tourism)
 - (1.6) Sustainable development of agriculture, forestry and hunting and other branches in rural areas
 - (1.7) Sustainable development of rural areas
 - (1.8) Development of fisheries, mariculture, freshwater fisheries and fishing tourism
 - (1.9) Development of water management and usage of water resources
2. Development of human resources
3. Protection of natural resources and special management with the following priorities
 - (3.1) Establishment of an integrated system of environment and spatial planning management
 - (3.2) Improvement of the infrastructural system
 - (3.4) Improvement of regional development management
4. High quality of living with the following priorities
 - (4.1) Increase the quality of cultural offers
5. Recognition of Istrian identity with the following priorities
 - (5.1) Preservation of biological and landscape diversity
 - (5.2) Valorisation and preservation of multicultural (pluricultural) heritage in the development
 - (5.3) Development of multiculturalism (pluriculturalism)

In the implementation of the RDS, the main role is played by the county assembly together with County partnership council¹⁰ which consists of members who are county development stakeholders. The council is an advisory group that has regular meetings where they recommend or reject proposals prepared within the RDS and proposes recommendations to the County assembly to provide greater and better involvement of all interested stakeholders. Istria Development Agency (IDA) was in charge of the development and management of the

⁹ Regarding economic development, employment and education, infrastructure, environment, local, urban and rural development.

¹⁰ Established during preparation of the RDS

RDS and in the future its main task will be to establish appropriate procedures for management and coordination by ensuring the proper functioning of public procurement in accordance with the provision of Croatian law.

Both Civil sector and public institutions are important actors in the implementation of the RDS. The Civil sector on one side has experience in preparing and implementing projects and often has international sources of funding while public institutions, because of their non-profit character, can receive grants from EU funds. However the private sector is seen as one of the main engines for growth and job creation within the County (RDS, 2011-2013). Therefore a framework of responsible and effective state aid must be provided for the private sector, which might increase the competitiveness of the local economy that leads to the creation of new jobs. Upon the completion of the programming period 2011-2013, the development of the next strategic documents will aligned with the seven-year cycle of EU planning.

Transport infrastructural development in Istra is a precondition for the overall development of the region. This is necessary to attract appropriate development projects, promotion of small business, opening of business zones and incubators and therefore establish equal standards and development opportunities of people living in coastal cities with the standards of people living in rural areas. Currently the road network does not satisfy safety and technical requirements, it has insufficient funding opportunities, there is a lack of detours around many settlements, lack of parking in the major tourist centres, rail transport has been lost, there is an insufficient use of maritime transport, inadequate public transport network and the local roads are overloaded (RDS, 2011-2013).

In the document “Istria 2015: Full employment – permanent competitiveness (2011)” an overview of the most important investment projects in the public and private sector in the next five years was presented. This document is the result of a series of meetings and discussions with representatives of all local governments units in Istria.

Strategic Program of Rural Development for the Istria County (2008-2013) is a strategic planning document and the means for effective and efficient management in the development of agriculture, fisheries and rural areas. The main promoter of its design and implementation is AZZRI (Agency for Rural development of Istria) and the Department for agriculture, forestry, hunting, fisheries and water resources in Istria County. The foundation of its implementation is in the collaboration between state government, local (regional) state government units, nongovernmental organisations and the private sector with the aim of defining development guidelines at the local level, capacity development and sharing of knowledge and experiences between rural communities. This cooperation is realized through Local Action Groups (LAG), a form of local-private partnerships with representatives from local and regional authorities, private sector and civil society. As an integral part of AZZRI, the Centre for Regional Rural development and biodiversity conservation, with corresponding sub-centres, will be established in the next planning period and it will be based in Pazin. It will be an interdisciplinary centre that will provide necessary infrastructure for the development and implementation of all scientific, technical and economic organizations activities. However, the Strategic Program of Rural Development should be seen as a dynamic, “open” strategic document which will eventually need to be adapted to the changing environment and that will enable necessary changes for the development of rural areas of Istria. In changing and shaping the new measures and programs, it is necessary to ensure the participation of both individual and local key development actors in the private, public and civil sector (through LAGs) (RDS, 2011-2013).

The Master plan of tourism in Istria 2004-2012 consists of master development plans for seven identified tourist spatial clusters¹¹ where each one includes the following documents: development model of tourism, plan competition, options and investment needs, marketing plan and implementation plan. According to the Master plan future development will be based primarily on raising the quality of existing buildings or on its restructuring which does not exclude construction of new facilities. Each cluster¹² decides on the priority sector which will be dominant in its tourist industry¹³. This development model pays special attention to environmental protection and raising the quality of life of the local residents. In order to ensure better implementation of the Master plan, the Council for Tourism has been established as a strategic body at the regional level, which consists of representatives of Istria County led by the County Perfect, Mayors of major cities and municipalities, CEOs of the largest hotel and tourism companies in Istria, as well as representatives of the Tourism board of Istria County, Crafts and Economic Chambers and Association of Croatian Travel Agencies in Istria. Moreover, the Istria tourism development agency (IRTA d.o.o.) has been established with the primary task of connecting private and public sectors and the creation of new tourism products. However, synergies and agreement between different interest groups within Istria are still lacking (RDS, 2011-2013). Currently, Istria is in a process of preparation for the development of the new Master plan of tourism.

Istria cultural strategy (IKS) (2009) sets priorities and the main directions for activities in the culture of Istria over the next five years. Istria County does not have all the instruments of cultural policy and only partly managed the cultural sector within the administrative and territorial jurisdiction. That means that the IKS is determined at the national level by the legal-normative regulations and is mainly limited to the financial and organizational instruments for the implementation of cultural policy. On its creation it contributed all cultural workers, divided into eighteen working teams (five at each team). In April 2011 on the 3rd Cultural Parliament in Istria, a mid-term evaluation of the IKS was discussed, conclusions adopted and future measures set:

- Development of an operating plan for the implementation of the IKS for the next three year period
- Istrian cultural agency will start operating; it will coordinate international and intersectoral collaboration (especially of tourism and cultural sectors), spatial planning (providing services by project application for EU funds) and implement capital projects in culture. Also, within the Agency, a Fund for the preparation of EU projects and a Guarantee fund will be established.
- Creation of the Istrian cultural product, composed of a mosaic of different productions that reflect Istrian cultural identity
- The Information service, Kulturistra, will be empowered financially and by personnel. It will create a database of human resources in the Istria culture, and cooperation with the information services will be one of the criteria in the allocation of funds from Istria County
- Istrian Cultural Parliament calls on the Istria municipalities and cities to develop their own cultural strategies which will refer to IKS.

¹¹ Umag-Novigrad (Buje, Brtonigla, Savudrija), Poreč, Vrsar-Funtana, Rovinj, Labin-Rabas, Inland of Istra and Pula-Medulin

¹² Clusters include groups of cities/municipalities.

¹³ To su turistička područja ili mikrodestinacije u sklopu jedne turističke regije koja imaju slična turistička obilježja. Cluster predstavlja dinamičnu koncentraciju i kombinaciju turističkih atrakcija, infrastrukture, opreme, usluga, poslova, ljudi itd. u zatvorenim zemljopisnim područjima u kojima se razvija određeno turističko iskustvo.

These conclusions are the results of the submitted reports and hearings, and represent a correction in the IKS. They repeated the commitment of the cultural sector in Istria to identify priorities for cultural development that will ultimately make the cultural offers better and more accessible. When the values created by the integration of traditional and contemporary, tangible and intangible heritage, human and natural resources and the realization of the IKS priorities happens, Istria culture will be an extremely important resource (which it is still not) for tourism, science and economy (RDS, 2011-2013).

Table 6: Relevant Strategic Documents in Istria County

Istria County Strategic Documents	Year
Regional Development Strategy 2011-1013	2011
Istria 2015: Full employment – permanent competitiveness	2011
Strategic Program of Rural Development for the Istria County (2008-2013)	2008
Master plan of tourism in Istria 2004-2012	2004
Istria cultural strategy (IKS)	2009

Source: Authors research

City of Rovinj

The Master plan of tourism of the City of Rovinj (2010-2020) is a joint intuitive of the City of Rovinj, the Tourism Board and all interested stakeholder,s to implement defined actions and use the potential of Rovinj in order to continue developing tourism in a sustainable way. Following the strategic framework, the Master plan has set three strategic goals that lead to the positioning of Rovinj as an “upscale” destination that offers a superior combination of cultural experience and nature throughout the whole year. The establishment of the Destination management organization will provide a team that monitors the results of project initiatives, communicates long-term results and ensures the involvement of all stakeholders. The focus of the Master plan is in the implementation of the five project groups: adaptation of accommodation capacities, interventions in the environment, improvement of air connectivity in the pre-and post-season, raising destination quality and implementation of tourism products.

Beside the Master plan, during 2010 a series of workshops were conducted for the development of an overall Development strategy for the city of Rovinj. However this document has not been published or approved. Currently, there is no intention within the city government to create a City cultural strategy, however, since the Master plan also covered cultural policy, its creation is not seen as major priority and its development is not going to happen in the near future.

Brtonigla Municipality

The study published in 2000 - Development strategy of Brtonigla Municipality for the period of next five years - has shown that the basic guidelines for the development of the municipality are agriculture and tourism. Therefore the municipality has launched a program to develop a new kind of tourism by connecting the coastal and interior parts of its territory through the creation of new tourist attractions and the valorisation of natural and cultural-tourism heritage. As a continuation on the previously stated importance of tourism development within municipalities in 2010 they conducted the creation of the Municipality Tourism development strategy.

The strategic guidelines and action plan for tourism development of the Brtonigla Municipality (2011), developed by the Institute for Tourism, currently presents the main strategic development document within the municipality. It is presented in three key parts – the current market position, strategic guidance development and action tourism development plan with a timetable of activities from 2011-2015. Tourism is defined as a major factor in the economic development of Brtonigla. The current position has been analyzed with the spatial, infrastructural and economic characteristics of the municipality, followed by an analysis of the interest groups, major business subjects, accommodation capacity, existing and other potential tourist attractions. Concrete actions and measures at different levels of tourism policy have been proposed, which will contribute to the achievement of the new municipality development vision “The municipality of wine”. The tourism action plan proposes the formation of the centre for the promotion of SMEs in tourism and the establishment of a local tourism council. Moreover it offers a vision of a competing destination, which represents the starting point for the development of local tourism.

City of Pazin

Pazin, as the administrative seat of the Istria County, recognized the need for systematic management of the area in 2009. In this sense the City has initiated the creation of the development strategy, for which it has been engaged with the consulting firm Coin d.o.o. from Pula. The strategy creates prerequisites for the planned development and appropriate allocation of available resources in the City, for a period of five years. The draft Strategy document was finalized in 2009. However since the local administration has been very unsatisfied with its quality, it is currently going through revision and it is foreseen that it will be adopted next year.

The city has recognized that in the terms of economic recession, cultural development, which requires a huge investment, is simply not possible. Therefore future cultural development must be carefully planned and rely primarily on existing resources and actors. In the future it should be used to develop a profile of the city and it is therefore necessary to determine priorities in cultural activities. Therefore, the city initiated the creation of the Cultural Strategy of the City of Pazin 2011-2015. The strategy was created within working teams involving specific areas in culture that came up with the future vision for the city: Pazin – the City of literature. Achieving this vision is possible by the implementation of specific strategies that are linked with the achievement of key targets set for the next five year period. In March 2011 City of Pazin organized a public hearing regarding the adoption of the Strategy which resulted in a huge debate on the future identity of the City and pose numerous opinions, suggestions and criticisms. Therefore, until today the Strategy has not been adopted and a decision has been made that the above mentioned Development strategy of the City needs to be updated and adopted first.

Grožnjan Municipality

The main development document of Groznjan municipality is their spatial plan. So far they have not conducted the creation of other strategic development documents. They have contributed to the development of the Regional (County) development strategy and Master plan of tourism of Istria with written comments and suggestions for its improvement.

4. A Glance at Varaždin County

The County Development Strategy of Varaždin County is the successor to the Regional Operative Program; thereby, it has become a key development document for the planning and guidance of the regional development of Varaždin County. The County Development Strategy entered into force on December 15, 2010 under the County Assembly decision, according to the Law on regional development (NN 153/09). The RDS in Varaždin County has set five strategic development goals which target all four sectoral policies (tourism, environment, culture and transport) in the following matter (Varaždin County, 2011-2013):

1. Improved and developed economy with the following priorities
 - (1.1) Development of tourist offers
2. Developed human resources and increased quality of life with following priorities
 - (2.1) Raising the level of the quality of life by encouraging development of cultural space and recognition of the region
3. Environmental protection and energy management with the following priorities
 - (3.1) Preservation of the environment
4. Rural development with the following priorities
 - (4.1) Rural development based on sustainable forms of agriculture, forestry and tourism
 - (4.2) Development of new products, crafts and services and the preservation of traditional ones
5. Technical assistance

The guidelines for the tourism development of Varaždin County are oriented at encouraging tourism development in the area of the Varaždin region. It also aims to coordinate the work of all stakeholders that are active in the tourism sector in order to develop high quality tourism offers. The Tourism Development Strategy for Varaždin County will replace the Guidelines for Tourism of Varaždin County. The Strategy will serve as the basic development document, which determines the long-term concept of tourism development of Varaždin County. The Strategy is currently in the development phase and its adoption is expected by the end of 2011.

City of Varaždin

The strategy of economic development of the City of Varaždin was adopted in 2001 and it had foreseen planning activities for the five year period. Looking at the possibility of tourism development, in recent years The City of Varaždin and the City Tourist board launched several fundamental documents of strategic character: “Varaždin – the vision of the tourist destination” (2002), “City as a brand” (2007) and “The basis for the Strategy for development and sustainable management for the historical core of Varažadin” (2008).

In 2010 the Guidelines for tourism development in the City of Varaždin for the period 2011-2014 were adopted. The City of Varaždin has acquired the position in Croatian tourism as a successful continental destination of urban cultural tourism. Bearing in mind that recognizable and relevant market attractions are key motivational factors for tourist visits, the creation of tourist attractions arise as a priority for the development of tourism. First of all, revitalization of the historic core, development of “Tourist zone Drava” respected as protected areas that are used both as an attractive space and sustainable program and includes four groups of activities: recreational and entertainment, eco-educative (Eco camp – first in Croatia), Golf

resort and an entertainment theme park. A destination management organization will be established with the responsibility for the promotion of tourism development and the implementation of activities.

Also, the Cultural Strategy of the City of Varaždin is currently under development, and its completion is expected during 2012.

5. Intersectoral analysis at national, regional and municipal level

In recent years a number of steps have been taken in Croatia to improve inter-ministerial (intersectoral) cooperation in order to enhance the effectiveness of a strategic policy approach. However, prospects for closer inter-ministerial (intersectoral) co-operation are still hindered by the strict sectoral division of activities. The need for the coordination between the different policies (transport, environment, culture and tourism) has increased due to the implementation of decentralised public management processes. In general the process of administrative coordination is driven by the policy formulation and implementation on the example of the EU accession policy. Despite a modest attempt by the Government in 2010 to eliminate the number of governmental agencies (approx. from 78 to 63)¹⁴ by mergers and the abolishment of overlapping functions, there is still no substantial impact on the course of reform of state administration in Croatia. Moreover, the application of policy analysis by adequate expert knowledge is lacking due to the insufficient number of experts able to carry out policy analysis efficiently.

The situation in Istria County is specific since they have been enjoying relative political stability over the years. The progress in intersectoral cooperation is visible, taking into account all the four sectors analysed in this report. Some crucial changes had led to certain improvement in the last two years. However, this is again caused by the individual intuitive of the people in charge of each sector/department. In that sense cooperation between the cultural department, the tourism department and the department for international cooperation and EU integration is very narrow and creates a stimulating environment in terms of the development of future initiatives. Also their cooperation with the County tourism Board is excellent, as well as the cooperation with the economy department and the department for sustainable development within Istria County had reached significant improvements. Moreover, interviews with people in charge of tourism and cultural development have proved that future tourism development is dependent on the economic development of the county and their specific development actions. Joint action of the whole County administration for the development of the document “Istria 2015: Full employment – permanent competitiveness (2011)” has led to a positive attitude from the people interviewed at the municipal/city level, thus showing a good level of not only intersectoral coordination but also of multilevel governance in all the considered sectors. Since the document is the result of a series of meetings and discussions with representatives of all local governments units in Istria it serves as an example and good praxis of regional development initiative.

¹⁴ Musa, A., Petak, Z. From the paper prepared for the IPSA research committee on public police and public administration, Dubrovnik, Croatia, 10-12 June 2011.

However, the situation on the local level (cities and municipalities) with regards to intersectoral coordination and general efficiency is showing the need for some challenging restructuring. In the case of the City of Varaždin, the official resignation of the City Mayor in June 2011, after more than a decade of his mandate, has created a certain insecurity in the administrative departments within the city. The mayor was a true star of local and later national politics. Becoming the mayor for the first time in 2001, at a time when the city was impoverished, traditional industries were left without markets, historic centre facades were not restored, crafts was slowly distinguishing, he was full of energy with a powerful vision. He started an investment cycle with large public utility projects, rebuilding the plazas and historic buildings and with a new vision for the economy centred on new technologies. He was a member of the first (2003) and then the other (2007) national ruling coalition. Indeed, in the highly centralized and metropolises state of Croatia, every time money is obtained from the state to the local budget is considered good, successful and desirable. As a member of the Croatian Parliament he was building the City and the people of Varazdin were very proud of the mayor and his brand. An advanced, wealthy city with a charismatic mayor was a bright promotional platform that a natural and gifted communicator knew how to utilize. Varazdin has become a city full of projects: Technology Park, Biotechnology Park, Free Zone, Enterprise Zone, lifelong education, polytechnic, baling waste, Varaždin Stock Exchange, development of ICT sector, future university, Green flower, Špancirfest, Intelligent city, Free public internet, POS, Airport, etc. A lot has been initiated, promoted and then pushed into the shadow when economic crisis started. The collapse of the City budget was caused by a suspected hole and when players started to fall vertically in Zagreb everything crashed down. The mayor was arrested for corruption, and a new major was elected on the 29 October 2011. How will the city development look in the future, will the new major follow the strategic plan and strategies, only time will tell. However what is obvious in the case of Varazdin is that one man can significantly influence overall development of the City and that everything is dependent on his decisions.

More or less the same situation is visible in other cities and municipalities within Croatia. Their level of development and cooperation within the administrative departments is dependent on the political situation. For better cooperation within and between local self-government units there is the need of a strong and dynamic leader (mayor) who has the vision and political skills that can bring different parties to common agreement and then organize and develop cooperation strategy.

6. Multilevel governance and coordination

There is still a large problem in achieving the higher forms of coordination in shaping sectoral strategies and public policies in Croatia. The problem is present on the national as well as on the local/regional level of coordination, with the typical question of horizontal policy management associated with consolidation of interorganizational activities. Croatia still does not have a reliable institutional mechanism for vertical as well as horizontal public policy, something like the Prime Minister's or the Government's central policy office (Petak, 2009). In other countries, such a body closely cooperates with the state treasury and all other agencies of central government and in the absence of this body in Croatia, the overall authority for carrying out these assessments lies in the hands of the Minister of Finance. The

problem is in the fact that, decisions are made on the basis of a rough (financial) estimate and not on the basis of a systematic policy analysis (Petak, 2009).

The Croatian Regional Development Strategy (CRDP) seeks to ensure a coordinated approach to sustainable socio-economic development of all parts of the country and to link “top-down – bottom-up” management approach by linking various ministries and other central state institutions with other participants in the socio-economic development of the country at national, regional and local levels. In that way it represents a significant intersectoral and territorial planning tool for regional development and contributes to the programming for EU Structural Funds.

