

GOVERNANCE FOR LOCAL DEVELOPMENT IN SEENET TERRITORIES

First research report

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



Horizontal Action C - Research

November 2010

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FOREWORD

This report is the first of a series issued within the SeeNet Programme by a research network coordinated by CeSPI and composed of seven research organizations from South East Europe.

Research activities aim at supporting SeeNet partnership through the analysis and systematization of governance experiences for local development in the concerned territories of South East Europe. The unit of analysis of 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 partner local authorities of South East Europe; iv) coverage of different administrative levels of South East Europe; and v) different Italian partners.

Each territory is involved in one SeeNet project, led 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.

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

The analysis has been conducted in a multi-level perspective, taking into consideration the following levels: local, other possible 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/decentralised and international cooperation; v) the civil society; vi) education, culture and research bodies; vii) economic actors; viii) trade unions; and ix) the media.

After a description of the current political context and of EU perspectives in the light of the recently released package on enlargement, the first report provides some essential information on the seven research territories, focusing on development and cooperation contexts. Territorial case studies follow a common structure: i) social, political, institutional and economic context; ii) cooperation scenario: most important trends and stakeholders; iii) relationships with Italy; and iv) stakeholder analysis.

For a more comprehensive description of the methodological approach, please refer to the Methodology of the research.

1. INTRODUCTION

1.1 - Political context and EU perspectives

The never-ending transition, aggravated by the heavy economic and financial crisis, makes the Balkans hanging in a limbo. Fifteen years after the war – excluding Kosovo in 1999 – Balkan countries are generally still weak and disorientated.

After two decades of wars and painful economic transition, Balkan societies appear mistrustful and pessimistic, and they have emigration on their mind. They want change but are sceptical about their ability to influence the outcome. The people have overcome some fears but no longer have any illusions. They prefer to retreat into their private lives rather than engage with politics.¹

Definitely, the last developments in the European enlargement policy do not contribute to devise a better scenario. The annual package on enlargement, released on the 16th of November 2010 by the European Commission², reveals a lethargic situation, symptom of a fatigue which, from member states, progressively stretches over candidate and potential candidate countries too.

The gap between Western Balkans and the European Union remains substantially unchanged. Even Croatia and FYROM, the candidates to European membership among the Western Balkan countries, have no certain perspective to accede to the European Union, at least not in the near future. The closure of the last chapters of negotiations with Croatia continues to be delayed, and the hypothesis of accession in 2011 has vanished. Croatia still needs to meet some outstanding closing benchmarks, in particular in the fields of judiciary and fundamental rights. FYROM, five years from becoming a candidate to membership, is always blocked up before opening the negotiations, also because of the old dispute with Greece about the use of the name Macedonia.

Among potential candidate countries, the only speed track is accorded to Montenegro, which the Commission recommends that the Council grant the status of candidate country to. As to Albania, which also applied for the candidate status in 2009, the Commission thinks that candidate status cannot be awarded and the country needs to achieve a higher degree of compliance with the membership criteria, and in particular with the Copenhagen political criteria requiring the stability of institutions guaranteeing, notably, democracy and the rule of law. To Serbia, who also applied in 2009, the European Commission did not even answer. Cooperation with the Hague Tribunal remains an essential requirement in view of membership, in particular the handing over of Ratko Mladić. As to Bosnia and Herzegovina and Kosovo, they have not even applied yet.

On the contrary, visa liberalization significantly progressed last year. For Macedonia, Montenegro and Serbia, like Croatia before them, visa obligation was lifted, and the same is expected for Albania and Bosnia and Herzegovina by the end of 2010. For Kosovo, anyhow, no date is foreseeable, since too many issues have to be solved before, including its international status.