Strategic objectives¹⁵ of the CRDP put local and regional actors of the development process at the centre of development of their areas. County/Regional development strategies (RDS), joint development projects and projects of wider regions will become an important means for directing the national and EU funds towards the development of cities/municipalities and counties as well as the wider regions.

Effective sustainable development requires strategic thinking and broad understanding of the needs from all parties involved in the development process, and also by solving many problems at the local and country level, requires implementation of these activities outside the county/local boundaries.

There is a strong need to connect local and regional needs on the one side with financial-budgetary reality and on the other side with national and EU development priorities. In that sense it will reach a consensus on the benefit to all regarding the effective use of available resources (national and EU) in order to achieve an appropriate balance among the various development objectives.

However, so far in Croatia in general, collaborative (cooperation) culture doesn't exist. Although the legal system does not prohibit intermunicipal cooperation, it is not sufficiently precise and does not encourage collaboration and cooperation initiatives. On the one side the County/Region does not have the competence on facilitating intermunicipal collaboration or a common spatial and sectoral planning. And on the other hand there is huge weakness within the central government body's which reacts to slowly to cooperation initiatives and misses the necessary administrative and technical support for local units which are connected with a constant absence of financial incentives.

Furthermore, the abovementioned competitiveness of local leaders can lead to further strengthening of their self-sufficiency that is already broadly presented. Many local units wish to have their own companies, institutions and other institutions under they own control. On the other hand, the unwillingness of local leaders to cooperate with other local/regional units for various personal reasons (fear of losing control, lack of knowledge on how to chive cooperation, etc.) and high level of politicization at the local level (rejection of cooperation with local units where authorities are coming from other political parties) lead to a low level of intermunicipal cooperation. Finally, the lack of information regarding the certain benefit of intermunicipal cooperation serves as a disincentive to the cooperation initiative.

However, the current Croatian environment has a number of circumstances which may foster cooperation between local units in the future. Accession to the EU will encourage development of the cooperation culture; given the fact that cooperation is one of the basic treatment standards within the EU. Likewise, the fact that the European Charter of Local Self-Government Cooperation establishes the right for local government and initiative of the

¹⁵ Development of Counties and Statistical regions, development of lagging areas and development of border areas.

Council of Europe to encourage political decision makers to think about intermunicipal cooperation as a way of rationalizing the work of local governments (MOS, 2010).

Guidelines and Principles for Functional Decentralisation and Territorial Reorganisation, adopted by the Government in July 2010, recognized intermunicipal cooperation as one of the measures that would foster future local development.

Conclusions

This research has tried to show the importance of the coordination issue for the overall national development as well as regional/county and city/municipality development. The Croatian case serves as an example of the changing structure due to the pressures of the harmonization with the EU and the structures and processes for formulation and implementation of the EU Accession policy¹⁶. On the other side it gives insights into the problem of inter-sectoral (inter-ministerial cooperation) in Croatia by studying the example of Istria County and City of Varaždin. The research seeks to find out about the structures employed and their relationships as well as the role of the different actors and function within the four sectors. Special emphasis is given to each level of governance - national, county/regional and municipality/city government. The main findings relate to the complexity of coordinative structures as a result of political weight and partial presence of network type coordinative mechanisms.

In general there are serious limitations in all phases of the policy-making process at the national level. The main weaknesses of the process on the national as well as on the regional and local level of governance (Petak, 2009) are the ineffective coordination between participants, the role of applying policy analysis tools in the process of formulating a particular policy and the limited capacities for monitoring policy in the phase of implementation. Moreover, adequate expert knowledge for the strategic policy analysis in each sector is lacking, especially one able to carry out policy analysis efficiently.

The typical fragmentation of the Croatian state administration, with strong ministers and general lack of cooperation, is improving due to the common political goal and current type of coordination base on socialisation and internalisation of the European idea. Since the EU frames the direction of the policy and part of its content, the space for conflicts, contradictions and rivalries, otherwise common in Croatian public administration, is now narrow. The National programme for the Accession was playing the crucial role as a programmatic document with operative part, defining each activity and setting criteria for evaluation, for the first time in Croatia. The emerging call for the network type coordination represents an indicator of a deep and long lasting change in the approach to development and implementation of sectoral strategic documents and public policies. In that context Istria County is showing an evident progress, and can serve as a model to the other counties, while the expected changes on the local level (municipality/city) seems to be more difficult to achieve.

¹⁶ Musa, A., Petak, Z. From the paper prepared for the IPSA research committee on public polica and public administration, Dubrovnik, Croatia, 10-12 June 2011

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EUROPEAN CENTRE
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ISSUES KOSOVO

Rugova Valley and Accursed Mountains: current institutional framework and opportunities for future development

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Assignment done under the CeSPI guidance

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SeeNet Programme
A trans-local network for the cooperation between Italy and South East Europe

Horizontal Action C - Research



Executive Summary

This report offers an analysis of the legal and institutional framework, and the management and operational aspects, of the valorisation initiative for the Rugova Valley, as well as the dynamics of local and national stakeholders. The Rugova Valley is part of the Accursed Mountains Park, and it will be discussed in this broader context in this report.

The report starts with background information on the Accursed Mountains, including its geographical position, the struggle to declare it a national park, its potential for tourism, and the main concerns that it faces. It continues by providing an analysis of the primary and secondary legislation of the Kosovo legal framework for the protection and management of the Park. It also gives a short description of the draft law on the Accursed Mountains National Park, which was recently approved (November 2011) by the Government and submitted to the Assembly, where it awaits approval. It concludes that the legislation in place has not been fully implemented, mainly due to lack of funds, human resources and expertise.

The second part of the report describes the institutional framework in place for the management of the park, both at the central and local level. Since the Accursed Mountains have not yet been declared a National Park, there is no special directorate for its management at the central level. Thus the primary institution for its management is the Municipality of Pejë/Peć. The municipality is facing numerous problems in implementing its responsibilities due to the lack of funds to establish a unit directly responsible for the management of the Park, as well as due to the lack of cooperation with central level institutions. Other agencies and departments, such as the Kosovo Environmental Agency, Kosovo Forestry Agency, and the Division for Tourism and Hotels, play an important role. However, these institutions are experiencing a similar lack of funding and expertise, making it hard for them to perform their work efficiently and implement the legislation in place. Furthermore, the lack of coordination between institutions and the lack of a redress mechanisms are also inhibiting factors. Although the adoption of the draft law on the Accursed Mountains National Park will clarify the legal framework affecting these two issues, whether this will improve the reality remains to be seen.

The third part the report focuses on the dynamics, strategies, and possibilities of cooperation between local stakeholders. The key stakeholders are small- and medium-sized enterprises, non-governmental organizations, and international donor organizations. The stakeholders do not have a formal mechanism for coordination and economic development in the Rugova Valley. However, it should be noted that if the Accursed Mountains are declared a National Park, the dynamics of management and cooperation would change drastically, as the administration of the Park will then fall under a unified management structure: the directorate established for this specific purpose within Ministry for Environment and Spatial Planning.

The last part of the report offers solutions and possibilities for cooperation between stakeholders. It primarily argues that the management and coordination of the Accursed Mountains can only be improved in a sustainable manner if clarity is provided on the status of the area. Therefore, the report recommends that the SeeNet Programme, following the adoption of the draft law, concentrate on supporting the implementation of this law, through which management and cooperation mechanisms will be established.

1. Introduction and Legal Framework

1.1. Introduction

1.1.1. Geographical Position

The Accursed Mountains, which include the Rugova Valley, are an extension of the Albanian Alps in North Albania and of the provinces of Plava and Gucia in Montenegro. The Accursed Mountains begin in the Northern border area of Kosovo and continue South, bordering on the east and northeast with the end of the Dukagjini Plain and Ibri Valley, and bordering on the West with Albania and Montenegro. Rising vertically from the Dukagjini plain, the massifs of the Accursed Mountains offer a scenic view and have huge tourism potential. They extend around 40 km north-to-south, while their width does not exceed 26 km.

The Rugova Valley is a remote and wild mountain destination in the heart of the Dukagjini region in northwest Kosovo. It covers an area of 32,000 hectares housing holds 13 mountain villages. Its highest peak reaches 2,560m. The valley is crossed for 12 km by the Bistrica River. There are numerous natural elements which give this valley tourism potential, such as waterfalls up to 30 meters high, two lakes at around 1,800m above sea level, and many caves. Furthermore, Rugova Canyon is one of the most beautiful and attractive nature spots in Kosovo. In 1985 the Rugova Canyon was declared a nature monument with hydro-geomorphologic significance. In addition to its richness in terms of flora and fauna, the Rugova Canyon contains beautiful scenery, geodiversity and rare hydrological features.

1.1.2. A National Park?

Currently, there is only one National Park in Kosovo, the “Sharr Mountain” National Park, which has an area of 39,000 ha and is located in the south of Kosovo. There has been a lengthy initiative to declare the Accursed Mountains a National Park, with a proposed area of 62,000 ha.¹

The initiative for the declaration of the Accursed Mountains as a National Park has been a long process, originally starting around 1970 and continuing until this day. The proposal was first put forward in 1970 by the Office for the Protection of Cultural Monuments and then in 1985 by the Kosovo Office for Protection of Nature. The proposed area to be included in the Accursed Mountain National Park included territories in the Municipality of Pejë/Peć and in the Municipality of Deçan/Decani. After the Municipality of Deçan/Decani refused to give its consent, it was attempted to declare only the territory belonging to the Municipality of Pejë/Peć a national park. However, this initiative also did not succeed.

In 2002, the Kosovo Institute for the Protection of Nature again took the initiative to declare the Accursed Mountains a National Park. Under this initiative the area to be included in the National Park covered territories in the Municipality of Pejë/Peć (over 30,000 ha), Istog/Istok, Deçan/Decan and Gjakovë/Dakovica with a total area of 62,488 ha². The respective Municipal Assemblies gave their consent for this initiative³.

In 2003, a draft law on the National Park of Accursed Mountains was prepared by the Ministry of Environment and Spatial Planning (MESP). However it did not have the support of, and was not

¹ Report on the State of Nature 2008-2009, Kosovo Environmental Protection Agency, Pristina 2010, page 9. http://ecdebates.medijacentar.info/download/raporti_natyra_eng.pdf.

² Ibid., page 66.

³ Pejë Municipality - Decision No. 352-5339/2002; Deçan Municipality - 01/63, 3 September 2002; Gjakova Municipality – decision 01No. 372/2002; Istog-Burim Municipality- Consent 01 No. 41/2002.

adopted in, the Assembly of Kosovo for three reasons: first, the Ministry of Agriculture, Forestry, and Rural Development (MAFRD) did not agree with MESP on the proposed area of the National Park (62,000 ha), mainly due to budgetary reasons. MAFRD's opinion was that Kosovo's budget could not afford the management and protection of the forests which would fall under this area, therefore they were in favour of reducing the area of the National Park⁴; secondly, the inhabitants living in the area of the Accursed Mountains were against it being declared a National Park as they were worried that restrictions would be enforced in the area and their private properties would be confiscated. This problem was essentially due to the fact that the government did not perform a proper awareness campaign to explain to the inhabitants what the law entails⁵; thirdly, the municipalities, especially the Peja/Peć Municipality, were initially against the decision because of fear that their control over the area would diminish.⁶

In 2009, the Ministry established another working group to work on this draft law, which was approved by the Government in November 2011 and was sent for review to the Committee for Agriculture, Forestry, Environment and Spatial Planning in the Assembly of Kosovo. The draft law will also undergo a public hearing in order to offer the possibility of giving comments and suggestions to stakeholders. After the comments are taken into consideration, there will be a first reading in the Assembly. If the Assembly finds that the law is not satisfactory it could be returned to MESP for review; otherwise a second reading will take place. If the draft law passes the second reading it will be ready for adoption. The positive developments in relation to this law can be mainly ascribed to the increased scrutiny of the European Commission on this issue and a (subsequent) change in the attitudes of the political leadership.

1.1.3. Tourism Potential

The proposed area for the Accursed Mountains National Park has great potential for tourism due to its exceptional natural and cultural features. The tourism region of Accursed Mountains covers 2,340 km², with around 515,000 inhabitants, spread over the municipalities of: Pejë/Peć, Gjakovë/Dakovica, Deçan/Decani, Istog/Istok, Klinë/Klina, Rahovec/Orahovac and Junik⁷. The region has good connections with other regions in Kosovo, as well as good conditions for the development of trans-boundary tourism with Albania and Montenegro. As mentioned above, about half of the territory of the Accursed Mountains lies within the Municipality of Pejë/Peć, making this municipality of central importance to the development of tourism in this area. Although the region will have a hard time attracting international tourism alone, it has significant international potential as part of regional tourism initiatives, such as the Western Balkans Geotourism Project, supported by National Geographic.

The area is characterized by high snowfalls, good skiing terrains, high peaks (Gjeravica 2656 m), waterfalls, high forests, rich fauna and exciting landscapes, thus offering good conditions for sustainable tourism development⁸. Its geographical position and climate conditions facilitate rich flora and fauna. According to the Kosovo Institute for Environment Protection, there are over 1,500

⁴ Interview with Mr. Ergin Hajredinaj, Expert at the Kosovo Forestry Agency, 11 May 2007. [available only in Albanian].

⁵ "Who Wins and Who Loses from the National Park", *Koha Ditore* Newspaper, 7 February 2003, page 10 [available only in Albanian language]; and "Private Property of the Inhabitants of Accursed Mountains will Remain Intact "Zëri" Newspaper, 23 January 2004, page 6 [available only in Albanian language].

⁶ "Koha Ditore" Newspaper, 7 February 2003, page 10.

⁷ Report on Touristic Region of Accursed Mountains, Department of Tourism, Pristina 2007, page 7. http://www.mti-ks.org/repository/docs/brochure_english.pdf.

⁸ *Ibid*, page 7.

plant species, eight fish species, 13 terraqueous species, 10 reptile species, 148 bird species, 36 mammal species (not counting bats), and 129 species of butterflies⁹.

This area also includes two major medieval cultural heritage sites: the Deçan/Decani Monastery (1327-1335), and the Patriarchate of Pejë/Peć (13th century). Both monasteries have been proposed to be included in the UNESCO World Cultural Heritage List¹⁰. Among other significant natural monuments, the most notable are the “Rugova Canyon”, “Drini i Bardhe Spring”, “Cave in Radave”, “Cave in Rugova Canyon”, “Cave in Zatriq”, and the “Thermal water spring in Istog”.¹¹

1.1.4. Main Concerns

The two major concerns in the territory of the Accursed Mountains are illegal wood cutting and the illegal construction of buildings¹².

Illegal wood cutting is taking place in all municipalities which have access to the Accursed Mountains territory, and has negative effects on the ecosystem balance, disturbing animal species, destroying the landscape and creating erosion. Wood cutting is primarily used for construction, trade and heating. Poverty combined with electric shortages has resulted in the population relying heavily on wood burning for heating during winter¹³.

The issue of illegal construction is mostly caused by the buildings of hotels and restaurants¹⁴. The main reason for this practice is the lack of urban, spatial and development plans¹⁵. Consequently constructions are developed without any standards or criteria. These illegal constructions cause erosion, landscape damage and biodiversity loss. The constructions are most prevalent in areas with high tourism potential, such as the Rugova Canyon, Boge, etc.¹⁶.

1.2. Legal Framework

1.2.1. Constitution

The Constitution of the Republic of Kosovo came into force on 15 June 2008 and is the highest legal order in Kosovo. It indicates that nature and biodiversity, environment and national heritage are important elements and that it is everyone’s responsibility to protect them¹⁷. Moreover, since nature is shared by all residents of Kosovo, it is important that everyone be provided an opportunity to be heard by public institutions and have their opinions considered on issues that impact the

⁹ Report on the State of Nature 2006-2007, Kosovo Environmental Protection Agency, Pristina 2008, page 66. <http://www.ammk-rks.net/8F8B2A60-13F2-4FE1-BA29-A7B3CAEA2EAE/FinalDownload/DownloadId-3F81F9835B2774D6D02B6D8A5F97D6C2/8F8B2A60-13F2-4FE1-BA29-A7B3CAEA2EAE/repository/docs/1StateofNature.pdf>.

¹⁰ UNESCO World Heritage List, Serbia, Medieval Monuments in Kosovo. http://whc.unesco.org/en/list/?search=&searchSites=&search_by_country=&search_yearinscribed=&type=cultural&themes=&media=®ion=&criteria_restriction=&order=

¹¹ Report on Touristic Region of Accursed Mountains, page 8.

For more information please also see Report on the State of Nature 2008-2009 - “Rugova Canyon”, page 22; “Drini I Bardhe Spring”, page 30; “Cave in Radave”, page 27; “Cave in Rugova Canyon”, page 23; “Thermal Water Spring, Istog”, page. 24.

¹² Kosovo Environmental Protection Agency, State of Nature Report 2006-2007, Pristina 2008, page 60.

¹³ “Integrating Environment into Agriculture and Forestry. Progress and Prospects in Eastern Europe and Central Asia”, The World Bank, Sustainable Development Department, Volume II, Kosovo, November 2007, page 5. <http://www.worldbank.org/eca/pubs/envint/Volume%20II/English/Review%20KOS-final.pdf>

¹⁴ State of Nature Report 2006-2007, page 61.

¹⁵ Ibid., page. 61.

¹⁶ Ibid., page 61.

¹⁷ Constitution of the Republic of Kosovo, Article 52.1.

environment in which they live¹⁸. Also, public institutions should consider the impact on the environment in their decision making processes¹⁹.

1.2.2. Primary Legislation

With regards to the primary legislation in Kosovo, there are a number of primary laws that apply to the Accursed Mountains area, most importantly the Law on Nature Protection, Law on Environmental Protection, and Law on Local Self Government. Since illegal wood cutting and illegal construction are the most serious problems in the territory of the Accursed Mountains, the Law on Forests and Law on Construction will also be briefly explained in this report. Although The Draft law on the Accursed Mountains National Park was recently approved by the Government, it has not yet been adopted by the Assembly; however a short description will be provided. It should be noted that the content of this draft law should in no circumstances be considered as final, as its content may change during the legislative process in the Assembly of Kosovo.

The Law on Nature Protection is the main law for nature protection in Kosovo as it constructs a system for the general protection and conservation of nature and its values. The law regulates the protection, conservation, rejuvenation and sustainable use of natural resources; prohibits the overuse of endangered types of flora and fauna; prevents harmful activities to nature; and ensures the right of the public to information on the nature state, and participation in decision-making for the protection of nature.

It defines a national park as “a large area of the land and/or water, with extraordinary and diversified natural values, including one or more of natural ecosystems conserved or least-changed and especially dedicated for conservation of nature authentic values.”²⁰ The national park is intended for scientific, cultural, educational and recreational purposes and only operations and activities which do not present a risk to nature are permitted. Moreover, economical uses of nature goods are prohibited and touristic activities are permitted with the condition that they do not harm the nature of the national park²¹.

The law further states that with regard to the planning and organizing of nature protection, a strategy and action plan on biodiversity should be in place²². This strategy defines long term objectives for the purpose of biodiversity, landscape diversity and protection of natural values, as well as its implementation, taking into consideration social and cultural elements in Kosovo. The strategy should be proposed by the Ministry of Environment and Spatial Planning and approved by the Assembly of Kosovo, after which the relevant municipalities are obliged to issue programs on nature protection within their territories²³.

Moreover, national parks, natural parks or other areas with special value should each be administered by a specific directorate which is set up by MESP²⁴. The directorate will carry out activities for the protection, maintenance and promotion of these protected areas, as well as control the enforcement of nature protection requisites and measures in the area that they control.

According to the law, the Ministry of Environment and Spatial Planning (MESP) is the primary competent authority for performing administrative and professional tasks in the protection of nature, unless specifically entrusted to another institution by law²⁵. Municipalities, in accordance with this law and the strategy, are obliged to provide for conservation of biological and landscape diversity

¹⁸ Ibid., Article 52.2.

¹⁹ Ibid., Article 52.3.

²⁰ Law on Nature Protection, Law No.03/L –233, Article 11.

²¹ Ibid., Article 11.4 and 11.6.

²² Ibid., Article 140.1.

²³ Ibid., Article 140.2.

²⁴ Ibid., Article 77.2.

²⁵ Ibid., Article 143.1.

within their territory, provide for conditions and conservation for protected areas within their competence, participate in drawing management plans for protected areas within their area of competence, promote nature protection, monitor the state of nature conservation and submit reports on this issue to the Ministry, keep registers on data relevant for nature protection, and provide professional assistance units within the municipality responsible for nature protection²⁶.

The law further defines the competent decision-making authorities in relation to licensing construction activities in this area. At the central level, the Ministry determines the “special conditions for nature protection in the procedure of issuing permit for the construction and for works performances as well as interventions in the territory of national park, special area, nature park, nature monument.”²⁷ At the local level, the competent municipal authority should define special conditions of nature protection during the procedures for issuing permits for the location of construction, works performances, and interventions in the territory of protected landscapes, monuments of park architectures²⁸.

The Law on Environmental Protection harmonizes economic development and social welfare with the basic principles for environmental protection according to the concept of sustainable development²⁹. Additionally, it promotes the establishment of a healthy environment for Kosovo by gradually implementing European Union standards on environment³⁰. The law also establishes the Kosovo Strategy on Environmental Protection (hereafter: the Strategy). This strategy covers a period of ten years (2005-2015), with the possibility of review every two years.

The Strategy has identified five priorities in the field of natural heritage which are to be fulfilled before year 2015: a) harmonizing of legislation with international standards as well the enforcement of these laws in Kosovo; b) strengthening the existing management authorities for protected areas and creation of management bodies where they do not exist; c) strengthening of the Institute for Nature Protection in monitoring the protection of protected areas; d) updating the registers of areas for protection ; and e) raising awareness of nature protection for the population living in the protected areas.³¹

With regard to forests, the Strategy states that there is poor forest management and poor monitoring and control of forests in Kosovo. Moreover, illegal woodcutting is a major concern. With the aim of improving the situation in regards to forest management, certain priorities have been listed: a) monitoring of forests for illegal woodcutting; b) stopping illegal activities; c) drafting plans for prevention and protection from fire and forest erosion; d) increasing awareness of the population on the protection of forests; and, e) sustainable use of forests.³²

Like the law on nature protection, this law also states that the main competent bodies for the administration of environmental protection are the Ministry of Environment and Spatial Planning and the Municipality. The Ministry should approve sublegal acts, administrative direction, forms and procedures in order to work towards protection of the environment; and develop policies related to the protection of the environment in line with the EU environmental *acquis*. Moreover, the Ministry should coordinate with other Ministries, Municipalities, private entities, non-governmental organizations, and citizens, in order to implement its policies on environmental protection; and, ensure the fair usage of funds granted by international and local organizations. The Municipality should cooperate with the Ministry for preparation of a plan for the protection of environment

²⁶ Ibid., Article 143.2

²⁷ Ibid, Article 43.1.

²⁸ Ibid, Article 43.3.

²⁹ Law on Environmental Protection, Law No. 03/L-025, Article 1.1.

³⁰ Ibid. Article 1.1.

³¹ Environmental Strategy for Kosovo, Section 1.4 Natural heritage, page 21.

http://www.keap-ks.org/show_pdf.php?id=1&table=documents

³² Environmental Strategy for Kosovo, Section 2.5 Forestry, page 31.

within their territory, to be approved by its respective Municipal Assembly; enforce laws and inspect enforcement of the laws; and prepare and provide information related to the protection of the environment to the public.

The Law on Local Self Government gives full and exclusive powers to the municipalities with regard to local environment protection³³. Other competencies of the municipality include local economic development; urban and rural planning; land use; and building regulations and building control standards, which if done properly can have a major impact on nature protection. This law is described in more detail in the second SeeNet Report on Kosovo³⁴.

The Law on Construction determines the main requirements for the design, construction, and use of construction materials, professional supervision, and procedures for construction permits, use permits and building inspection³⁵. The provisions of this Law also regulates design and building conditions, taking into consideration public safety and the protection of the environment of Kosovo³⁶. According to article 34 and 35, MESP is the competent body for issuing a construction permit in cases when the construction is for an intercommunication or telecommunications construction, power plant, hydro-technical facilities, industrial sites, and facilities of special attention (e.g. military initiatives). The Municipality has the authority to issue permission for all constructions that do not fall within the above mentioned list.

The Law on Forests aims at managing public and private forests in Kosovo in order to provide valuable yields while preserving nature and biodiversity³⁷. Chapter V of this law deals with the management of public forests and states that “no person may harvest trees from public forests under the administration of the Forest Agency unless the person has a valid license issued under this Law; and the trees have been lawfully marked before harvest.”³⁸ The Kosovo Forest Agency, which was established by this law, may issue licenses and mark trees for harvest in public forests.

Finally, *the Draft Law on the Accursed Mountains National Park* aims at giving the Accursed Mountains the status of National Park in Kosovo. Firstly, it determines the borders of the Accursed Mountains. Secondly, it creates a protection regime by dividing the National Park in three zones: Zone I deals with parts of the National Park that have exceptional natural features, and is under strict protection. Zone II includes parts of the territory characterized by ecosystems, landscapes, and other natural values; in this zone, activities which do not violate the protection of nature may be exercised. Zone III consists of parts of the territory which are foreseen for the construction of holiday buildings, tourism facilities, and other needs of the residents of this part of the National Park. These activities should be limited and selective, for the purpose of protecting nature. Within this framework, it is not clear in which Zone the Rugova Valley lies. However, according to the International Union for Conservation of Nature (IUCN), the Rugova Canyon, which was declared a Nature Monument in 1985, belongs in Zone III³⁹. Finally, it states that within six months from the adoption of this law, the Ministry of Environment and Spatial Planning should establish a directorate for the administration of the Accursed Mountains National Park. As mentioned above, the law has not yet been definitely approved and may still undergo significant changes in the Kosovo Assembly.

³³ Law on Local Self Government, Law No. 03/L-040, Article 17 (e).

³⁴ The report is available at the webpage www.cespi.it/seenet.html

³⁵ Law on Construction, Law No. 2004/15, Article 1.1.

³⁶ Ibid., Article 1.2 and Article 3.1.

³⁷ Law on Forests, Law No. 2003/3, Article 1.2.

³⁸ Ibid., Article 20.2.

³⁹ Interview with Miradije Gerguri, Head of the Protection of Natural Values Unit in MESP, 15 November 2011.

1.2.3. Secondary Legislation

There are several administrative instructions that regulate specific aspects relevant to the management of nature. The most relevant are the following:

Administrative Instruction No. 04/2006 on the form and manner of keeping central Register of nature protected areas defines the form and manner of keeping the central Register for nature protection. The Register is meant to investigate, collect, keep, protect and categorize information in relation to the natural protected areas⁴⁰. The Kosovo Institute for Nature Protection, located within the Kosovo Agency for Environment Protection, is responsible for keeping and managing this Register⁴¹.

Administrative Instruction No. 08/2011 for the collection of protected wild plant species, with the purpose of processing and trading determines the protection measures and conditions for obtaining permission to collect wild plants and their parts used for healing, food, ornaments or for the purpose of processing, gathering, and trading⁴². MESP is the authority that issues the permit for collecting wild plants, while the Institute for Nature Conservation maintains a database with information on this issue⁴³.

Administrative Instruction No. 12/2011 to define types of natural habitat, natural habitat maps, threatened and rare natural habitat types, as well as safeguard measures for the conservation of natural habitat types defines the types of habitats, form, content, use and manner of the habitat maps, types of rare and threatened habitats that should be stored in favourable conditions⁴⁴. The types of habitat are documented in a map of habitats, and this data is saved by MESP and the Institute for Nature Protection⁴⁵. This institute also monitors the situation that threatens habitats and keeps the inventory and cartographic presentation⁴⁶.

Administrative Instruction on the manner of marking protected nature areas determines the placement of signs in protected areas, and the placement of signs at the border of the zones, according to the degree of protection of the protected area.

Administrative Instruction on plans for the management of protected areas of nature sets out the purpose, structure, design, public discussion, approval, implementation, evaluation, and review of the management plan for each protected area of nature. Citizens and legal persons should consult this management plan before undertaking activities in protected areas.

1.2.4. Assessment of the Implementation of Legislation

The analysis carried out shows that there is quite a comprehensive set of norms for nature protection in Kosovo. Notwithstanding, from a practical point of view, the implementation and enforcement of these laws is a serious problem. The institutions are lacking competent human resources, as well as the financial means to implement and monitor legislation.

The implementation of the law on Nature Protection is mainly the responsibility of MESP. MESP's budget, which was already limited, was further reduced from 11m Euro to 8m Euro in 2011, as part of budget trimming to ensure funding for a road-building programme⁴⁷. This is an indication that the protection of nature and environmental issues are not a priority at the political and institutional

⁴⁰ AI No. 04/2006, Article 1.2.

⁴¹ Ibid., Article 2.1.

⁴² AI No. 08/2011, Article 1.1.

⁴³ AI No. 08/2011, Article 5.1 and 10.1.

⁴⁴ AI No. 12/2011, Article 1.1.

⁴⁵ Ibid., Article 4.

⁴⁶ Ibid., Article 2.

⁴⁷ EC Conclusions of the Meeting on Stabilization Association Process Dialogue (SAPD), Environment, Transport, Energy and Regional Developments, 24-25 March 2011

http://eeas.europa.eu/delegations/kosovo/documents/eu_kosovo/11032425_sapd_sectoral_meeting_en.pdf

level. Socio-economic problems and political circumstances, such as the status issue, are diverting the attention and resources of the Government.

Human resources in central and local institutions are also problematic. There are few experts on nature and environmental issues. Traditionally, Kosovo's nature and environmental management has been conducted by experts from the Yugoslav - and subsequently Serbian - central Government. For example, in the field of forestry, before 1999 data collection was performed mainly by professionals from the Forestry Institute in Belgrade. Today, for political reasons,, Kosovo no longer has access to such expertise from Serbia or Yugoslavia, which has left Kosovo with a very small pool of experts. In brief, there is a need for a comprehensive training programme in the field of nature protection.

The combination of a lack of budget and human expertise creates a problem with the development and implementation of action plans. For example, the management plans at the central level for nature protection are mostly outdated due to budgetary restrictions. Also, at the local level, the municipality has not issued programs for nature protection, which in principle is required by the Law on Nature Protection (art. 140.2). Moreover, due to the lack of management plans, the duties and responsibilities and coordination between the Ministry and Municipalities are also not entirely clear.

Secondary legislation is not implemented properly either. The *Administrative Instruction on the Register of Nature Protected Areas* has not been implemented. There is only a list of names of the protected areas, but the specific information on each area is missing. Consequently, there is no information on the Rugova Valley.

The lack of awareness-raising campaigns is also one of the factors, which impacts the non-implementation of the laws. Inhabitants living in the protected areas should be informed as to what the law contains and how it affects them and their private properties. Private entities should also have information on how their activities affect nature and how relevant regulations affect their operations. A well-informed and educated population can put pressure on politicians for environmentally sustainable development.

2. Operational Aspects and Management Issues at the Central and Local Level

The institution which holds primary responsibility for the management of the area of the Accursed Mountains in Pejë/Peć is the municipality. This is due to the fact that the Accursed Mountains have not been declared a National Park, and therefore no special directory has been established at the central level for its management.

However there are a few institutions at the central level which support the management of the Park, namely, the Ministry of Environmental and Spatial Planning (MESp), the Kosovo Environmental Protection Agency (KEPA), the Kosovo Forestry Agency (KFA), and the Division of Tourism and Hotel within the Ministry of Trade and Industry. The main characteristics of these institutions will be explained in the following sections.

2.1. Institutional Framework: Central Level

The Ministry of Environmental and Spatial Planning is the main institution at the central level responsible for biodiversity conservation and most aspects of environmental protection, including nature protection and protected areas. As mentioned above, the Accursed Mountains have not been declared a National Park yet, and therefore no special directorate has been established in MESP to administer it. Only the “Sharr Mountains” National Park has a Directorate within this institution, established by the Law and dating from 1986. For this reason, the Accursed Mountains are administered through the normal channels established for nature protection in Kosovo.

Of the seven Departments in MESP the most relevant for the management of the Accursed Mountains is the Department for Environmental Protection. Among other things, this department is responsible for coordinating activities in the field of environmental protection, developing policies, norms and guidelines, carrying out inspections, and developing public information campaigns to increase public awareness on environmental protection issues. MESP, through the Nature Protection Inspectorate within the Environmental Inspectorate, carries out the supervision, to ensure that the laws and regulations are implemented accordingly.

Another important institution at the central level is the *Kosovo Environmental Protection Agency* which is responsible for monitoring environmental qualities and attributes⁴⁸. KEPA has three pillars of functionality, namely the Directorate for Environmental Monitoring, the Directorate for Environmental Information System, and the Directorate for drafting reports and Environmental programs. The Agency has more of a research and scientific role than an implementation role. It is mainly responsible for monitoring the environment, continuous reporting on the environmental situation, and informing the public and national and international institutions on the environmental situation in Kosovo, as well as conducting scientific research projects in the environment field.

KEPA should continuously cooperate with MESP and the Municipality to exchange information and share its conclusions; however this cooperation does not always happen smoothly. In the past, there were overlaps between the responsibilities of KEPA and the Municipality of Pejë/Peć, although these issues appear to have improved with the adoption of the Law on Nature Protection and Law on Environmental Protection.

The Kosovo Forestry Agency is an executive agency under the authority of MAFRD, responsible for the management of forests in Kosovo. It is responsible for matters relating to the regulation of private forests and the management and administration of public forests and national parks in Kosovo, except for those issues that the law specifically assigns to any other authority of the Government⁴⁹. Furthermore, it has the power to make recommendations to MAFRD. Article 17.1(b) of the Law also states that KFA “shall have branch offices in the municipalities” in which forests administered by KFA are located. Currently there are six such branch offices in Kosovo, in: Pejë/Peć; Prishtinë/Priština; Prizren; Ferizaj/Uroševac; Gjiilan/Gnjilane; and, Mitrovicë/Mitrovica. *These branch offices are responsible for implementing the KFA’s policies at the municipal level; they receive their budget their budgets from the KFA and report directly to the KFA rather than the municipality.*

The Division on Tourism and Hotel, within the Ministry of Trade and Industry, has an important role in setting institutional and legal conditions for the development of tourism. Moreover, this division develops annual tourism policy and programs, and classifies, licenses and categorizes tourism activities. At the moment, it does not have any specific policies or tourism initiatives for the Rugova Valley.

⁴⁸ Law on Environment Protection, Law No. 03/L-025, Article 59.1.

⁴⁹ Law on Forests, Article 17.1.

2.2. Institutional Framework: Local Level

The primary institutional body at the local level for managing the Accursed Mountains within its territory is the Municipality of Pejë/Peć. According to its statute, the Municipality of Pejë/Peć has full and exclusive competencies in regard to the protection of the local environment and tourism development⁵⁰. In principle, the municipality should have a Unit for the Protection of the Environment, under the Directorate for Urban Planning, Cadastre, and Protection of the Environment; however, reportedly this unit has not been created to date due to a lack of funds. The interviewees state that with the adoption of the draft law on the Accursed Mountains there should be a budget of 68,000 Euro allocated to the directorate for the first year of the law's implementation. However, the Ministry of Economy and Finance (MEF) has declared that even if the Accursed Mountains is declared a national park, it will not be possible to create this directorate until 2014, due to budgetary restrictions⁵¹. Thus it is unclear which institution will be in charge of the management of the park until the year 2014.

Although the budget is assigned at the central level to the directorate in MESP, in all likelihood a part of this fund will be allocated to the municipality to create a unit for the management of the national park, which would directly cooperate with the directorate in MESP.

2.3. Assessment

The capacity of central and local institutions to perform their work effectively is questionable. Interviewees mention that because of political influence there is no consistency with regard to policies from central level institutions; recent years have seen several changes of government, which in Kosovo is accompanied by a significant change of people in key positions and consequent changes in policy.

A concern is the lack of coordination between MESP and the Municipality. Meetings are apparently held at the ministerial level with regard to nature and environmental issues, including the Accursed Mountains area. These meetings usually take place once per week between the Permanent Secretary of MESP and the Head of the Department for Environmental Protection of MESP. Topics generally reflect the overall agenda of the ministry and the directorate's action plan. However, local level officials are rarely involved in these meetings and the minutes of the meetings are not accessible to the public.

None of the interviewees were aware of any formal redress mechanisms, and the regulation on the establishment for such mechanisms has not been adopted yet by MESP. The Law on Nature Protection does establish a redress mechanism for issues relating to the implementation of the law. Article 144 states that complaints against MESP regarding the law shall be solved through the procedures for administrative disputes, while complaints against other institutions regarding the law should be lodged with MESP.

There is no formal coordination mechanism on nature issues within the Kosovo Government. Working groups are established according to need, although institutional participation in these working groups is not always optimal.⁵²

At the municipal level there seems to be no clear institutional line for the protection and management of nature. The financial situation of the Municipality is very weak and it provides only for basic expenditures, thus it is impossible for it to create a separate unit for the protection of the environment.

⁵⁰ Statute of the Municipality of Pejë/Peć, Article 14 (e) and (q).

⁵¹ Interview with Miradije Gerguri, Head of the Protection of Natural Values Unit in MESP, 15 November 2011.

⁵² Interview with Miradije Gerguri, Head of the Protection of Natural Values Unit in MESP, 15 November 2011.

Currently, the Park has no official borders of because the law on the Accursed Mountains National Park has not yet been adopted by the Assembly. Indeed there are some ongoing disputes between Kosovo and Montenegro on this matter, due to the ongoing process of border demarcation.

3. Local Stakeholders and National Park Dynamics

3.1. Local Stakeholders

The Municipality of Pejë/Peć is the largest local stakeholder in Rugova Valley. As mentioned in Part II of this report, the Municipality is responsible for the management of the Park. In practice there are three other relevant actors operating at the local level with regard to mountain tourism in Pejë/Peć: small to medium sized enterprises (SMEs); local NGOs; and international donors - most importantly, but not limited to, the European Commission and the Ministry of Foreign Affairs and Italian regions through the SeeNet programme.

There are a number of *SMEs* in the Pejë/Peć region, which fall into three categories: a) State Owned Enterprises which were privatized after the war; b) hotels and restaurants; c) small artisan companies.

State Owned Enterprises which were privatized after the war include a wood and leather factory, a former vehicle factory which was transformed to a huge trade centre as part of the ELKOS Group private enterprise, Peja Brewery factory, the trade centre “Shtepia 10 e Madhe” transformed to a clothing centre and pastry shops, and “Hotel Metohija” renamed “Hotel Dukagjini”.

There is also a number of hotels and restaurants which offer accommodation in the villages of Boge and other villages from the Rugova Valley. These hotels and restaurants usually offer traditional food and beverage products from Rugova Valley such as, honey, milk, cheese, bread and Rakia. Furthermore, there are also some small producers which make traditional artisan products such as ornaments, clothing, and other artefacts.