The Machiavellian path of the EU enlargement policy raises many perplexities. In the face of some good progress, Montenegro – as the European Commission itself acknowledges³ – is seriously behind with the legislative framework for elections, Parliament's legislative and oversight role, transparency and de-politicization of public administration and judicial system, rule of law, media

¹ Gallup, Balkan Monitor 2010, http://www.balkan-monitor.eu/files/BalkanMonitor-2010_Summary_of_Findings.pdf

² The package consists of progress reports on the candidate countries Croatia, Turkey, Iceland and the former Yugoslav Republic of Macedonia, and the potential candidates Bosnia and Herzegovina, Serbia and Kosovo. It also includes opinions on the membership applications of Albania and Montenegro, plus a document setting out the strategy for EU enlargement policy for the coming year. See: http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm.

³ COM(2010) 660, Communication from the Commission to the European Parliament and the Council, *Enlargement Strategy and Main Challenges 2010-2011*, Brussels, 9.11.2010.

freedom, legal status of displaced persons, fight against organized crime, corruption, drug trafficking and money laundering.

Hence, why has Montenegro been awarded such a privileged roadway? In the Enlargement Strategy and Main Challenges 2010-2011, the European Commission answers this question claiming that “Montenegro’s accession would have a limited overall impact on European Union policies and would not affect the Union’s capacity to maintain and deepen its own development.”⁴ This would mean a predominance of the EU absorption criterion recently mainstreamed⁵, and therefore of the economic and demographic features of the candidates; it would also mean a political defeat of the enlargement strategy as it has been built up until now on the Copenhagen criteria, opening to a new phase of soft enlargements awarding membership to the smallest and less problematic countries. Should this trend be confirmed, it would represent a serious concern, leaving Serbia out and digging a deep furrow between the EU and the Balkans.

This muddled lane, along with such ambiguous positions, makes the European Union continue to lose appeal among public opinions of Western Balkan countries. The European Commission itself, in its Enlargement Strategy 2010, warns that “Enlargement needs to remain credible for all involved. Aspirant countries and their citizens need a clear perspective of accession, once conditions are met, and should see tangible benefits along the way.”⁶ Nevertheless, despite a notable loss of fascination, the EU remains extremely important for the future of Balkan countries.

The perspective of membership is still attractive for the vast majority of Balkan citizens, as emerged from the Gallup Balkan Monitor 2010 carried out by the European division of the Institute of American Research in partnership with the European Fund for the Balkans. In Montenegro the proportion of respondents saying that the EU is a good thing increased in 2010 by 6 percentage points with respect to the previous year, to 73%; in Macedonia and Serbia the respective shares fell from 62% to 60% and from 50% to 44%. Support for the EU also decreased further in Croatia to 25%. The survey showed that in all Balkan countries, excluding Croatia, majorities of respondents would vote in favour of their country joining the EU; proportions ranged from 63% in Serbia to 93% in Albania. In Croatia, those who would vote against their country’s accession outnumbered those who would vote in favour of accession (43% and 38%, respectively)⁷.

Table 2 - Opinion of Balkan citizens about EU membership (2010), in percentage (%)

	Membership of the EU would be a good thing	Membership of the EU would be a bad thing	Membership of the EU would be neither good nor bad	Doesn't know / Refuses to answer
Albania	80,9	5,3	10,6	3,2
Bosnia & Herzegovina	68,9	8,0	20,0	3,1
Croatia	24,8	31,7	37,9	5,6
Kosovo	87,4	5,6	4,1	2,9
Macedonia	60,0	8,5	28,5	3,0
Montenegro	73,3	4,1	17,8	4,8
Serbia	44,1	16,9	34,9	4,1

Source: Gallup, Balkan Monitor 2010

Respondents from Bosnia and Herzegovina almost neutrally consider Austria, Germany and Slovenia among the stronger supporters of Bosnian integration into the EU. In Kosovo and Croatia, majorities feel most supported by Germany (31% and 27%, respectively), while Slovenia is