Local NGOs in Pejë/Peć include but are not limited to the “*Association of Mountain Spider Peja*”, which is a mountain climbing club. The association participates in rock climbing, and deals mainly with the development of sports and mountain-related activities. “*NGO Era*” is another local environmental organization operating in Peja/Peć. It conducts environmental awareness-raising among youngsters to preserve and promote the natural and cultural heritage of the region. “*Rugova Experience*” is a tourism-oriented NGO with the main objective of promoting natural heritage and creating sustainable tourism development.

International donors are also operating in Pejë/Peć supporting the development of mountain tourism, such as the European Commission, the Ministry of Foreign Affairs and Italian regions through the SeeNet Programme, USAID, and GTZ. Since the Government of Kosovo does not have enough funds to support local initiatives in the fields of tourism and nature protection, the support of international donors is crucial.

3.2. Coordination and Dynamics between Stakeholders

Coordination between these actors and local tourism initiatives takes place to a certain extent at the local level through a municipal development plan and coordination meetings on specific issues. However, most of these mechanisms are limited to meetings organized in line with specific projects

or issues. There is no permanent coordination mechanism at the municipal level. Moreover, local actions are not coordinated to the central level.

The relationship between the municipality and SMEs is not always smooth either, especially when it comes to construction permits. As mentioned above, a large proportion of SMEs are restaurants and hotels, which operate separately from each other and are strongly focused on taking advantage of immediate opportunities. Therefore they usually have a short-term vision that might not be in accordance with the rules of nature protection.

Furthermore, the stakeholders do not have a common goal or strategy to protect the environment and to spread tourism in a manner that is not harmful to nature. Most stakeholders concentrate primarily on their own interests, without considering the side effects that they might have on the environment. At the same time, the municipality is too weak to implement strategies of cooperation and fully implement the law. Nevertheless some stakeholders, such as local NGOs and international donors, do try to take into consideration nature protection while implementing their tourism activities.

Local NGOs are mostly small organizations (fewer than five employees) that function mostly as implementing partners of international donors. In other words they get most of their funds by implementing projects for international donors. As such, most also offer touristic services, such as hiking tours. They generally share a vision of environmentally sustainable tourism development. Most have been operating for several years now and have developed considerable expertise in this field and are well known to the municipality. However they do not always represent the public opinion on issues concerning nature protection in Rugova Valley, as they voice the idea of their donors. Awareness campaigns are performed by some small NGOs, such as NGO Era mentioned above, but further efforts are needed in this area.

International donors are mostly present in this sector through projects which they implement through the local NGOs described above. These are the biggest single investors in mountain tourism in Pejë/Peć, and as such they have a significant voice in the development of tourism policy, in which they mostly share the vision of the NGOs for environmentally sustainable tourism development.

However, if the draft law on the Accursed Mountain National Park is to be adopted by the Assembly of Kosovo, the dynamics between local stakeholders would change dramatically. According to the draft law and the Law on Nature Protection, MESP shall establish a directorate especially for the management of the Accursed Mountains. Once this is set up there would be a clear management line and the cooperation with local stakeholders would be more effective. However, there remains a strong need to raise awareness among local stakeholders, particularly SMEs and local communities, on the importance of - and their interest in - sustainable environmental development.

4. Possibilities of cooperation and recommendations

The primary issues raised in this report are the lack of a clear strategy, lack of funds and human resource, and lack of clear structures of management and coordination with regards to the Accursed Mountains. It seems that the solution to these problems is already known, namely passing the *Law on the Accursed Mountains National Park*. The transformation of the Accursed Mountains into a national park has the potential to facilitate the development of a strategy and action plan, the

establishment of one agency, a directorate within MESP, with clear management and coordination responsibilities, the creation of a linked directorate at the municipal level, and the allocation of a budget for the implementation of the law.

While the draft law is not officially adopted and no budget is assigned, coordination and management of the Accursed Mountains will remain ad-hoc and fragmented. Any coordination mechanisms set up for the management of the Accursed Mountains will unavoidably be faced by insecurity over the status of the area. Local stakeholders will remain unclear regarding the planned future for area, which will lead small and medium sized businesses to continue to look for short-term gain, rather than work within a long-term development strategy. Moreover the situation leaves the municipality and local NGOs without a clear legal framework to support and in which to operate.

Therefore, SeeNet's efforts should focus on ensuring that the legislative process regarding the draft law is fully inclusive and that **all local stakeholders** (SMEs, civil society, local authorities and local communities) **are consulted** during the public hearing process, which will take place as part of the legislative process on the adoption of the draft law by the Kosovo Assembly, and that **their comments are considered** in the final version of the law. Following the adoption of the law, the Italian partners could focus on supporting the implementation of the law, including:

- Designing a **strategy** for the management, coordination, and development of the national park of the Accursed Mountains. Such a strategy should be based on consultations with all identified stakeholders and should promote sustainable development.
- Designing a corresponding **action plan**, defining the specific actions that different stakeholders will have to take in ensuring the implementation of the strategy.
- Ensuring that sufficient **budget** is assigned for the implementation of this action plan.
- Supporting the development of a **directorate in MESP** to become the primary administrator of the national park, and the body responsible for the implementation and coordination of the Strategy and Action Plan.
- Supporting the development of a **directorate in the municipality of Pejë/Peć** dedicated to the local management of the national park, under the oversight of MESP, particularly focusing on the development of human resources with this office.
- Supporting the **training** of relevant local and central-level officials and civil society representatives on nature management and protection and support, particularly the efforts of civil society in **monitoring the implementation** of the law;
- Ensure that all local stakeholders are **informed** about their rights and responsibilities under the new law and that they are **consulted** at all stages of the development of the national park (drafting and implementation of the strategy and action plan).

Only if all these matters are addressed in a comprehensive manner can significant improvements in the overall management and coordination of the Accursed Mountains be achieved.

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Municipality of Budva Cultural tourism in Budva: an unexploited potential

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Assignment done under the CeSPI guidance

Third research report

January 2012

**SeeNet Programme: A trans-local network for the cooperation between Italy and South
East Europe**

Horizontal Action C – Research



Executive summary

Although Budva is rich with artistic and musical exhibitions and festivals during the entire year, the cultural tourism in Budva is not properly developed. Budva has a decent tradition in valorization of its own potential. Several small steps towards cultural heritage valorization were taken during the last years; however, these initiatives are insufficient.

Budva municipality is still missing a strategic plan for cultural development even though it is obliged to prepare it according with the Law on Culture. Also, the current approach, which is placing privatization first, with private investors, without any interest for valorization of cultural heritage, is damaging the Municipality's cultural potential irreversibly.

Since the Municipality's administrative center is currently working on the Developmental Strategy, and also has the intention to prepare the Local Strategy for Cultural Development in the near future, there are several important issues which need addressing urgently. Therefore, the Municipality's administrative center and working team, which will work on the new strategy, should focus on affirmation of certain cultural and historical monuments (restoration of mosaics; conservation and restoration of an early Christian basilica; revitalization of the fortifications; better presentation of the national folklore; popularization of the religious monuments). Various parts of the tourist catalogue are involved in line with this activity.

Also, bearing in mind several important day-to-day issues in the Municipality, the managing team of the Municipality should consider supporting library, theater and cinema through the concept of public-private partnership. Budva municipality is the leading Municipality in Montenegro in the realization of public-private partnerships and such experience should facilitate these arrangements. These facilities will certainly support cultural developments and cultural tourism within the Municipality of Budva.

SeeNet project partners could have a strong impact in strengthening the cooperation between various stakeholders (and levels) in Montenegro, and especially, between stakeholders in Budva and potential partners in the region. Considering that the Budva municipality has a poor record of participating in relevant projects with the potential partners from the region and, in order to contribute to the further development of the cultural tourism in Budva, SeeNet project partners could facilitate networking and joint initiatives between the Budva municipality and the SeeNet network partners.

Also, it is of great importance the potential SeeNet contribution to the elaboration of the cultural strategic plan.

Bearing in mind the important issues relating to fulfilling the preconditions for cultural development, SeeNet project partners could assist in finding incentives for PPPs, based upon cultural potential in the municipality and within the context of international and regional tendencies in this field.

1. Introduction

“It is written in the story of Philo of Byblos, from the 2nd century AD, that the founding of Budva was connected to CADMUS, founder of the city of Thebes and mythical son of Phoenician King Agenor. Cadmus and his wife Harmonia were expelled from Thebes and in an oxen coach headed to the country of Enchilei (people of eels, the oldest known inhabitants of the region of Budva), where they founded a new city BOUTHOE Budva. According to this legend, Budva gained its name after the oxen (BOUS Greek for ox), that brought Cadmus and Harmonia to Budva.”¹

“Budva is a town of culture” – this is one of the most used sentences when referring to the Budva municipality. This impression stems from various exhibitions that are organized during the entire year. Also, Budva “transforms” itself in an integral theatrical scene throughout the summer months. Indeed, the high level performances and careful selection of the cultural heritage used as a platform for their own theatrical production is a great platform for cultural development in the oldest maritime municipality in Montenegro and one of the oldest urban settlements of the Adriatic coast.

Even though Budva comprises of just 0, 88% of the Montenegrin territory,² it is rich with cultural and historical monuments (with 7, 8% of total monuments in the country).²

Territory	1 st category monuments		2 nd category monuments		3 rd category monuments		Total	
	No	%	No	%	No	%	No	%
Budva	1	2,86	15	11,28	12	6,28	28	7,80
Montenegro	35	100	133	100	191	100	359	100

These monuments are protected by law as cultural and historical heritage. However, there are many other important cultural places which should also be protected by law and valorized for the Municipality’s tourism (rural agglomeration; rural churches and other important monuments).

Within Budva, a town with a specific mixture of various impacts during the centuries – Helens, Venetians, Austro-Hungarians, etc - the part with the monuments, churches and fortresses from the ancient times is the richest and the oldest “*Old Town*”.

The entire area is densely built up. There are two- or three-storey masonry houses accessed from narrow streets that open out into small squares around the four churches which stand in a group in the south-eastern corner of the town. These are the Cathedral of Sv. Ivan (founded in the seventh century, but altered several times), Sta. Maria in Punta (twelfth century), Holy Trinity (nineteenth

¹ Source: <http://www.destination-montenegro.com/budva-legend.htm>

² According to the Law on protection of culture (1991) 1st category monuments are monuments of exceptionally importance, 2nd category those of significant importance and 3rd category are the monuments of local relevance. For example, 1st category monument in Budva is the Old Town.

Duletić Đ. Vlado “*Budva od mita do stvarnosti – studija o razvoju budvanskog turizma*”, Budva, 2010, p. 61

century), and the Sv. Sava Chapel (fifteenth century). On a slightly raised rock facing the sea, the Kastei Sv. Marije stands at the southern corner of the walls.”³

The Old Town has significant architecture originating from the Illyrian – Hellenistic period and further developed in the Roman and Byzantine period. “It is a typical well fortified medieval coastal town with a military fortification – a citadel, a civilian settlement and a harbor.”⁴

The most important archeological site is located in the hinterland of the Old Town, at the place believed to have been a necropolis during the Roman Empire. The necropolis was discovered unintentionally in the course of building the hotel *Avala* during the 30s of XX century.

Also, another very important archeological is located in Mirište, near Petrovac, with the building “villa Rustica” from the Roman period.

2. Map of the main actors and multilevel governance mechanisms in the field of culture and tourism

National level

The Ministry of Culture, at the national level, develops the strategy and guidelines for cultural development in the country. According to the Law on Old Royal Capital, the Ministry of Culture was moved from Podgorica to Cetinje in 2010.

The Ministry for Sustainable Development and Tourism has a central role in the supervision of the tourism in Montenegro.

Local level

During June 2011, the Municipality of Budva adopted the *Decision on institutional organization at the local level within the Municipality of Budva*. This decision re-organizes the secretariats as municipal organizational units. Therefore, the Secretariat for Social Services⁵ is one of the seven Secretariats within the Municipality and it is currently in charge of cultural development. The Secretariat for Social Services deals with the “creation of conditions for the cultural development and protection of cultural heritage; artistic creativity; development of all kinds of cultural cooperation; protection of cultural monuments – management of the registry of monuments,

³ Pichard Pierre, *Restoration of the cultural heritage of Montenegro after the earthquake of 15 April 1979*, UNESCO, 1979, p. 8.

⁴ Đokić Vladan, Radivojević Ana, Roter-Blagojević Mirjana *Promotion of the Cultural heritage of Mediterranean city in the Scope of Upgrading Cultural Tourism*, Spatium, p. 85.

⁵ Sekretarijat za društvene djelatnosti.

protection and preservation of monuments which are not recognized as cultural monuments and creation of the conditions for library activities.”⁶

Also, the Counselor for Culture deals with these issues within the Cabinet of the Mayor. The counselor in the Cabinet provides input on cultural issues to the Mayor. Both the Secretariat and the Counselor are included in the working teams that deal with specific cultural issues. The Secretariat and the Counselor cooperate with each other, although the first deals mainly with day-to-day issues and cooperation with citizens, while the latter is more focused on providing input to the Mayor.

The Mayor is responsible for the preparation of local strategies which are adopted in the local parliament.⁷

The Tourist organization of Budva was founded by the municipality and prepares plans for tourist exhibitions for the tourist season in Budva and coordinates and conducts activities within the municipality during the year.

The Budva municipality was founder of the Public Enterprise Museum, Gallery and Library in 1992 with three working units in its composition: Museum, Modern Gallery and Library. The Museum was opened in 2003 and is located in the Old Town.⁸ Part of this working unit is the birth house of the famous writer, politician and publicist from Budva – Stefan Mitrov Ljubiša (Budva, 1824 – Wien, 1878).

The Public Enterprise Theatre City’s main task is to manage the realization of the festival and to select literary, musical and theatrical content for the three segments of the festival. The festival Theatre City was founded in 1987.⁹

The Faculty for Business and Tourism is a newly established academic organizational unit in Budva. It is mainly oriented towards the business aspect of the catering industry and tourism. However, the Faculty’ curriculum includes Cultural Heritage of Montenegro and the Sustainable and Eco Tourism as optional subjects during the studies.

Numerous NGOs with strong orientation towards the protection of the Municipality’s cultural heritage and culture are situated in Budva. For example: Stefan Mitrov Ljubiša; Infomont; Grbalj; Feštađuni;

Local NGOs are restricted in their functionality due to the limited human resources and limited budgets which prevented them from applying for EU funds. Therefore, realization of their projects depend on the Municipality’s budget. In addition, not all of the local NGOs are equally active. Moreover, the Municipality is mainly focused on the allocation of resources to all the NGOs that applied for them, rather than choosing suitable developmental projects.¹⁰ Furthermore, the contribution offered by the Municipality to NGO projects is usually below the requested amount, and it is not sufficient for the implementation of the project activities.

⁶ Article 10, Decision on organization of the institutions at local level within the Municipality of Budva, June 16, 2011, p. 4.

⁷ See Part 3, p. 6.

⁸ The archeological collection is represented with exposition from fifth century BC to medial century, while ethnographic collection portrays traditional culture of living in Budva during XVIII, XIX and XX century.

⁹ The idea of founding the festival came from Svetozar Marović, a well-known citizen of Budva, former and the only president of the State Union Serbia and Montenegro.

¹⁰ Interview with Darinka Ljubiša, Artistic director, Cultural Informative Centre “Stefan Mitrov Ljubiša”, 17 October 2011.

The NGO Infomont carries out many projects and one of the most important is the “open digital encyclopedia of Montenegrin culture and heritage”– the national web portal *Montenegrina*. However, Budva has the most important part within this internet portal. Therefore, Infomont launched the web portal *Butua*¹¹ in 2009, dedicated to the cultural projects in Budva. The intention of “Butua” is to present historical legends and other interesting stories from the history of Budva. The web portal also presents the important locations within the Municipality in order to contribute to development of cultural tourism in the city. Also, well known local artists have the opportunity to demonstrate their work through this Internet presentation of Budva's culture. Unfortunately, the web portal is only in the local language and it is of great importance to establish an English version of it. This should have a great impact for foreign tourists.

The NGO *Mountain sails* from Kotor is the architect of the valorization project for the fortifications (the list of the fortifications also include the ones situated in the Budva municipality).

In Budva municipality, the public institutions (Tourist Organization; Theater City; Museums, Gallery and Library) work closely with Municipality institutions on activities planned for certain periods. Also, the Municipality's management team, units for cultural management and, usually, ad-hoc organized coordinating teams (for coordinating the tourist season, etc.) work together in monitoring activities and developing plans for cultural development.

Certain local NGOs are involved in co-preparation and realization of exhibitions within the Municipality (Carnivals, International Folklore Festival, etc).

Cooperation between central and local levels in Montenegro, with regards to cultural tourism, is satisfactory but it should be further developed. The Ministry of Culture should have a more active approach in supervising activities at the local level. Also, the Ministry should prevent the privatization of important cultural monuments which are protected by the Law. Having in mind that these activities are already within its responsibilities, they should be strictly implemented.

3. Strategies and resources for cultural tourism development

National level

The Ministry adopted the National program for cultural development for the period 2011-2015 which is the basis for local strategies and development plans.¹²

The National program includes standards for cultural needs on national and local level together with principles for its realization; activities for protection of cultural heritage; guidelines for preparation of local strategies/programs. Within the priorities for the indicated period, measures which may be connected with the Municipality of Budva are as follows:

¹¹ See: [www.butua.com].

¹² National program for cultural development for the period 2011-2015, Cetinje, March 2011

- a) Preparation of by-laws for the protection of cultural sites; museum, library, archive's activities; theater, publishing and cinematography's activities;
- b) Reorganization of municipal culture centers and other municipal public institutions;
- c) Presentation of the national institution's programs throughout the entire territory of Montenegro, in cooperation with municipal culture institutions;
- d) Cooperation with municipalities on the definition of cultural strategy and criteria for cultural development;
- e) Ensuring resources from the municipality's budgets for financing annual municipal programs for cultural heritage protection;
- f) Ensuring resources for the financing of festivals and exhibitions;¹³

Municipality of Budva

According to the Law on Culture, programs for the local cultural development are adopted in the local parliaments.¹⁴ These programs should be in line with the National program for cultural development. However, the municipal program should take into consideration the following points: the long-term needs of citizens and subjects from the cultural life of the Municipality; developmental priorities; dynamics for realization of activities; financial and administrative measures for the realization of activities.

Once a year, the Mayor has to submit a report on the realization of the local plan for cultural development to the local parliament. Also, the Municipality has to submit a program and progress report to the Ministry of Culture.¹⁵

The Municipality of Budva, namely through a working team formed by the Mayor, is currently working on the Developmental Strategy which will partly focus on cultural developments. In addition, there is the intention to prepare and adopt the local cultural strategy in the near future, but it is not certain when the work on it should start.

The Calendar of events (exhibitions, festivals, etc.) is developed by the Tourist Organization of Budva on a yearly basis.

Available resources

The Ministry of Culture supports cultural developments in the country through the co-financing of the projects. These projects are financed from the national budget (although the total amount from the national budget is about 50% of the overall resources needed for the project realization). Same situation refers to the local level.¹⁶ Once a year, the Ministry of Culture and municipalities announce an open competition for the appropriation of resources. Projects are chosen thematically in accordance with the defined priorities for the coming period.

¹³ Ibid, 51-53.

¹⁴ Official Gazette of Montenegro, The Law on Culture, Article 10, SU-SK No 1-736/10, Podgorica, 29 July 2008, p. 3.

¹⁵ Ibid, p. 3.

¹⁶ During 2011 Municipality of Budva allocated 103.990, 66 Euro for NGO projects, but just 35.000 for new projects with the rest as arrearage for 2009 and 2010.

National projects within the IPA scope

ADRIAMUSE - the project governed by the Rimini provincial government, with the participation of The National Museum of Montenegro, aims to increase awareness about museums in the Adriatic region. However, representatives of the National Museum state that while the institution applied for resources in 2009, the project has not yet started, mainly due to the inability of the state to insure the financial mechanisms needed for its realization.¹⁷

4. Tourist offer in Budva

Town of festivals and holidays

The exhibitions and festivals on offer for tourists in Budva is very well balanced, prepared, organized and managed. The calendar of events includes carnivals and Mediterranean and Jazz music festivals¹⁸ ... All of these festivals are have become traditional by now. Such offers attracts many domestic tourists to Budva, however, the number of foreign tourists attending these events is questionable.

Undoubtedly the most valuable festival is the Theater City during the summer months. Budva initiated this project in the last years of the 20th century¹⁹ - with open stages and the whole city as one integral stage. The Theatre City, as a kind of “open-air” festival, is specific in many aspects. Even though the theatrical program is always the main focus, music events within the festival together with the Poet’s Square are equally important.

During the period of the festival (June – July) all the program’s content is adequately presented in the printed and electronic media throughout both the country and region. In this manner, the festival is establishing itself as a quality artistic product, with a broad mission to present Budva as a place for all cultural practitioners. The Theater City is also presented in the brochures and tourist publications, available also in foreign languages, which promote Budva and Montenegro.²⁰

The festival’s performances are usually co-productions with other relevant theaters from the region. This guarantees sustainability and visibility to the Theater City’s productions.

“The Budva Theatre City is supposed to represent the force of cultural integration in Europe and around the world. We must insist on maintaining this course because, as such, the festival will gain in significance, and culture in Montenegro will grow and develop.”²¹

¹⁷ Interview with Aleksandar Brkuljan, the National Museum of Montenegro, 6 October 2011.

¹⁸ For the List of festivals see: appendix - table 1.

¹⁹ Celebrated its 25th anniversary this year.

²⁰ Excerpt from the interview with Merin Smailagić, director of the Budva Theatre City, 17 October 2011.

²¹ Merin Smailagić, director of the Budva Theatre City festival in an interview for Southeast Europe: People and Culture.

Historical heritage

There are several relevant sites in Budva that might be enriched through specific actions. The most relevant are the following:

Restoration of mosaics

The Public Enterprise “Museums, Gallery and Library” is in possession of Roman mosaics from the first century. However, this invaluable treasure is still not restored and presented to the public, nor is there a proper strategy or an action plan to do such a thing. The situation is the same with the early Christians mosaics from the sixth and seventh century which were found at the pedestal of the basilica near the Cidatel, a military fortification, cultural and historical construction.

Conservation and restoration of an early Christian basilica

The early Christian basilica situated in front of the Cidatel is one of the most valuable monuments in Budva. It was built in late fifth century. Bearing in mind its importance and cultural relevance, it should be restored and equipped for presentation in the near future.

In connection with this issue is also a problem of privatization, which includes important cultural monuments. The Cidatel, which is “protected by law”, has already been privatized.

A representative for the Public Enterprise “Museums, Gallery and Library” emphasized that the Ministry of Culture should intervene in order to reconstitute the Cidatel and utilize its importance for presentation of the cultural heritage in Budva.²²

Revitalization of the fortifications Mogren and Kosmač

The NGO “Mountain sails” started the project “Revitalization of the fortifications Goražde and Mogren”.²³ during 2009. Goražde is a fortification which is located in the Municipality of Kotor, while Mogren is an Austria-Hungarian fortification which is situated beyond Budva’s beautiful beach of the same name. Although the partners within the project applied to the Ministry of Culture, the Ministry for Tourism, and to both Budva and Kotor Municipalities, the requested funds were not granted. An additional problem concerning the Mogren fortification is its ownership. Similar to the Citadel, the Mogren fortification is also privatized and is now no longer under Budva’s administrative center’s management. As with the Citadel, the private investor has failed to do anything in terms of valorization of the monument.

Better presentation of the national folklore

Albeit the fact that Budva is host to the International Folklore Festival during June, presentation of the national folklore is poor. Folklore is alive in the Municipality mainly because of the efforts of local cultural associations and collectives.²⁴

²² Interview with Marijana Martinović, Counselor in the Public Enterprise “Museums, Gallery and Library”, 18 October 2011.

²³ Interview with Goran Čosović, Executive director of the NGO „Mountain sails“, 4 October 2011.

²⁴ Cultural Centre “Stefan Mitrov Ljubiša” fosters folklore from 2003.

There is a need for better communication with interested parties of traditional dance, costume and instruments, starting with its involvement in tourist brochures, pamphlets and other relevant material.

Popularization of the religious monuments

Bearing in mind that the Budva municipality is rich with religious monuments, there is a need to popularize it. Here the emphasis is not on the churches, which are already mentioned and situated within the Old Town, as they are by now part of the Budva tourist recommendations. However, there are many other important religious and historical monuments in the Budva municipality which should be included in the tourist attractions – for example, the monasteries *Stanjevići*, *Reževići*, *Praskvica*, *Duljevo*...

Since cultural heritage is insufficiently used in tourism in Budva, it is important to underline that, for example, the Monastery *Stanjevići* was the political centre of Montenegrin bishop Vasilije Petrović. Moreover, the first written Canon about Montenegro and the Hills²⁵ was made here.

Library, Theatre and Cinema

Another important issue is the one related to library, theatre and cinema. In fact, this is just another problem which highlights the lack of proper strategy in the Budva Municipality regarding cultural developments.

Budva still has not solved a few important issues concerning: the premises for a library,²⁶ the establishment of the theatre and cinema.

The Municipality's management team has a plan to establish a theatre which will be active during the entire year. However, preconditions (financial, spatial, etc.) for this activity still have not been secured.²⁷

The management team of the Municipality should consider building a library, theater and cinema through the concept of public-private partnership, also in light of the specific experience of the municipality in this field.²⁸

5. Conclusions: possibilities for development of cultural tourism in Budva

²⁵ During 1798 when the first written Canon was made, Montenegro consisted of two parts – the settlement around the Old Royal Capital Cetinje and seven hills (Bjelopavlići, Piperi, Rovca, Morača, Bratonožići, Kuči i Vasojevići.)

²⁶ One of the richest libraries in Montenegro with around the 70 000 books is temporary located in the Academy of Sciences.

²⁷ Interview with Merin Smailagić, director of the Budva Theatre City, 17 October 2011.

²⁸ For detailed information on public private partnerships in Budva, please refer to first and second SeeNet Report for the Municipality of Budva, available at the website www.cespi.it/seenet.html.

Budva, as the metropolis of Montenegrin tourism with the highest number of tourist during the year, has to demonstrate its impact with careful and sophisticated developmental plans. Budva municipality's tourist strategy has to be balanced between so-called recreational tourism on one hand and cultural tourism on the other. This compromise has to start with the adoption of a long-term strategy with special focus on issues which are already highlighted in this report.

The first step toward these goals should be serious and overall research regarding the potential and real possibilities for development in the Municipality. During the realization of this report the dean of the Faculty for Business and Tourism in Budva suggested including one of the students in the research.²⁹ While it was not possible in this case, it is a good guideline for the leadership of the Municipality on how to engage students and use their research potential for mutual benefit.

Important facts about the current situation regarding the cultural development in Budva are:

- There is a lack of research, study and analysis concerning the real potential and values within Budva's cultural heritage;
- The Municipality's tourist strategy is made up from plans of touristic activities on a yearly basis (developed by the Tourist Organization) without a long-term document and real focus on important issues;
- When it comes to financing local NGOs, the Municipality is supporting NGO projects on a yearly basis;
- Cultural potential in Budva is poorly utilized. Therefore, there is a need for affirmation of certain cultural and historical monuments and for the inclusion of different content in the tourist catalogue.

Bearing in mind all of these obstacles in the development of cultural tourism in Budva, the main issues that the municipality has to deal with can be summarized as follows:

- The need for legislative scope at the local level.
- Important day-to-day problems, such as premises for library, establishment of the theatre and cinema.
- Involvement of different contents in the tourist catalogue.
- The need of long term strategic planning: strategy should define key directions for activities for the long term, at least a five-year period (which is in accordance with the Law on Culture).

The annual plan should comprise a list of "desirable projects" or topics which should be published within the rational time frame.³⁰

- The problem with the privatization of cultural heritage has to be resolved, since private investors are not interested in its enrichment.

As this report has tried to show, several initiatives could be developed in the field of cultural tourism in Budva. In order to preserve cultural heritage and to increase their value to tourists, cultural monuments should not be privatized. Other cultural monuments should also be included in a tourist offer in order to attract a variety of tourists. Also, it is very important to develop cultural paths and to strengthen the capacity of the municipality in this field.

²⁹ Interview with prof. dr Rade Ratković, dean of the Faculty for Business and Tourism, 12 October 2011.

³⁰ Interview with Darinka Ljubiša, Artistic director, Cultural Informative Centre "Stefan Mitrov Ljubiša", 17 October 2011.

Keeping in mind that the World Tourism Organization asserted that cultural tourism accounted for 37% of global tourism, it is important for the Municipality's management team to focus more on this branch of tourism. Therefore, "Budva is in need of a "culture of identity" instead of an expensive and perishable "culture of spectacles and exhibitions".³¹

Since there is space for development of multi-level cooperation in the field of culture, SeeNet's project partner could have a strong impact in strengthening cooperation between various stakeholders (and levels) in Montenegro, and, especially, between stakeholders in Budva and potential partners in the region. Also, one of the goals could be joint activities on the development of new tourist offers and the elaboration of the cultural strategic plan.

Taking into consideration the problems with the uncontrolled urbanization that has been taking place in Budva over the past few years, it is essential to plan and coordinate activities on the plans for the development of city infrastructure. Therefore, the SeeNet project partner's assistance for the identification of incentives for PPPs and cultural investments is more than desirable.

³¹ Duletić Đ. Vlado, p. 63.

Reference

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Annexe

List of exhibitions organized in the Municipality of Budva

Concerts, festivals and short programs organized by the Tourist organization of Budva	List of events supported by the Tourist organization of Budva
<ol style="list-style-type: none"> 1. New Year's Eve – (<i>December-January</i>) 2. Exhibitions within the International Tourism Fair in Budva (<i>February</i>) 3. International Carnival (<i>May</i>) 4. National championship of drum majorettes (<i>May</i>) 5. International Folklore Festival (<i>June</i>) 6. The Big Summer Concert (<i>July</i>) 7. Summer Cinemania (<i>June-July-August</i>) 8. Festival of Ethno Mediterranean music (<i>August</i>) 9. The night in Petrovac – traditional celebration (<i>last Saturday in August</i>) 10. The day without cars (<i>September</i>) 11. World of tourism day (<i>September</i>) 12. The Days of Horse-Mackerel (<i>October</i>) 13. Mediterranean program (<i>October</i>) 	<ol style="list-style-type: none"> 1. St. Valentine's Ball (<i>February</i>) 2. Fashion week (<i>February</i>) 3. Budva Gastro Fest – The Festival “The taste of the Mediterranean” (<i>May</i>) 4. Souvenir Fair (<i>May</i>) 5. Music Festival (<i>June</i>) 6. Summer Dance Festival (<i>June-July-August</i>) 7. Jazz Performance in Petrovac (<i>August</i>) 8. DJ parties on beaches (<i>August</i>) 9. Theater City, International Theatre Festival (<i>July-August</i>) 10. Jazz Festival, Petrovac (<i>August</i>) 11. Info Fest (<i>September</i>) 12. The Day of Budva Municipality (<i>November 22</i>)

Autonomous Province of Vojvodina Assessment of Scope and Scale of Business Services Provision in Vojvodina in 2011

**by Dragisa Mijacic (InTER, Belgrade)
Assignment done under the CeSPI guidance**

**SEENET Programme: A trans-local network for the cooperation between Italy and South
East Europe**

Horizontal Action C - Research



January 2012

Acronyms and Abbreviations

ADA	Austrian Development Agency
AOFI	Agencija za osiguranje i finansiranje izvoza (Export Credit and Insurance Agency)
BAS	Business Advisory Service, EBRD's programme for supporting business services. BAS Programme is a successor of TAM (TurnAround Management) programme that has been present in Serbia since 2001.
BBI	Building Business Incubators
BEP	Business Enabling Project (USAID funded project)
BSP	Business Support Provider
CBC	Cross-Border Cooperation, referring mainly to the EU IPA Cross-Border Cooperation funding scheme. Vojvodina is eligible for EU IPA CBC schemes with Romania, Hungary and Croatia.
CEED	Centre for Entrepreneurship and Executive Development
CIP	Competitiveness and Innovation Framework Programme
CoC	Chamber of Commerce
EAR	European Agency for Reconstruction, the Agency established by the European Commission to manage the European Union's main assistance programmes in the Republic of Serbia, Kosovo (under UNSCR1244), Montenegro and the former Yugoslav Republic of Macedonia. The Agency initially had a five-year mandate (from 2000 until the end of 2004). This has been extended twice by Council Decisions, and the mandate was closed in the end of 2008.
EBRD	European Bank for Reconstruction and Development
EEN	Enterprise Europe Network
EU	European Union
FDI	Foreign Direct Investments
GIZ (GTZ)	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
ICIP	Improved SME Competitiveness and Innovation Project - EU-funded nation-wide project for development of the SME sector.
IPA	Instrument for Pre-Accession, EU support to the candidate and

	potential candidate countries
LED	Local Economic Development
MERD	Ministry of Economy and Regional Development
NARD	National Agency for Regional Development
NES	National Employment Service
NGO	Non-Governmental Organisation
RDA	Regional Development Agency
SEAF	Small Enterprise Assistance Funds (USAID-funded project)
SME	Small and Medium-sized Enterprises
SMEE	Small and Medium-sized Enterprises and Entrepreneurship
SMER	SME Agency Subotica
SORS	Statistical Office of the Republic of Serbia
USAID	US Agency for International Development
WEA	Women's Entrepreneurship Academy
WENS	Women's Entrepreneurship Network Serbia

Executive Summary

Small and medium-sized enterprises (SMEs) are important to the development of the economy at all levels everywhere in the world. As a corollary, there has been a perceived need to intervene in the market to ensure creation and survival of SMEs. Small and medium-sized enterprises were recognized, together with privatization and FDI, as the drivers of economic development and employability.

After democratic changes in October 2000, the trend to support SME development in Serbia (and Vojvodina) was initiated, together with other economic reforms. In that regard two strategies for SME development were adopted by the Serbian Government, the first for the 2003-2007 period, and the second for 2008-2013. In addition to strategic frameworks, national and provincial governments put a great deal of attention into designing policy interventions to support SMEs and entrepreneurship development, through grant schemes and subsidised loans. Together with the development of strategic frameworks and policy interventions, national and provincial governments also worked on the creation of institutional support for provision of business services.

Business service support programs in Vojvodina are split between ones provided nationally, under which businesses from Vojvodina benefit together with businesses from all other parts of Serbia; and ones provided regionally, for businesses located only in Vojvodina. In addition, there are a few area-based programmes that provide grant schemes for non-financial support to SMEs and economic development. The private sector in Vojvodina could also benefit from bilateral donor agencies (mainly ADA, GIZ and USAID) that were relatively active in the province in the first decade of 2000s.

This report provides an overview of support programmes provided by public institutions (either national or provincial), international development agencies that are active in Vojvodina, and by private providers (commercial banks, CoCs, BSPs, non-governmental organisations, etc.).

Further, the report identifies business service providers that are located in Vojvodina and assesses their capacity.

There are about 500 service providers that deliver assistance to SMEs in Serbia. While basic business support services are distributed throughout the country, delivery of advanced business services is lacking in rural and remote areas. Most of the business service providers in Vojvodina concentrate in Novi Sad and a few other big cities such as Subotica and Zrenjanin. Business services in other places are insufficient to cover all the needs of the private sector. Business service providers in Vojvodina are split between ones that are part of national institutions (mainly branch offices of national bodies) and providers that originate in Vojvodina. International business service providers are not within the scope of this study.

Private sector entities in Vojvodina, mainly entrepreneurs and small and medium-sized enterprises, can benefit from national-wide programs, province-focused programs, cross-border/transnational grant schemes or EU-wide interventions. National and province-based programs could be financial or non-financial, while other interventions are usually non-financial interventions. There are only a few project-based interventions that have a sub-regional or local character, usually funded by EU grant schemes (CBC or transnational).

Delivery of provisions differs between programs. Nationwide programs are delivered either directly through the branch offices of national agencies that are located in Vojvodina, or through partner organisations that are engaged on commercial or semi-commercial contracts. Partner organisations in this sense are mainly RDAs and SME agencies. Provincial programs are either provided directly by the respective provincial institutions, or through a network of local economic development

offices and departments across Vojvodina. RDAs and SME agencies does not provide any assistance to those programs.

Cooperation between business service providers in Vojvodina is at a high level. Providers are mainly concentrated in Novi Sad and in a few other big cities (e.g. Subotica and Zrenjanin). The reason for this is due not only to the scales of the cities, but also to access to the specialised human capital. The Vojvodina Chamber of Commerce and RDA/SME agencies have the most advanced organisational capacities among all the business service providers in Vojvodina. Many business service providers in Vojvodina lack sufficient knowledge and skills to survey and analysing the needs and demands of the private sector, as well as to channel problems into relevant project interventions. In many cases business service providers do not have capacity answer to the needs of general business regulations such as taxation, VAT returns, customs, competition from the grey market, etc.

Vojvodina province has a good history of development cooperation in the field of business service provision. Cooperation has been especially advanced with Italian, Austrian and German development agencies that have significantly contributed to the quality of business services in the province. There is a difference in the type of support that different development organisations have provided to local business providers. The interventions of Austrian and German development agencies have mainly bee based on implementation of strictly determined programs and activities funded by their national governments. On the other hand, cooperation with Italian development organisations is of a different kind: it is more partnership-based and primarily focused on fundraising and the absorption of EU transnational or bilateral grants. However, either of those two types of intervention is supply-driven since there is little understanding of local needs and demands. As a consequence, the impact of development cooperation on the needs of the private sector is often insufficient.

There is therefore a need for area-based development intervention that will focus on advancing the institutional and operational capacities of business service providers in Vojvodina through mentoring and coaching, with a special emphasis on the development of stronger links between the demand for, and supply of, business services in Vojvodina.

1. Introduction

This report tries to identify and assess financial and non-financial support programmes to SMEs in Vojvodina, provided either by national or provincial institutions, as well as by other parties such as international and local development agencies, commercial banks and others. The report has been developed by analysing secondary sources, and on findings from interviews with a number of interlocutors across Vojvodina (a complete list of interlocutors is available below in the Annex A).

Over the last few decades there has been an increasing awareness of the importance of small and medium-sized enterprises¹ to the development of the economy at all levels. As a corollary, there has been a perceived need to intervene in the market to ensure the creation and survival of SMEs. The role of governments and their agencies in addressing these changes has been well rehearsed over the years, with seemingly little left to discover and few new ways to intervene to be found.

There is growth in the number of SMEs and entrepreneurs in Serbia, which reached a figure of 318,540 in 2010, which represent 99% of the total number of enterprises (see Table 1). SMEs and entrepreneurs comprise 66.4% of employment, 73.6% of the total turnover and 64% of the gross added value of Serbian economy². As Table 1 shows, micro enterprises³ and entrepreneurs dominate over small⁴, and especially over medium-sized⁵ and large enterprises.