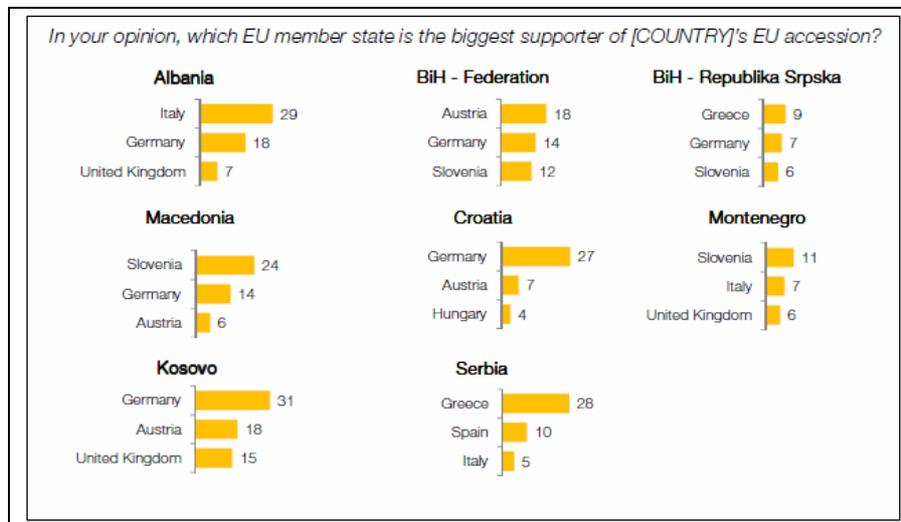
⁴ COM(2010) 660, cit.

⁵ At the European Council of December 2006, EU member states agreed on a renewed consensus on enlargement based on the principles of consolidation, conditionality and communication, combined with the EU's capacity to integrate new members.

⁶ *Ibidem*.

⁷ Gallup, cit.

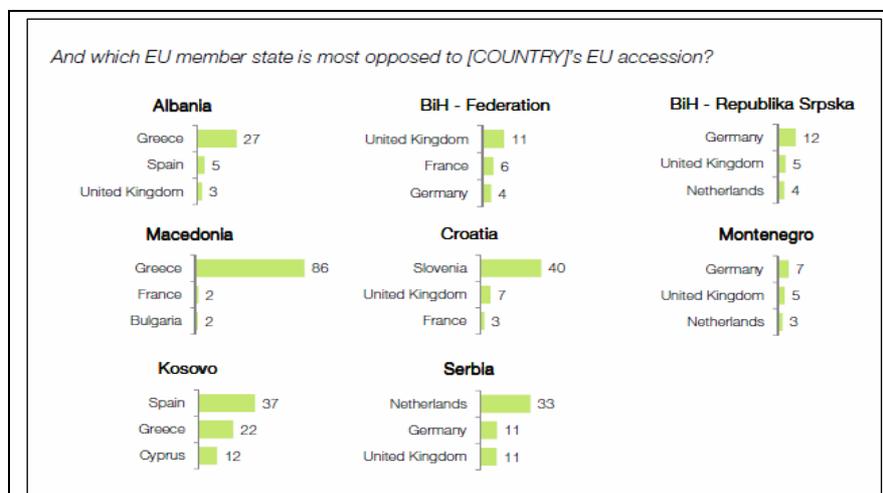
considered to offer the greatest support by the people of Macedonia and Montenegro (24% and 11%, respectively). It is worth noting that about 3 in 10 of respondents in Albania believe that Italy is the greatest supporter of Albanian accession to EU. Serbs, on the other hand, see Greece as the greatest supporter of their accession to the EU (38% of respondents), and Spain as the second supporter (10% of respondents), both countries refusing to recognize Kosovo as an independent state.



Source: Gallup, Balkan Monitor 2010

On the opponents' side, 4 out of 10 Croatians perceive Slovenia as the main adversary, probably because of the border dispute not fully resolved. Serbs are largely suspicious with respect to the Netherlands, which is the EU country mainly urging a full Serbian cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY). Obviously, for Kosovo people Spain (33%), Greece and Cyprus (both 11%), which did not recognize Kosovo, are considered as the main opponents. Equally obviously, 86% of Macedonians feel that Greece is against their membership, because of the name dispute.