Table 1: Regional breakdown of the number of enterprises by size in 2010

NUTS 2 Region	Entrepreneurs	Micro	Small	Medium	SMEE	Large	Total
Republic of Serbia	228,680	77,989	9,614	2,257	318,540	504	319,044
Belgrade	58,444	33,689	3,643	761	96,537	199	96,736
Vojvodina	60,683	20,387	2,619	638	84,327	125	84,452
Sumadija and West Serbia	68,068	14,625	2,108	519	85,320	117	85,437
South and East Serbia	41,485	9,288	1,244	339	52,356	63	52,419

Source: the Statistical Office of the Republic of Serbia

The transition from micro to small and especially to medium-sized enterprises in Serbia is relatively slow, which presents one of the major problems of the sector. In addition, the service sector dominates SMEs, while in the manufacturing sector, medium-high-technology and high technology industries encompass only 15% of SMEs⁶.

¹ There is no clear definition of the SMEs in Serbia. Official definition of SME, but only for legal entities, is given in the Law on Accounting and Auditing. It does not apply to the entrepreneurs. In some cases, slightly different definition of SME is used, e.g. in the Law on state aid and subsequent regulations, where the classification thresholds are taken from the EU. EU definition on Small and Medium-sized enterprises is available at: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm, accessed on 12 November 2011;

² Statistical Office of the Republic of Serbia;

³ Micro enterprises are defined as enterprises with less than 10 employees;

⁴ Small enterprises are defined as enterprises with more than 10 but less than 50 employees;

⁵ Medium-sized enterprises are defined as enterprises with more than 50 but less than 250 employees;

⁶ Report on Small and Medium-sized Enterprises and Entrepreneurship 2009, table 12, p.20;

Table 2: Share of regions in the number of enterprises (SME) and entrepreneurs in Serbia in 2010

NUTS 2 Region	Entrepreneurs	Micro	Small	Medium	SMEE	Large	Total
Republic of Serbia	100%	100%	100%	100.0%	100%	100%	100%
Belgrade	25.6	43.2	37.9	33.7	30.3	39.5	30.3
Vojvodina	26.5	26.1	27.2	28.3	26.5	24.8	26.5
Sumadija and West Serbia	29.8	18.8	21.9	23.0	26.8	23.2	26.8
South and East Serbia	18.1	11.9	12.9	15.0	16.4	12.5	16.4

Source: the Statistical Office of the Republic of Serbia

In Serbia the process of institutional support to SMEs started in 2000, together with other social and economic reforms. Small and medium-sized enterprises were recognized, together with privatization and FDI, as the drivers of economic development. This resulted in the adoption of the Strategy for Development of Small and Medium-sized Enterprises and Entrepreneurship in Serbia 2003-2007 and of the Action Plan to stimulate the development of small and medium-sized enterprises and entrepreneurship 2005-2007. The second strategy was adopted for the period 2008-2013, focusing on competitive and innovative SMEs.

Together with the strategy development, the government of Serbia worked on the creation of an institutional framework for SME support. In this regards the Republican Agency for Small and Medium-sized Enterprises and Entrepreneurship Development was established, with the mission to coordinate the delivery of national policy and financial and non-financial support to the SMEs, as well as to coordinate the work of the network of regional SME agencies and centres.

The network of regional SME agencies and centres was established in the early 2000s, mostly though support provided by the European Agency for Reconstruction (EAR). Within this intervention 14 agencies and centres were established as a public-private partnership between municipalities on one hand, and businesses on the other. In many cases local non-governmental organisations (NGOs) also participated as founders of SME agencies.

Table 3: Distribution of Regional and SME development agencies at the NUTS 2 Level (2011)

NUTS 2 Region	Regional Development Agencies	Area covered (%)	SME Agencies	Area covered (%)	Total
Republic of Serbia	11	89.1%	6	23.2%	17
Belgrade	0	0%	1	100%	1
Vojvodina	3	100%	2	38.2%	5
Šumadija and Western Serbia	4	68.3%	1	10%	5
Southern and Eastern Serbia	4	100%	2	27.2%	6

Source: the National Agency for Regional Development

The institutional framework for SME support at national and regional levels has been affected by developing a structure for regional development, as stipulated in the Law of the Regional Development of the Republic of Serbia. In this regard, the Republican Agency for Small and Medium-sized Enterprises and Entrepreneurship Development was merged into a newly established

National Agency for Regional Development, and competencies on SMEE development were combined with competencies on regional development. A few regional SME agencies were changed into regional development agencies (RDAs), keeping their competencies in the field of SMEs. In some cases, new RDAs were created in the same city where SME agencies already existed (i.e. in Novi Sad or Zajecar), increasing institutional depth and overlap.

With the support of the EU project “Improved Competitiveness and Innovation” (ICIP)⁷ the basic set of standardized services for SMEs to be provided by the RDAs have been defined, the implementation of which will be supported by the government budget. The proposed set of services includes: (1) dissemination of information; (2) training; and (3) consultancy services. In addition to these three activities, RDAs should be engaged in promoting entrepreneurship, initiating and supporting business networking, initiating local programs for SME support, conducting researches and surveys, etc.

As seen in Table 3, the institutional framework for SME development in Vojvodina comprises six agencies, three of which are RDAs (RDA Backa - Novi Sad, RDA Srem - Ruma and RDA Banat - Zrenjanin) and two of which are SME Agencies (SME Agency Alma Mons - Novi Sad and SME Agency SMER - Subotica). Support for SMEs in Vojvodina is also provided by the following provincial institutions: the Provincial Secretariat for the Economy, the Fund for Capital Investments of Vojvodina Province, the Vojvodina Guarantee Fund, the Vojvodina Development Fund, the Vojvodina Agriculture Development Fund, the Development Bank of Vojvodina, and the Vojvodina Investment Promotion Fund. Additionally, local economic development offices in Vojvodina have been active in providing financial and non-financial support to the SMEs and entrepreneurs.

As a part of the transition processes in Serbia, support programs for SMEs have been significant for government institutions as well as for numerous multilateral and bilateral organizations. During the last few years, a large number of programs and projects have been implemented to provide various kinds of financial and non-financial support to the start-ups or existing SMEs, including fostering their entry into the local and international markets, competitiveness and standardisation, export, and many others.

The report consists of four chapters. The first chapter gives an introduction to the subject, presents an overview of SME statistics and provides legislative, strategic and institutional framework for SME development in Serbia and Vojvodina. The second chapter deals with the business service support programs in Vojvodina by providing a comprehensive review of national, provincial, regional and local programs, as well as programs provided by international development organisations and private providers. The third chapter focuses on business service providers which are active in Vojvodina, which including national, regional, and local business service providers. The fourth and final chapter provides concluding remarks about the analysis.

⁷ ICIP has been funded under auspice of IPA Component I, 2008 budget year. The project has two components: (1) Business Support Service, and (2) Innovation for Competitiveness. More about the project is available at <http://www.icip-serbia.org/>, accessed on 12 November 2011.

2. Business Service Support Programs in Vojvodina

2.1 Introduction

Business service support programs in Vojvodina may be split between those provided nationally, under which businesses from Vojvodina benefit together with businesses from all other parts of Serbia; and ones provided regionally, for businesses located only in Vojvodina. In addition, there are a few area-based programmes that provide grant schemes for non-financial support to SMEs and for economic development⁸. The private sector in Vojvodina may also have benefited from the bilateral donor agencies (mainly ADA, GIZ and USAID) that were active in the province in the first decade of the century.

In the following sections we present an overview of support programmes provided by public institutions (either national or provincial), international development agencies that are active in Vojvodina, and by private providers (commercial banks, Chambers of Commerce [CoCs], Business Support Providers [BSPs], non-governmental organisations, etc.).

2.2 Programs provided by public institutions

National Programs

The most significant measures taken by the Serbian Government to develop the SME sector have been related to financial support. Considerable financial resources have been provided from public sources intended to provide credit for start-ups, the unemployed, undeveloped municipalities, innovators, as well as to finance internationalization of SMEs, development of clusters, and the provision of infrastructure for business incubators. Under the auspices of non-financial support, results have been achieved in the field of human resource development in the SME sector and improvement to the knowledge and skills of entrepreneurs, SME owners and employees. In the business education programs, numerous institutions have been involved at the national and local level. Although the quality of these programs, as well as the amount of resources intended for their implementation, have grown year on year, they are still far from the real needs associated with the building of a competitive, export-oriented SME sector.

National programs to support SMEs, entrepreneurs and start-ups are provided by the following institutions: Ministry of Economy and Regional Development (MERD), National Employment Service (NES), Fund for Development of the Republic of Serbia, Serbia Investment and Export Promotion Agency (SIEPA), and Export Credit and Insurance Agency (AOFI). The Guarantee Fund of the Republic of Serbia, established in the early 2000s, merged with the Fund for the Development the Republic of Serbia in 2009. The listed institutions either provide the support directly (as in case of NES), or through intermediate agents. In most cases National Agency for Regional Development (NARD)⁹ and its network of RDAs and SME agencies act as the intermediary between beneficiaries and support-providing institutions.

⁸ Examples of programmes are EU IPA Cross-border Cooperation programs: Serbia-Hungary, Serbia-Romania and Serbia-Croatia, and Serbia-Bosnia and Herzegovina, where all or some Vojvodina's districts can benefit from the grant schemes grant schemes.

⁹ NARD is the agency established by the Law on Regional Development of the Republic of Serbia as the key institution for coordination and implementation of policies in the field of Regional Development. NARD has replaced Serbian Agency for SME Development, which was the key institution for coordinating SME development in the Republic of

Table 4 provides a comprehensive overview of nationwide and area-based state-funded financial and non-financial support programs.

Table 4: Overview of National Business Support Programs in 2011

Financial Nature	Name of the Programme	Institution	Budget per user / beneficiary	Target groups
Financial	Support to fast growing SMEEs "Gazelle"	Ministry of Economy and Regional Development	~ 1,000 - 15,000 € (50% co-financing)	Business Entities
Financial	Support to SMEEs to strengthen innovations	Ministry of Economy and Regional Development	~ 1,000 - 15,000 € (50% co-financing)	Business Entities
Financial	Support for development of innovative clusters	Ministry of Economy and Regional Development	~ 2,000 - 140,000 € (50% co-financing)	Clusters
Financial	Support to associations of entrepreneurs	Ministry of Economy and Regional Development	~ 1,000 - 5,000 €	SME and Craft Associations
Financial	Start-up credit scheme for business entities and entrepreneurs	Fund for Development of the Republic of Serbia	~ 5,000 - 50,000 €	Business entities and entrepreneurs
Financial	Credit schemes for manufacturing and employment in economically devastated areas	Fund for Development of the Republic of Serbia	Medium-size companies: < ~4 mil. € Large companies: < ~8 mil. €	Medium-sized and large companies from devastated municipalities
Financial	Credit schemes for development of business entities in devastated municipalities	Fund for Development of the Republic of Serbia	Entrepreneurs: ~5,000 - 50,000 € SME: ~20,000 - 3 mil € Large: ~20,000 - 5 mil €	All business entities from devastated municipalities
Financial	Credit schemes for Investments in labour intensive manufacturing industries in devastated municipalities	Fund for Development of the Republic of Serbia	Entrepreneurs: ~5,000 - 50,000 € SME: ~20,000 - 3 mil € Large: ~20,000 - 5 mil €	All business entities from devastated municipalities
Financial	Credit schemes for business entities	Fund for Development of the Republic of Serbia	SME: ~20,000 - 3 mil € Large: ~20,000 - 5 mil €	All business entities

Serbia. More information about NARD is available at the official website <http://narr.gov.rs/>, accessed on 12 November 2011

Financial	Credit schemes for entrepreneurs	Fund for Development of the Republic of Serbia	~5,000 - 50,000 €	All entrepreneurs
Financial	Credit schemes for traditional arts and crafts	Fund for Development of the Republic of Serbia	~5,000 - 20,000 €	Craft entrepreneurs
Financial	Credit schemes for investments	Fund for Development of the Republic of Serbia	Entrepreneurs: < 30,000 € (exporters: < 60,000 €) Small: < 200,000 € (exporters: < 400,000 €) Medium-size: < 1.5 € (exporters: < 3 mil €)	SMEEs
Financial	Credit schemes for liquidity, for financing fixed assets, and for export	Fond for Development of the Republic of Serbia	Entrepreneurs: <~30,000€ Small: < ~100,000 € Medium-size: <~80,000€ (exporters: < ~2 mil €)	SMEEs
Financial	Guarantee fund for business entities and entrepreneurs	Fond for Development of the Republic of Serbia	Entrepreneurs: ~5,000 - 50,000 € SMEs: < ~20,000 - 3mil € Large: < ~5 mil €	All business entities
Financial	Credit scheme for short-term loans	Export Credit and Insurance Agency (AOFI)	~30,000 - 2 mil €	SMEEs
Financial	Factoring, covering at least two of the following services: finances, sales ledger, risk-taking collection and collection.	Export Credit and Insurance Agency (AOFI)	Small scale financial support	SMEEs
Financial	Guarantees (issuing various kind of guarantees to export-oriented SMEs)	Export Credit and Insurance Agency (AOFI)	Guarantee supports	SMEs
Financial	Collateral Payment Insurance	Export Credit and Insurance Agency (AOFI)	Insurance policy	Export oriented business entities
Non-financial	Consulting services to exporters	Export Credit and Insurance Agency (AOFI)	n/a	Export oriented business entities
Financial	Financial Support for Investors	Serbia Investment and Export Promotion Agency (SIEPA)	~2,000 - 10,000 € per created working post	Foreign and inward direct investors
Financial	Non-refundable grants for exporters	Serbia Investment and Export Promotion Agency (SIEPA)	~ 2,000 - 200,000 € (50% co-financing)	Business entities and associations

Non-financial	Support for export-oriented businesses (participation at international fairs, B2B events, “meet the buyer” events, training, awards, “Exporter of the Year”, branding, database of exporters, database of investment localities, administrative support, etc.)	Serbia Investment and Export Promotion Agency (SIEPA)	n/a	Business entities
Financial	Subventions for self-employment, for self-employment of unemployed people with disabilities and for self-employment of unemployed Roma People	National Employment Service	~1,600 - 2,000 €	Unemployed, Unemployed with disabilities, Unemployed Roma
Financial	Youth Employment Program “the First Chance”	National Employment Service	~100 -220 € per month/12 months (internship)	Business Entities
Financial	Subventions for opening new working places	National Employment Service	~ 1,000 - 4,000 €	Business Entities
Financial	Subventions for social contributions payments (income tax, pension and health contributions)	National Employment Service	n/a	Business Entities
Non-financial	Mentoring and Specialized Training	National Employment Service	n/a	Entrepreneurs
Non-financial	Training module “Towards being a successful entrepreneur”	National Employment Service	n/a	Entrepreneurs
Non-financial	Training for beginners in business	National Employment Service	n/a	Potential Entrepreneurs
Non-financial	Internship Programme	National Employment Service	~100 - 140€	< 30 years
Non-financial	Internship Programme for people with disabilities	National Employment Service	~100 - 200€	people with disabilities
Non-financial	Tailor-made training, based on the needs of business sector	National Employment Service	up to 900 € for training services of unemployed	Business entities
Non-financial	Various advisory services (business registration, tax and financial issues, business plan development)	National Employment Service	n/a	Business entities
Non-financial	Support for the employment of people with disabilities	National Employment Service	n/a	Business entities
Non-financial	Consulting: financial, legal and innovation	National Agency for Regional Development	n/a	SMEEs

Non-financial	Mentoring to Women Entrepreneurs	National Agency for Regional Development	n/a	Women Entrepreneurs
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Source: “Podrška za uspeh - mere podrške MSPP”, ICIP, Ministry of Economy and Regional Development and National Agency for Regional Development, 2011

National programs are available to business entities from Vojvodina, as from the other parts of Serbia. Territorial limitation of national programs is determined only in a few cases, where support is provided only to the least developed municipalities, of which two are from Vojvodina: the municipalities of Plandište and Žitište. These programs are provided directly by national institutions, or by RDAs and SMEs that are located in Vojvodina.

In addition to the programs that are funded nationally and provided in Table 4, there are other national programs that are funded by EU or bilateral programs, and partly or fully implemented by the national institutions. These programs are presented in the following table:

Table 5: National-wide projects, funded by multilateral or bilateral development agencies

Name of the Project	Project goal	Funded By	Implemented by
Competitiveness and Innovation Framework Programme (CIP) ¹⁰	With small and medium-sized enterprises (SMEs) as its main target, the Competitiveness and Innovation Framework Programme (CIP) supports innovation activities (including eco-innovation), provides better access to finance and delivers business support services in the regions.	EU CIP	Ministry of Economy and Regional Development
Enterprise Europe Network (EEN) ¹¹	The Enterprise Europe Network (EEN) is a key instrument in the EU’s strategy to boost growth and jobs. Bringing together close to 600 business support organisations from 50 countries, we help small companies seize the unparalleled business opportunities in the EU Single Market. EEN in Serbia is funded under auspice of EU CIP project	EU SEE Transnational Programme	National Agency for Regional Development (NARD) University of Belgrade Institute Mihailo Pupin University of Novi Sad University of Niš SIEPA
Women’s Entrepreneurship Network Serbia (WENS)	The project goal is to strengthen women’s entrepreneurship in Serbia	EU CIP	National Agency for Regional Development Serbian Chamber of Commerce Association of Business Women in Serbia SIEPA

¹⁰ More about CIP project is available at <http://ec.europa.eu/cip/>, accessed on 13 November 2011

¹¹ More about EEN project in Serbia is available at accessed on 13 November 2011

Mentoring Project to 150 SMEEs	The project objective is to strengthen the competitiveness of the SMEE sector in Serbia through the provision of in-house mentoring Services	JICA	National Agency for Regional Development
FINNO - Mechanism for fostering innovation in South East Europe	The FINNO project aims to establish a sustainable mechanism for fostering innovation and contributing to the SEE region's innovation performance. This will be achieved by developing a common methodology for measuring and monitoring innovation performance of companies and SEE countries with a Technology Innovation Assessment Scoreboard and enhancing the capacity of partner ministries and innovation agencies.	EU SEE Transnational Programme	National Agency for Regional Development and 14 other partners from EU and SEE
Support to Enterprise Competitiveness and Export Promotion (SECEP) ¹²	SECEP is an EU funded project with the objective to support the development of a market economy and socio-economic cohesion in Serbia by improving the international competitiveness and export performance of SMEs.	EU IPA Component I	International Development Ireland Ltd, Sintef and The Danish Federation of Small and Medium-Sized Enterprises
Improved SME Competitiveness and Innovation Project (ICIP)	The project objective is to contribute to the development of the SME sector and improve the competitiveness of new and existing businesses.	EU IPA Component I	GFA Consulting Groups
Permanent Forum Serbia	The project objective is to strengthen bilateral cooperation between Italy and Serbia through a permanent forum	Italian Government	Mondimpresa S.C.L.R Aries Serbian Chamber of Commerce National Agency for Regional Development Export Credit and Insurance Agency (AOFI)

Source: Websites of projects and programs listed in the table

Programs provided by the Vojvodina Government and its institutions

The Government of the Autonomous Province of Vojvodina and its institutions are also active in providing financial and non-financial support to the private sector entities. Main providers of the support are: the Provincial Secretariat for the Economy¹³, the Fund for Capital Investments of Vojvodina Province¹⁴, the Vojvodina Guarantee Fund¹⁵, the Vojvodina Development Fund¹⁶, the Vojvodina Agriculture Development Fund¹⁷, the Development Bank of Vojvodina¹⁸, and Vojvodina Investment Promotion¹⁹.

¹² More about SECEP project is available at <http://www.secep.rs/>, accessed on 13 November 2011.

¹³ <http://www.spriv.vojvodina.gov.rs/>, accessed 12 November 2011.

¹⁴ <http://www.fkuapv.org/>, accessed 12 November 2011.

¹⁵ <http://www.garfondapv.org.rs/>, accessed 12 November 2011.

¹⁶ <http://www.vdf.org.rs/>, accessed 12 November 2011.

¹⁷ <http://www.fondpolj.vojvodina.gov.rs/>, accessed 12 November 2011.