In general, it is interesting to note that Germany and Austria are perceived as influential stakeholders in the EU enlargement process of Balkan countries, both in a positive and in a negative sense. Another general remark is that EU is not perceived as a whole but as separate countries, each with its own policy and interests.



Source: Gallup, Balkan Monitor 2010

The main current challenges in the enlargement process are improving good governance and the rule of law, speeding up economic reform, building up the social inclusion of vulnerable groups – Roma in particular – and improving the capacities to adopt and implement the Community *acquis*. In addition, in some enlargement countries the reform momentum has slowed down and in most of them freedom of expression is a serious concern. Beyond these challenges, more complex problems affect the path of EU integration of Balkan countries, including the governance of Bosnia-Herzegovina, the name question of FYROM and Kosovo's status.

From an internal point of view, the biggest challenge for the EU is to find political unity and make the enlargement process something concrete. For the moment, the leverage to convince member states to overcome the enlargement impasse could be, according to the EC, making Europe a safer place, giving the EU greater weight and strengthening its voice in international fora, considering that emerging powers are playing an increasing role in the international arena. Anyhow, this is an old policy which until now has not been sufficient to move the process forward.

The EU enlargement policy is financially supported by the Instrument of Pre-accession Assistance (IPA), designed to help candidate countries and potential candidates in their efforts to meet accession criteria, to align with EU policies and standards and to foster socio-economic development. Last year, to alleviate the impact of the financial and economic crisis, IPA has been reprogrammed to support more investment in infrastructure and competitiveness, and the Western Balkans Investment Framework for large infrastructure projects has been launched⁸.

IPA came into effect at the beginning of 2007, and is to provide nearly € 11.5 billion to Balkan countries and Turkey in 2007–2013. Allocations per country, decided for the period 2007–2012, are as follows.

Table 3 - EU financial assistance under IPA in 2007-2012, in € million

	2007	2008	2009	2010	2011	2012	2007-2012
Albania	61.0	70.7	81.2	93.2	95.0	96.9	498.0
Bosnia & Herzegovina	62.1	74.8	89.1	106.0	108.1	110.2	550.3
Croatia	141.2	146.0	151.2	154.2	157.2	160.4	910.2
Kosovo	68.3	184.7	106.1	67.3	68.7	70.0	565.1
Macedonia	58.5	70.2	81.8	92.3	98.7	105.8	507.3
Montenegro	31.4	32.6	33.3	34.0	34.7	35.4	201.4
Serbia	189.7	190.9	194.8	198.7	202.7	206.8	1.183.6
Turkey	497.2	538.7	566.4	653.7	781.9	899.5	3.937.4
Multi-country	109.9	135.7	160.0	157.7	160.8	164.2	887.4
TOTAL	1.218.4	1.444.3	1.463.9	1.557.1	1.707.8	1.849.2	9.240.7

Source: European Commission, 2009

IPA is also designed to progressively entrust administrations in the beneficiary countries with the management of EU funds and to prepare the countries for the management methods of EU structural funds; the Commission continues to provide support to candidate countries to help them comply with the requirements for the decentralised management of EU funds, targeting also regional human resources and rural development. In potential candidate countries, EU Delegations, which are now all at full strength following the closure of the European Agency for Reconstruction,

⁸ The WBIF was set up in December 2009 as a joint initiative of the EC and partner international financial institutions: the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB). It is a tool for channeling investments into infrastructure in the Balkans; it will focus on increasing the number of water and waste water projects in the region, stimulating support for energy efficiency, accelerating investments in the core transport network, and supporting the development of SMEs and of mechanisms to encourage economic growth in the aftermath of the financial crisis.

are responsible for implementing IPA assistance and working with the beneficiaries. Anyhow, at this stage, Balkan countries are still far from using EU funds effectively, as the EC itself remarks, and very much need to strengthen their capacities⁹.

In **Albania**, IPA programmes focus on areas of key political criteria such as judicial reform, police and penitentiary infrastructures, civil service and public administration reform, parliament, fundamental rights, as well as civil society. In the area of the economic criteria and the EU membership criteria, IPA assistance concentrates on small- and medium-size enterprises, education, taxation, statistics, intellectual property rights, environmental infrastructure, transport (local/rural roads), employment and social inclusion, and food safety.

IPA 2010 in **Bosnia and Herzegovina** focuses on political criteria, namely social inclusion, cultural heritage, law enforcement, anti-corruption measures, judiciary and public administration reform. In addition, it focuses on water infrastructure, customs, rural development and eradication of animal diseases. Bosnia and Herzegovina participates in IPA multi-beneficiary programmes, including an IPA crisis response package developed in 2008 in response to the financial crisis.

IPA assistance to **Croatia** is focused on institution-building and preparing for the implementation of EU's common agricultural and cohesion policies.

In addition, Croatia continued to benefit from regional and horizontal programmes, including the IPA crisis response package; the country has taken significant steps to address weaknesses identified by the Commission in Croatia's management of pre-accession aid. These measures are meant to prepare the country for the next phase of decentralization of management powers, namely the waiver of the EU Delegation's *ex ante* controls for IPA components I to IV. However, a track record of improved implementation is needed.

EU financial support has been provided for development of civil society under the Civil Society Facility.

EC sector approach

The Conference on Effective Support for Enlargement held in Brussels in October 2009, jointly organized by the European Commission and the Swedish Presidency, concluded that a sector-based approach to programming focused on the countries' needs and strengths can contribute to more effective pre-accession aid. It was agreed that donors should coordinate and ensure that their programmes are in line with national priorities and policies. Mindful of the above and of the Paris Declaration and EC Commitments on aid effectiveness, the European Commission is looking at ways to incorporate sector approaches in the planning and programming of IPA assistance.

A sector approach seeks to deliver a single comprehensive sector programme, budget and results framework, with processes for donor coordination and harmonization and increased use of local systems for programme design and implementation.

Partner countries are particularly encouraged to:

- Increase the capacity of coordination structures to ensure the coherent use of external assistance and internal budgetary resources;
- Ensure efficiency in reforming public administrations and financial management systems;
- Make further progress in establishing the structures necessary for ensuring efficient functioning of the decentralized management of the Instrument for Pre-accession Assistance (IPA);
- Make further progress in certain sectors towards a programme-based approach, including through:
 - Setting medium- to long-term priorities consistent with EU integration objectives and socio-economic development needs;
 - Assigning national budget allocations and external assistance to priorities;
 - Ensuring that line ministries have the administrative capacity to lead and efficiently

⁹ COM(2010) 660, cit.

implement policies and programmes;

- Agreeing benchmarks with donors to assess progress.

Donors are particularly encouraged to:

- Give full support to country ownership of donor coordination and work towards a programme-based approach;
- Organize joint training on aid effectiveness and methods of cooperation;
- Include aid effectiveness in their own management objectives and reporting systems, and incorporate specific instructions or guidance in programming guides;
- Ensure the adaptability and predictability of aid;
- Reduce transaction costs of aid delivery through each donor concentrating on a limited number of sectors, pooling resources, and coordinating missions and studies.

Source: European Commission, Workshop on Sector Approaches in the context of EU integration: Concept Note, Sarajevo 22-24 March 2010

EC programmes in **Kosovo** are continuing to support the rule of law, public administration reform, communities, culture, youth and wider socio-economic issues, including trade, regional development, education, employment and agriculture.

To improve participation by civil society in policy dialogue and formulation, €1.7 million was set aside under IPA 2008; areas such as the environment and equal opportunities (antidiscrimination measures and social inclusion of vulnerable groups) are receiving special attention. A further €3 million are earmarked under IPA 2009 for the benefit of civil society, including protection of minority rights and empowerment of disadvantaged groups. The European Instrument for Democracy and Human Rights is also supporting these issues.