¹⁸ <http://www.rbv.rs/>, accessed 12 November 2011.

¹⁹ <http://www.vip.org.rs/>, accessed 12 November 2011.

An overview of the business support programs provided by the institutions of the Vojvodina Government is provided below in Table 6.

Table 6: Overview of Provincial Business Support Programs in 2011

Financial Nature	Name of the Programme	Institution	Budget per user / beneficiary	Target groups
Financial	Support to tourism-oriented business entities for participation at trade fairs	Provincial Secretariat of Economy	~3,000€ for rent ~1,500€ for other expenses	SMEs in Tourism
Financial	Grant schemes for support to tourism-oriented NGOs in Vojvodina	Provincial Secretariat of Economy	n/a	NGOs in the field of Tourism
Financial	Grant scheme for non-profit organizations to strengthen small and medium-sized enterprises	Provincial Secretariat of Economy	~ 20,000€ (total budget of the scheme)	NGOs and other non-profit organisations
Financial	Grant-scheme support to business incubators in Vojvodina	Provincial Secretariat of Economy	~ 128,500€ (total budget of the scheme)	Business Incubators
Financial	Support to export-oriented business entities for participation in European trade fairs in September - December 2011	Provincial Secretariat of Economy	~ 70,000€ (total budget of the scheme) 50% subvention	Export-oriented SMEEs
Financial	Grant scheme for subvention of projects that introduce new technologies	Provincial Secretariat of Science and Technology Development	up to 49% of the project value	Business Entities
Financial	Grant scheme "My green work" (in Serbian: "Moje zeleno delo")	Provincial Secretariat for Urban Planning, Construction and Environmental Protection	n/a	Business entities, NGOs, Media, cities and municipalities, citizen groups, etc
Financial	Grant Scheme for opening new vacancies	Provincial Secretariat of Labour, Employment and Gender Equality	~1,300€ per new vacancy	Business Entities
Financial	Grant scheme for stimulating self-employment	Provincial Secretariat of Labour, Employment and Gender Equality	~1,600€	unemployed, potential entrepreneurs

Financial	Long-term credit scheme for export-oriented production	Vojvodina Development Fund	~ 500,000€	Export-oriented Business Entities
Financial	Long-term credit scheme for development programs in agriculture	Vojvodina Development Fund	~ 2,000 - 100,000€ 50% own investment	Agricultural households
Financial	Credit scheme for co-financing IPA projects	Vojvodina Development Fund	up to 15% of the total project budget interest rate: 3% per year	Grantees of IPA programs
Financial	Long -term Loans for Development Projects of Legal Entities and Entrepreneurs	Development Bank of Vojvodina ²⁰	~ 100,000 - 1,000,000€	Business Entities
Financial	Short - term loans to stimulate the exports of legal entities and entrepreneurs	Development Bank of Vojvodina	~ 100,000 - 500,000€	Business Entities
Financial	Long-term loans for construction, adaptations and equipment of storage facilities	Development Bank of Vojvodina	~ 100,000 - 500,000€	Business Entities and agricultural households ²¹
Financial	Long-term loans for enlarging agriculture properties	Development Bank of Vojvodina	> ~ 70,000€	Agricultural Households
Financial	Guarantee scheme to agricultural households for long-term loans to enlarge agricultural properties	Guarantee fund of Vojvodina	> ~ 70,000€	Agricultural Households
Financial	Guarantee scheme to agricultural households for long-term loans for the purchase of agricultural machinery	Guarantee fund of Vojvodina	> ~ 2,000,000€	Agricultural Households
Financial	Loans for the purchase of agricultural machinery	Vojvodina Agriculture Development Fund	~1,000 - 20,000€ interest rate: 2%	Agricultural Households
Financial	Loans for the purchase of irrigation systems	Vojvodina Agriculture Development Fund	~1,000 - 20,000€ interest rate: 1.3%	Agricultural Households
Financial	Loans for growing fruit plants	Vojvodina Agriculture Development Fund	~1,000 - 10,000€ interest rate: 2%	Agricultural Households
Financial	Loans for growing wine plants	Vojvodina Agriculture Development Fund	~1,000 - 10,000€ interest rate: 2%	Agricultural Households

²⁰ Herewith presented loans of the Development Bank of Vojvodina are parts of the Vojvodina Development Fund credit lines.

²¹ In Serbia, agricultural households are recognised as a special kind of a legal entity

Financial	Loans for construction of greenhouses	Vojvodina Agriculture Development Fund	~1,000 - 15,000€ interest rate: 2%	Agricultural Households
Financial	Loans for beekeeping	Vojvodina Agriculture Development Fund	~1,000 - 5,000€ interest rate: 2%	Agricultural Households
Financial	Loans for the purchase of anti-hail nets on fruit protection	Vojvodina Agriculture Development Fund	> ~15,000€ interest rate: 2%	Agricultural Households
Financial	Loans for the construction of storage silos for cereals	Vojvodina Agriculture Development Fund	~10,000 - 15,000€ interest rate: 2%	Agricultural Households
Financial	Loans for the construction of calve fattening facilities	Vojvodina Agriculture Development Fund	~5,000 - 15,000€ interest rate: 2%	Agricultural Households
Non-financial	Support services to foreign investors in Vojvodina	Vojvodina Investment Promotion	n/a	Foreign investors

Source: Websites of the loan-, and grant-providing institutions of the Government of Vojvodina

Regional / Local / Area-based Programs and Projects

Alongside programmes that offer financial or non-financial support to SMEs, there are also several projects that involve specific localities that offer direct or indirect support to the development of SMEs. Nevertheless, it is difficult to identify those regional, local or area-based project interventions since there is no unique registry of such initiatives. Those projects are mainly funded through EU cross-border or transnational cooperation programs that are available to service providers from Vojvodina. A few remaining bilateral donors have also contributed project interventions. Table 7 presents the list of projects, identified through a review of websites and by field visits in Vojvodina.

Table 7: Overview of Local, Regional and Area-Based Support Projects

Name of the Project	Project goal	Funded By	Local Actors	Implementing	Area in Vojvodina
From Army to Entrepreneurship (F.A.T.E) ²²	The main objective of the project is to develop, implement and disseminate concrete strategies and operational plans to strengthen and diversify urban and regional economies, by converting military brown-field sites into productive structures.	EU SEE Transnational Programme	SMER Subotica, with 19 partners		Subotica
Tisa Catchment Area Development ²³	The project will contribute to the sustainable integrated territorial development of the Tisa area and will help to attain a sustainable economic system, optimal use of pooled natural and cultural resources, balanced distribution of competitive growth areas and enhancement of the internal and external functional relations in the settlement system.	EU SEE Transnational Programme	SMER Subotica, with 13 partners		Area of the Tisa River
WATERMODE ²⁴	The Watermode Project aims to highlight the potential of the waterways crossing the area, contributing to the full integration of maritime and river transport in the logistics chain.	EU SEE Transnational Programme	Alma Mons, University of Novi Sad and 13 partners from Italy, Slovenia, Austria, Hungary, Romania, Bulgaria, Greece, Albania and Montenegro		Vojvodina
Inno-Food SEE	The objective of the Inno-Food SEE is to set up appropriate mechanisms to facilitate the exchange and coordination of innovation approaches and policies for the food sector and to increase awareness on the importance of food innovation for the wider SEE area.	EU SEE Transnational Programme, ERDF, ENPI	FINS - Institute for Food Technology; Provincial Secretariat of Agriculture, Water Management and Forestry of Vojvodina, together with 11 other partners;		Vojvodina

²² More about the F.A.T.E. Project is available at <http://www.fateproject.eu/>, accessed on 13 November 2011

²³ More about the TICAD Project is available at <http://www.see-ticad.eu/>, accessed on 13 November 2011

²⁴ More about the WATERMODE Project is available at <http://www.watermode.eu/>, accessed on 13 November 2011

SEE-IFA Network ²⁵	SEE-IFA Network aims to strengthen the capacity of IFA project partners for effective provision of innovation and technology support to Micro and Small and Medium Size Enterprises (MSME) through the establishment of a platform for knowledge transfer and by concrete joint action.	EU SEE Transnational Programme	RDA Banat with 10 other partners;	Banat
POLYINVEST	The POLYINVEST project aims to improve conditions for investment in rural areas, directly tackling the development gap between the regions of the SEE space	EU SEE Transnational Programme	Vojvodina Chamber of Commerce with 12 other partners;	Vojvodina
Content Development of SME related Services and the Establishment and Operation of a Unified Business Development Network	The project's goal is to strengthen economic, social, environmental and territorial development in cross-border areas through SME and entrepreneurship development in the field of agriculture and food processing	EU IPA CBC Hungary - Serbia	Municipality of Kanjiža, in cooperation with Homokháti Önkormányzatok Kistérségi Területfejlesztési Egyesülete (HÖKTE), Mórahalom (Hungary)	Kanjiža, Banat
Updating of the Development Strategies of Local Municipalities and Elaboration of Cross-Border Common Sectoral Development Operational Programmes and Projects	The aim of the project is to constitute a modern, developed and competitive economy in the border region.	EU IPA CBC Hungary - Serbia	Municipality of Kanjiža, in cooperation with Homokháti Önkormányzatok Kistérségi Területfejlesztési Egyesülete (HÖKTE), Mórahalom (Hungary)	Kanjiža, Banat
Sustainable tourism development at Tisa River	Information is not available	EU IPA CBC Hungary - Serbia	Municipality of Kanjiža	Kanjiža, Banat
LEARN - Lifelong Education and Regional Networking	The project's objective is to support the harmonization of economic and cultural cooperation between Vojvodina and south Hungary through the creation and implementation of education programs that target the advancement of competitiveness, employability, and personal career development in cross-border areas	EU IPA CBC Hungary - Serbia	Open University Subotica and Allaskeresok Egyesuleteinek Bacs-Kiskun Megyei Szovetsege Hungary	Subotica, Vojvodina

²⁵ More about the SEE-IFA Project is available at <http://www.see-ifa.eu/>, accessed on 13 November 2011

LOGIC	The overall objective of the project is synergic territorial development of logistics centres in the CB region and facilitation of the regional economy, which will be achieved by strengthening economic partnerships in border regions, and by harmonizing the ideas of economic development in light of the logistics offered in cross-border regions.	EU IPA CBC Hungary - Serbia	Open University Subotica and Del-alfoldi Regionalis Innovacios Ugynokseg Kozhasznu Egyesulet from Szege (Hungary)	Subotica, Vojvodina
CoNfIDEKT	The project aims to create a cross-border innovation network between the South Great Plains Region and the Region of Vojvodina	IPA CBC Hungary - Serbia	SMER Subotica, Faculty of Economics Subotica (Serbia) and Delalföld Regióért Kht Szege and University of Szege (Hungary)	Vojvodina
Cross-border Foreign Direct Investment Promotion in Csongrád and Bács-Kiskun counties and Vojvodina	Information is not available	IPA CBC Hungary - Serbia	Vojvodina Investment Promotion and ITD Hungary Pte. Ltd	Vojvodina
FRESC - Food Production and Renewable Energy Sectors Clustering Potentials in the Cross- Border Area	The project aim is to map the possibilities for cluster development of small and medium-sized enterprises and entrepreneurs in the cross-border region engaged in food production and renewable energy sectors in order to enhance the long-term competitiveness and sustainable development of the cross-border regions of Hungary and Serbia.	IPA CBC Hungary - Serbia	Vojvodina Chamber of Commerce and Vojvodina CESS	Vojvodina
CB NET	The project objective is to strengthen business cooperation, trade, competitiveness and export in cross-border areas through specialized education and the use of modern technologies	EU IPA CBC Croatia - Serbia	Open University Subotica and City of Subotica (Serbia), BIOS and City of Osijek (Croatia)	Bordering area with Croatia
Organica.net	The project objective is to create new employment opportunities within the organic food sector and to establish support programs and cross-border networks that will make eco-entrepreneurs more competitive at domestic, regional and EU markets.	EU IPA CBC Croatia - Serbia	Organic Food Association Terras - Subotica, in cooperation with SLAP, association for Create Development (Croatia)	Northern Bačka

Tradition for the future - rural tourism across borders	Creating institutional mechanisms for rural tourism in Baranja (Croatia) and Bačka (Vojvodina)	EU IPA CBC Croatia - Serbia	Municipality of Apatin, in cooperation with the Centre for Entrepreneurship, Osijek (Croatia)	Bačka
'Forming the centre for the advancement of knowledge in rural tourism'	The project goal is the advancement of the quality of economic and social life for inhabitants of rural areas covered by the program for the whole region, including cross-border areas covered by the project.	EU IPA CBC Croatia - Serbia	Municipality of Bački Petrovac, in cooperation with Tourist Board of Vukovar (Croatia)	Bački Petrovac
Apple net 2: Networking, marketing and quality management towards the economic development	The project objective is to increase the competitiveness of the agricultural sector by improving fruit production technology and product quality, resulting from establishing and/or strengthening cross-border links between businesses, research and development, and academic communities.	EU IPA CBC Croatia - Serbia	University of Novi Sad, in cooperation with the Institute for Agriculture Osijek (Croatia)	Bordering areas with Croatia
Increasing the tourism Capacities in Banat Region	Information is not available	IPA CBC Romania - Serbia	Municipality of Kanjiža, in cooperation with City of Pančevo, Municipality of Novi Kneževac and Municipality of Jambolia (Romania)	Banat
SME Development Support Centre of Municipalities of Plandište and Deta	Information is not available	IPA CBC Romania - Serbia	Municipality of Plandište and Municipality of Deta (Romania)	Plandište
Cross-border initiative for research & development activities, (and) cooperation between economical and scientific educational institutions in Serbian and Romanian historical Banat, as a contribution to the improvement of competitiveness and regional identity according to EU standards	Information is not available	IPA CBC Romania - Serbia	Regional Chamber of Commerce and Industry Pančevo	Pančevo

SeeNet TRANSGROWTH Business promotion for the trans-national growth of integrated local production systems	The project aims to increase the quality of a series of agricultural, food and wood production processes through specific actions to be taken at institutional level as well as by the economic actors engaged in the territory's two most important production chains.	Italian Government	The Government of Vojvodina, Agriculture Faculty of the University of Novi Sad (SER), with numerous partners from Italy, Croatia (Counties of Osijek-Baranja) and Bosnia and Herzegovina (Canton of Tuzla). Leading partner is Autonomous Region of Friuli Venezia Giulia	Vojvodina
PRICES	The project aims to contribute to the development of economic cooperation between Italian and SEE local production systems	Italian Government	Alma Mons, Government of Vojvodina, RDA Šumadija and Pomoravlje (Kragujevac, Serbia) and numerous partners from Italy, Bosnia & Herzegovina	Vojvodina
Social Entrepreneurship as a support to socio-economic development of Vojvodina - through innovation to new employment and social inclusion	Information is not available	Friedrich Ebert Foundation	RDA Bačka	Bačka
Empowering local government in supporting business incubation in the Backi Petrovac Municipality	The project aims to further strengthen its LED office in providing relevant business services and information, especially green, innovative and women-run businesses.	EU Exchange 3	Municipality of Bački Petrovac, Municipality of Kamnim (Slovenia), Municipality of Martin (Slovakia) and	Bački Petrovac

Source: Websites of RDAs, SME Agencies and Municipalities from Vojvodina, and those of EU IPA CBC/Neighbourhood Programs

2.3 Programs provided by international development organisations

Currently there are no project interventions provided by international organisations that focus solely on Vojvodina proper. The largest bilateral area-based project in Vojvodina was a 5 million-euro ADA-funded technical assistance intervention, called “Integrated Regional Development Plan of the Autonomous Province of Vojvodina”. The project aimed to strengthen and support the socio-economic development of Vojvodina and sustain the position of the province in the European integration process. The project started in January 2007 and finished in July 2011.

Nevertheless, beneficiaries from Vojvodina may benefit from several projects that are provided nationally. Table 8 provides information about the development programs implemented by bilateral donors in Serbia that also benefit Vojvodina.

Table 8: Bilateral National Projects Active in Vojvodina²⁶

Name of the Project	Project goal	Funded By	Implemented by
Programme for Private Sector Development in Serbia - ACCESS	ACCESS aims to promote the economic development of Serbia and to facilitate the future membership of Serbia in the European Union (EU) by supporting the implementation of the Serbian “National Strategy for Development of Small and Medium Sized Enterprises and Entrepreneurship” as well as the “National Strategy for EU Accession”.	German Ministry for Economic Cooperation and Development (BMZ)	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
BAS ²⁷	The Business Advisory Service has two objectives: to provide advisory services on competitiveness and development for SMEs, and to increase the quality of local consultancy services in Serbia	EU	EBRD
USAID Small Enterprise Assistance Funds (SEAF) ²⁸	SEAF provides equity and quasi-equity (long-term debt) financing to small and medium enterprises in Serbia and in the region in accordance with the Fund’s investment policy.	USAID	Centre for Entrepreneurship and Executive Development (CEED)
Opportunity Bank Serbia ²⁹	USAID provides support to the Opportunity Bank to provide banking services to entrepreneurs and clients with limited access to the banking system	USAID	Opportunity Bank
Business Enabling Project (BEP) ³⁰	The Business Enabling Project is a five-year USAID-funded 16.7 million dollars activity designed to help the Government of Serbia improve the competitiveness of the Serbian economy and its private sector business.	USAID	Cardno Emerging Markets, Ltd.
Agribusiness Project	The Agribusiness Project is a USAID funded initiative with the goal to increase the value of Serbian agricultural product sales and to increase employment in the agricultural sector.	USAID	Development Alternatives, Inc. in cooperation with International Relief and Development and Booz Allen Hamilton

Source: Websites of projects and programs listed in the table

2.4 Programs provided by private providers

The main private actors in providing financial support are commercial and semi-commercial banks that provide commercial loans to the private sector. Almost all banks have a national character,

²⁶ Finished projects were not included in this list.

²⁷ More about BAS programme is available at <http://www.bas-serbia.org/>, accessed on 13 November 2011.

²⁸ More about SEAF project is available at <http://seaf.com/>, accessed on 13 November 2011.

²⁹ More about the project is available at <http://serbia.usaid.gov/usaid-programs/sectors/developing-a-more-competitive-market-economy/opportunity-bank-serbia.512.html>, accessed on 13 November 2011.

³⁰ More about the Business Enabling Project is available at <http://serbia.usaid.gov/usaid-programs/sectors/developing-a-more-competitive-market-economy/business-enabling-project-.903.html>, accessed on 13 November 2011

without having any special consideration in Vojvodina proper. The only exception is the Development Bank of Vojvodina (in Serbian: Razvojna Banka Vojvodine), which operates only in the province. The Government of Vojvodina is the majority owner of the bank, with a share of 61.9%.

Commercial banks provide loans to the small and medium-sized enterprises, usually through credit lines established by international development banks and funds such as: the European Investment Bank, the Council of Europe Development Bank, the European Bank for Reconstruction and Development and the European Fund for Southeast Europe. Commercial banks provide loans from two credit lines from the Italian Government; the first targets SMEs that would like to purchase equipment from Italy, and the second one solely targets SMEs from Vojvodina, also for purchasing equipment from Italy. The second scheme has been implemented in cooperation with the Banca Intesa and the Vojvodina Guarantee Fund.

There are two banks in Serbia that specialise in microfinance: the Opportunity Bank and the Pro-Credit Bank. Other banks consider this sector as unprofitable and are thus not interested in participating. Outside the banking sector, there is only one microfinance institution that operates in Serbia: the Micro Development Fund³¹; however it does not operate in Vojvodina. The Micro Development Fund was established as a non-profit non-governmental organisation. The funds for microfinance are sourced from donations (98% from foreign donors). In most cases, these loans had limited impact (EC, 2011).