Assistance to **Macedonia** focuses on support to the implementation of the Ohrid Framework Agreement, strengthening of administrative capacity with particular emphasis on the rule of law sector, economic development, and ability to assume the obligations of EU membership. In the context of pre-accession, the EU is in the process of transferring the management of IPA funds to national authorities under the Decentralised Implementation System (DIS); further attention is still needed to establish the necessary management and control systems to assume this responsibility. Civil society has received extensive financial support from the EU under the Civil Society Facility.

IPA programmes in **Montenegro** focus on key political criteria such as judicial reform, public administration reform and institution building, fight against corruption and organized crime; financial support is also being provided to civil society. As to economic and other membership criteria, IPA concentrates on supporting reforms and strengthening the administrative capacity in areas such as the internal market, environment, transport, statistics, education, employment and social inclusion.

Financial assistance to **Serbia** focuses on areas such as strengthening the rule of law, human rights, education, transport and environmental protection. Serbia participates in IPA multi-beneficiary programmes, including an IPA crisis response package developed in 2008; the package is fully operational in 2010. Serbia has continued to take part in cross-border cooperation with neighbouring countries across a range of areas such as infrastructure, environmental issues, cultural exchanges, research, job creation, security and crime prevention. The first €50 million instalment under the IPA 2009 budget support initiative was disbursed in December 2009. The purpose of the budgetary support is to ease the social and economic consequences of the current economic downturn in Serbia, and help Serbia to move at the pace of EU integration-related reforms. An Agreement on Macro Financial Assistance was signed in July 2010 between the EU and Serbia.

IPA also funds a part of the national financial contribution that Balkan countries have to pay for participation in EU programmes. These are programmes supporting EU internal policies, designed primarily as means of achieving objectives set by the EU and its member states and based on internal budget headings. However, some of the EU programmes are open to third countries and enlargement countries in particular, as important instruments of pre-accession strategy,

familiarization with the policies and working methods of the European Union, and facilitation of the transfer of know-how and good practices.

Table 4 - Participation in EU programmes

	Albania	Bosnia & Herzegovina	Croatia	Kosovo	Macedonia	Montenegro	Serbia
FP7 ¹⁰							
Erasmus Mundus							
Tempus							
EIP11							
Culture							
Europe for Citizens							
Progress							
Fiscalis 2013							
Customs 2013							
CIP12							
IDABC13							
Civil Protection Financial Instrument							
Media 2007							
Community action in the field of health							
Marco Polo II							
Civil Protection Mechanism							

Source: own elaboration from the EC 2010 Progress Reports on Enlargement countries

Here again, Bosnia and Herzegovina and Kosovo, which did not apply yet to EU membership, are marginalized.

The EC is also supporting regional cooperation activities and structures in the Balkans. Regional cooperation is a crucial issue for reconciliation. As a matter of fact, bilateral questions such as border and refugee issues poison neighbourly relations and are increasingly affecting the enlargement process; furthermore, the international economic crisis is increasing protectionist and nationalist pressures.

One of the key structures established to support Balkan relationships is the Regional Cooperation Council (RCC), the regionally-owned successor of the Stability Pact operating under the political umbrella of the South-East European Cooperation Process (SEECP). The RCC is still a weak stakeholder and needs to enhance its efforts to deliver concrete results, but might have a strategic role in developing regional cooperation and in identifying and addressing needs in regional activities and structures.

Further important steps in trade liberalization, notably in agricultural trade, have been negotiated in CEFTA¹⁴ but are not in force yet, while work is under way on removing technical barriers to trade. Like any other regional initiative, there is a risk of paralysis of CEFTA due to disagreements over the Kosovo status issue.

¹⁰ 7th Framework Programme for research, technological development and demonstration activities.

¹¹ Entrepreneurship and Innovation specific Programme (EIP) of the Competitiveness and Innovation Framework Programme (2007-2013).

¹² Competitiveness and Innovation Framework Programme (2007-2013).

¹³ Interoperable Delivery of European Government services to public Administrations Business and Citizens.

¹⁴ The Central European Free Trade Agreement (CEFTA) is a trade agreement between WB countries plus Moldova.