Microfinance outside the banking sector in the Republic of Serbia is not legally regulated. Recognising this lack of legislation, the Ministry of Finance initiated the preparation of the necessary legal and regulatory framework. However, though the Law on micro-finance companies was drafted in 2010, it still has not been adopted by the Serbian Parliament.

Private providers from the non-banking sector provide support in soft measures, from training and coaching, through organising business-to-business activities and other networking events, to providing subvention-based incubation support for start-ups, small and micro-enterprises. There are also examples of supporting entrepreneurship among disadvantaged groups such as women's entrepreneurship, supported by the Women's Entrepreneurship Academy³².

³¹ More about Micro Development Fund is available at <http://www.mdf.org.rs/index-en.html>, accessed on 13 November 2011.

³² Women's Entrepreneurship Academy (WEA), established as an NGO, has been implementing several projects that aimed to strengthen women's entrepreneurship in Vojvodina. At the moment WEA implements the project "It's time for my business" II phase with the aim to establish a guarantee fund for entrepreneurship development and to develop a certified set of training courses for start up entrepreneurs, especially women entrepreneurs in Kikinda Municipality. More about WEA is available at: <http://www.ewa.org.rs/>, accessed 13 November 2011.

3. Business Service Providers in Vojvodina

3.1 Introduction

There are about 500 service providers that deliver assistance to SMEs in Serbia. While basic business support services are distributed throughout the country, delivery of advanced business services is lacking in rural and remote areas.

Most business service providers in Vojvodina are concentrated in Novi Sad and a few other big cities such as Subotica and Zrenjanin. However, business services in other places are insufficient to cover all the needs of the private sector.

Business service providers in Vojvodina are split between ones that are part of national institutions (mainly branch offices of national institutions) and providers that originate in Vojvodina. International business service providers are not within the scope of this study.

The following chapters identify business service providers that are located in Vojvodina and assess their capacity

3.2 National Business Service Providers active in Vojvodina

The leading national organisations providing services to small and medium enterprises are the National Employment Service, the National Agency for Regional Development and the Chamber of Commerce. These national institutions have branch offices in Vojvodina or operate via institutional partners located in the cities and major towns in the province.

The National Employment Service (NES) has eight branch offices in Vojvodina, located in Novi Sad, Zrenjanin, Kikinda, Pančevo, Vršac, Sombor, Sremska Mitrovica and Subotica. These offices distribute NES services to beneficiaries across Vojvodina. NES does not cooperate with any other national or provincial institution in the provision of its programmes, but they often cooperate with the private sector providers.

The National Agency for Regional Development (NARD) has created a network of three regional development agencies and two SME agencies that are used for provision of their programs, as well as other national programs that are coordinated by NARD, such as those of the Ministry of Economy and Regional Development (MERD) and of the Fund for Development of the Republic of Serbia. Provision of services through the RDAs/SME Agencies is based on contractual relationships, where RDAs/SME Agencies receive financial benefits for each proposal that their clients submit to the national institutions.

The Serbian Chamber of Commerce has a counterpart in the Vojvodina Chamber of Commerce, which coordinates the work of six regional chambers in Sremska Mitrovica, Pančevo, Zrenjanin, Kikinda, Sombor and Subotica.

All other national programs are delivered centrally from Belgrade, so potential beneficiaries are not able to submit their applications at any institutions that are present in Vojvodina.

3.3 Regional and Local Business Service Providers in Vojvodina

The leading business service providers in Vojvodina are the Vojvodina Development Fund, the Vojvodina Guarantee Fund, the Vojvodina Agriculture Development Fund, the Development Bank

of Vojvodina, and the Vojvodina Investment Promotion Fund. These institutions provide support from the majority of business development provisions determined by the Vojvodina Government. Their interventions are either implemented directly or through the network of local economic development agencies. It is notable that these institutions do not use services of RDAs or SME Agencies, nor the services of the regional network of chambers of commerce.

There are three regional development agencies in Vojvodina: RDA Bačka, RDA Srem and RDA Banat. The oldest among them is RDA Banat from Zrenjanin, which was derived from the SME agency that operated in that area. RDA Banat covers 19 cities and municipalities from three districts: Južni (Southern) Banat, Srednji (Middle) Banat and Severni (Northern) Banat. RDA Banat is the third accredited³³ RDA in Serbia.

RDA Bačka is a relatively recently established agency (2010) that covers developmental needs of 13 municipalities of three Bačka's districts: Severna (Northern) Bačka, Zapadna (Western) Bačka and Južna (Southern) Bačka. The RDA Bačka premises are located in Novi Sad.

RDA Srem is also a relatively new agency (founded 2010), active in seven municipalities of Srem (Sirmium) District. RDA Srem is the only agency in Serbia that covers a single district. The premises of the RDA Srem are in Ruma.

In addition to the three RDAs, there are also two SME agencies: SMER Subotica and Alma Mons Novi Sad. Those two agencies were established considerably before to the RDAs, yet they have not become RDAs³⁴. Both SME agencies have quite substantial operational and institutional capacity, and a good portfolio of running EU and bilateral projects.

All RDA and SME agencies are established as public-private partnerships between municipalities and private entities such as commercial banks, chambers of commerce, private enterprises and, in some cases, NGOs and universities.

RDA and SME agencies are part of the national network, which is coordinated by NARD, and they are active in the implementation of national policies in Vojvodina. National services are paid for by NARD or by other national institutions (MERD, the Fund for Development of the Republic of Serbia), where different programs have different criteria for remuneration. Most of the programmes pay RDA/SME agencies based on the number of full applications that are submitted for funding. However, in most cases there is a ceiling amount that could be paid per service provider. The second modality of payment is merit based, where service providers receive a bonus based on the success of the applications they have been supported in preparation. However, those bonuses also have a ceiling amount which cannot be exceeded, regardless of the number of successful applications.

Incomes generated by providing services to national institutions are usually not sufficient, yet they contribute to the sustainability of the service providers. It is important to mention that RDAs and SME Agencies do not provide services to provincial institutions such as the Vojvodina Development Fund, the Vojvodina Guarantee Fund, the Vojvodina Agriculture Development Fund or the Vojvodina Government.

Alongside the RDAs and SME agencies, there is a network of regional chambers of commerce that covers Vojvodina proper. Chief among them is the Vojvodina Chamber of Commerce, because it covers the whole of Vojvodina, while each the quite good capacity to provide many kinds of non-

³³ According to the Law on Regional Development, each regional development agency has to be accredited by NARD based on the clearly prescribed rules.

³⁴ There are discussions to convert SMER Subotica into the RDA that will cover the needs of three municipalities of Northern Bačka since at the moment they are not covered by the activities of RDA Bačka. So far there are limited opportunities for Alma Mons to convert into RDA.

financial services, from networking and organisation of business-to-business events (including fairs), through the provision of consultancy services and advice for the implementation of EU-funded projects that stimulate the business environment.

In the territory of Vojvodina, eight business incubators have been established, in Subotica, Zrenjanin, Bački Petrovac, Senta, Kanjiza, Pancevo, Beocin and Novi Sad. While the business incubator in Subotica accommodates tenants from the manufacturing and production industries, other incubators are mainly service oriented. The business incubator in Novi Sad is oriented towards high tech, and incubates only tenants from the ICT sector. Business incubators in Beocin and Pancevo have been established by large private companies that owned brown-field premises, with the purpose of accommodating potential entrepreneurs from the pool of their redundant workers.

None of the existing business incubators in Vojvodina are sustainable from their own incomes; they all depend from public subventions, either provided by provincial or local governments. The Provincial Secretariat of Economy has just released a call to fund business incubators in Vojvodina, allocating ~€128,500 to each incubator.

In addition to business incubators, cluster initiatives are also active as business service providers in Vojvodina. Table 9 provides a comprehensive overview of cluster initiatives that have been established in Vojvodina.

Table 9: Cluster Initiatives in Vojvodina

Name of the Cluster	Sector	Geographic Coverage
Vojvodina ICT ³⁵	ICT	Vojvodina, primarily Novi Sad
FruitLand Association	Fruit growing, food processing	Subotica, Northern Bačka
“Zeleni Sto” Cluster	Food processing	Novi Sad, Vojvodina
“Creative Industries of Vojvodina” Cluster	Creative industries	Novi Sad
Vojvodina Metal Cluster ³⁶	Metal Processing	Vojvodina
“Pekos” Cluster	Bakery	South Bačka
Cluster for Health Tourism of Vojvodina ³⁷	Health Tourism, Spa	Vojvodina
Bio-Science Cluster	Bio-Science	Subotica, Northern Bačka
Istar 21 Cluster ³⁸	Tourism	Danube-area
Tourist cluster of micro-region Subotica-Palić ³⁹	Tourism	Subotica and Palić
“Vojplast” Cluster	Plastics	Hajdukovo

³⁵ More about Vojvodina ICT cluster is available at the website <http://www.vojvodinaictcluster.org/>, accessed on 14 November 2011

³⁶ More about the Vojvodina Metal Cluster is available at <http://www.vmc.rs/>, accessed on 14 November 2011

³⁷ More about the Cluster for Health Tourism of Vojvodina is available at <http://www.vojvodinaspa.info/>, accessed on 14 November 2011

³⁸ More about cluster Istar 21 is available at <http://www.istar21.rs/>, accessed on 14 November 2011

³⁹ More about tourist cluster of micro-region Subotica-Palić is available at <http://www.klaster.palicinfo.com/>, accessed on 14 November 2011

“Polux” Cluster	Food Processing	Kikinda
“Natus” Cluster	Nautical Tourism	Vojvodina, Serbia
“Somborski Salaši” Cluster	Tourism	Sombor
Tourist Cluster of Srem	Tourism	Srem
“Čari Prirode” Cluster	Food Processing	Subotica

Source: websites of clusters and information obtained from the field visits

With a few exceptions, the organisational and technical capacity of cluster initiatives in Vojvodina is quite insufficient. Clusters usually present a loose network of companies, very often without any employees or office space. Very often the purpose of their establishment is merely to seek public money from national, provincial or EU grant schemes. Although some of the clusters have succeeded in raising operational development funds from the EU or national funds for, they are still at a premature stage of development.

In addition to clusters and business incubators, the business infrastructure of the region comprises industrial zones, technology parks and Customs-Free Zones. The number of these areas is considerably higher in Vojvodina than in any of the other regions of Serbia. For example, out of 45 local self-government units in Vojvodina, only six do not have an industrial zone. An overview of zones, parks and brown-field sites in Vojvodina is given below within Table 10.

Table 10: Overview of Industrial Zones, Technology Parks, Customs-Free Zones and brown-field sites

Districts in Vojvodina	Industrial and Parks	Zones	Existent and planned technology parks	Existent and planned Customs-Free Zones	Brown-field sites
North Backa	2		1	1	2
South Backa	9		1	1	2
West Backa	4			1	2
North Banat	6				3
Central Banat	4			1	2
South Banat	7		1		2
Sirmium	7		1		2
Vojvodina	39		4	4	15

Source: Mijacic, D. (2011). Analiza poslovne infrastrukture u Republici Srbiji

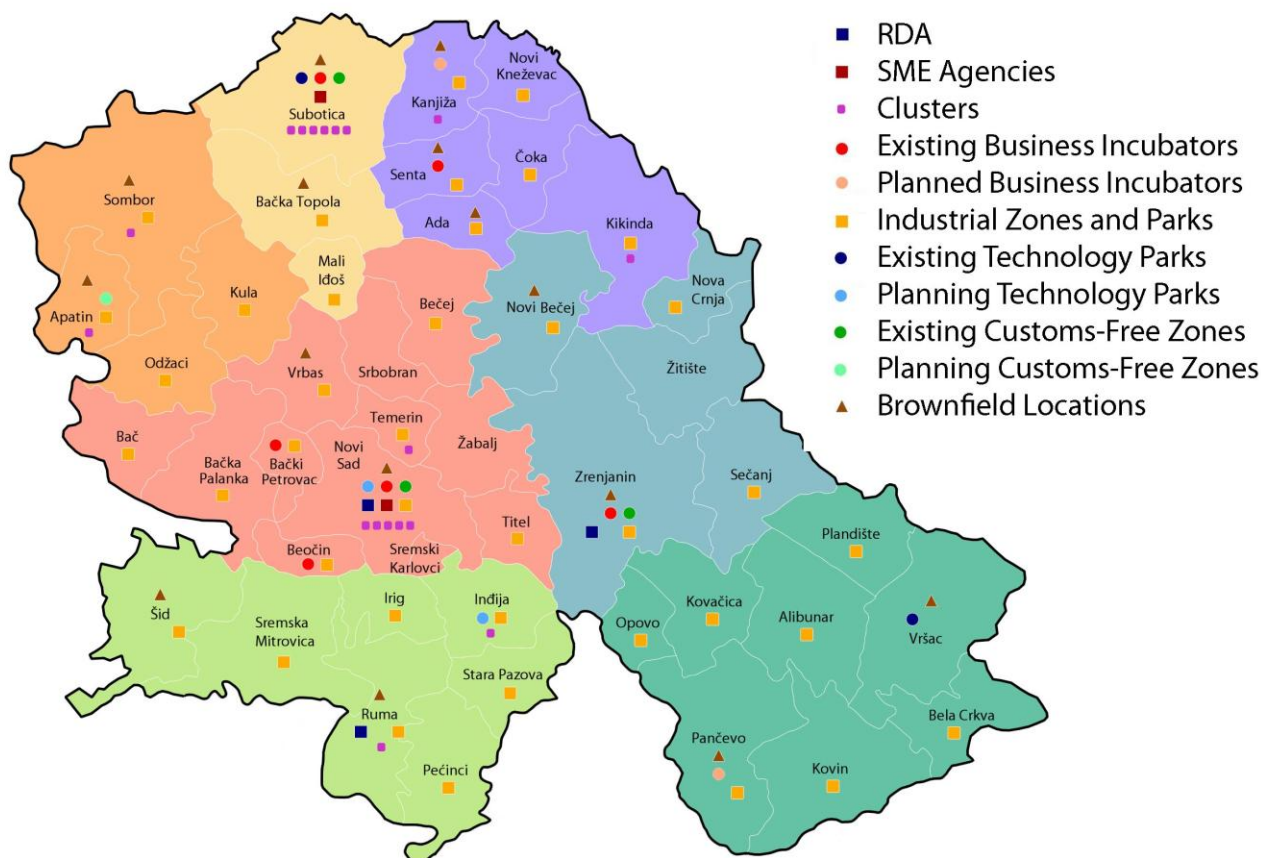
It is important to mention that many cities and municipalities in Vojvodina have established offices or departments for local economic development. Those offices are usually occupied with fundraising and writing project proposals for EU IPA calls, but are sometimes engaged in other activities, such as the provision of support to potential foreign investors. In some cases the personnel of those offices are engaged in helping potential applicants to fill forms for credit and grant schemes that are provided by provincial institutions. However, there are no cases in which local economic development offices provide support to the SMEs on their territory based on the locally funded initiatives.

There are other business sector providers that are also active in Vojvodina, especially ones established privately (NGOs, business associations, consultancy companies, etc); however their scale could not be determined within the scope of this research.

There is effective cooperation between business sector providers in Vojvodina, mainly fostered by the Vojvodina's Government, RDA/SME agencies and two universities: the University of Novi Sad and the Open University from Subotica. Cooperation between clusters is enabled through the activities of the Centre for Competitiveness and Cluster Development in Novi Sad, while cooperation between incubators is established through the Building Business Incubators (BBI) project. The Provincial Secretariat of the Economy is very active in coordinating all initiatives for advancing business service provision, mainly by providing non-financial support to the providers.

The figure 1 provides with a comprehensive map of RDAs, SME agencies and business infrastructure (clusters, business incubators and industrial zones, technology parks, customs-free zones and brown-field sites).

Figure 1: RDAs, SME agencies and business infrastructure in Vojvodina



Source: Mijacic, D. (2011). Analiza poslovne infrastrukture u Republici Srbiji; website of RDAs and SME agencies in Vojvodina.

4. Conclusion

Private sector entities in Vojvodina, mainly entrepreneurs and small and medium-sized enterprises, are able to benefit from national-wide programs, province-focused programs, cross-border/transnational grant schemes, or EU-wide interventions. National and province-based programs may be financial or non-financial, while other (regional, local or area-based) interventions usually have a non-financial nature. In terms of national programs, interventions are funded either by the Serbian government and its institutions, or by EU/bilateral interventions. Province-based interventions are primarily funded from the budget of the Vojvodina Government. There are only a few project-based interventions that have a sub-regional or local character, usually funded by EU grant schemes (CBC or transnational). No local intervention body provides financial support to the beneficiaries - their activities all have a non-financial nature.

Delivery of provisions differs between programs. Nationwide programs are delivered either directly, by national agencies through branch offices located in Vojvodina, or via partner organisations that are engaged on commercial or semi-commercial contracts. Partner organisations in this sense are mainly RDAs and SME agencies. On the other hand, provision of provincial programs is performed either directly by the respective provincial institutions, or through a network of local economic development offices and departments across Vojvodina. RDAs and SME agencies do not provide any assistance to these programs.

Findings from the fieldwork showed a decreasing trend in applications for financial and non-financial services among SMEEs in Vojvodina. This could be attributed to the changes of application procedures, which became stricter in 2011, as well as to general problems with solvency among the majority of SMEEs.

Business service providers are mainly concentrated in Novi Sad and in a few other big cities (Subotica and Zrenjanin). The reason for this may be found not only in the scale of the city, but also in access to specialised human capital. For instance, it is notable that, after Novi Sad, Subotica has much more business service providers than any other city in Vojvodina. The reason for this may be found in the presence of the Faculty of Economics and the Open University of Subotica, which both generate high-quality professionals in the fields of economy and development. Moreover, the vicinity of Hungarian border and historical ties with Szeged has contributed to knowledge transfer to Subotica, to a higher level than compared to other areas in Vojvodina.

Cooperation between business service providers in Vojvodina is at a high level, which is reflected by regular meetings between the representatives of clusters, business incubators, RDA/SME agencies and other service providers. The number of initiatives for joint provision of services is also considerably higher than in other parts of Serbia.

The Vojvodina Chamber of Commerce and RDA/SME agencies have the most advanced organisational capacities among the business service providers. These entities are efficient in the provision of services that are paid by national institutions, and in fundraising from EU grants. The capacity of other (public or semi-public) business service providers is relatively limited and insufficient to the needs of the local market.

Private sector entities, especially SMEEs, often have a problem in articulating and prioritising their problems. However, service providers in Vojvodina also lack sufficient knowledge and skills in surveying and analysing the needs and demands of the private sector, as well as channelling these problems into relevant project interventions. In many cases business service providers do not have

the capacity to meet to the needs of general business regulations such as taxation, VAT returns, customs, competition from the grey market, etc.

Vojvodina Province has a good history of development cooperation in the field of business service provision. Cooperation is especially strong with Italian, Austrian and German development agencies, that have contributed significantly to the quality of business services in the province. There is a difference in the types of support that different development organisations provide to local business providers. The interventions of Austrian and German development agencies are mainly based on the implementation of strictly determined programs and activities funded by their national government. On the other hand, cooperation with Italian development organisations is of a different kind; it is more partnership-based and primarily focused on fundraising and the absorption of EU transnational or bilateral grants. However, both of those two types of interventions are supply-driven, since there is little understanding of local needs and demands. As a consequence, the impact of development cooperation to the needs of the private sector is often insufficient.

There is thus a need for area-based development interventions that will focus on advancing the institutional and operational capacities of business service providers in Vojvodina through mentoring and coaching, with special emphasis on the development of stronger links between the demand and supply of business service provisions in Vojvodina.

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