Regional cooperation has on the other hand been more positive as regards the Regional School of Public Administration (ResPA), and progress has been made in the areas of energy, transport, and the rehabilitation of cultural heritage in the context of the Ljubljana process.

Cross-border cooperation co-financed by IPA and other decentralised and territorial initiatives are very important to reconciliation and good neighbourly relations, in addition to EU accession preparations. “Because regional cooperation revolves around people’s commitment as much as government’s agreements, nations have to be brought together on a more personal level through grassroots level initiatives in order to build long-lasting reconciliation.”¹⁵

1.2 - Evidence from case studies

The seven territories have been analysed according to a common research methodology, aiming at providing a general overview of the governance for development in local contexts, in a multi-level and multi-stakeholder perspective. Research questions relate to: social, political, institutional and economic context at the local and national levels, identifying the major stakeholders; international cooperation scenario; European Union accession process; the most relevant relationships with Italy. The seven reports can also be examined through some reading keys, which relate to major issues of the Balkan countries’ transition:

- 1) Decentralisation issues, which are an essential pre-condition for an effective governance at the local level;
- 2) Scenario of international cooperation, including decentralised and territorial cooperation;
- 3) Governance of local development, including major stakeholders and different levels of government.

A fourth reading key concerns the involvement of the territories in the European Union accession process. This latter is analysed in chapter 1.1, while the involvement of the territories in the European integration process will be investigated in the next reports. However, the reading keys are clearly interrelated: decentralisation processes and governance mechanisms are supported by international cooperation and should therefore be harmonized to the European Union standards for accession.

For each of the abovementioned issues, the seven reports highlight similarities and differences, which are worth noting in the following paragraphs.

1.2.1 DECENTRALISATION PROCESS

South East Europe countries are all engaged in decentralisation processes, supported, among others, by the Council of Europe and the European Union. In general, central governments resist to the delegation of powers, of fiscal powers in particular, to local levels, which suffer a chronic need for resources. A widespread lack of implementing regulations, along with inadequate capacities of local authorities to manage new delegated responsibilities, frustrates the actual exercise of decentralised competences, once formally awarded.

Albania is fragmented into 374 first-level local self-government units, of which only 65 are municipalities, and the rest are small communes. The country is implementing the national strategy of decentralisation and local autonomy, making significant progress in decentralisation while aiming to achieve consistency with the principles of the European Charter of Local Self-Government of the Council of Europe. Local administrative and fiscal autonomy remains very weak; in addition, local government capacities are still limited.

¹⁵ Odile Perrot (2010), “Multiple bilateral Issues: Obstacles to the Thessaloniki Agenda?” in Accession of the Western Balkans to the EU: Evaluating a Process, Bourgogne Balkans Association workshop series, Edition 3.

Local governments have the right to collect and autonomously spend revenues and additionally receive transfers from the national government, falling into three categories: i) unconditional transfers; ii) conditional transfers; and iii) competitive grants, allocated according to certain criteria. Anyhow, these criteria are still vaguely defined and it frequently happens that poor local government units receive less financial support than expected.

Key challenges of the decentralisation process identified in the Albanian National Strategy for Development and Integration (NSDI) include: i) improvement of the legal and regulatory framework in order to increase authority and autonomy of local government; ii) fiscal decentralisation; iii) strengthening capacities of local government staff and of the regional councils; and iv) transfer of public utilities and public property to local government.

In **Shkodra** in particular, within local self-government units (municipality and communes), there is a need for more training in the accountability and management of public resources and in the analysis of financial plans. The Municipality of Shkodra also recognizes that it requires external assistance to bring the needs from local to central level, as its power of analysis is not strong yet. Shkodra doesn't have huge resources but it is worth noting that most of its budget is self-financed; in fact, in 2009, the region of Shkodra received 346,361,000 Lek (about 2,5 million Euros) from the central government, while 418,600,000 Lek (about 3 million Euros) were raised locally.

Bosnia and Herzegovina has the most complex situation, with two local government systems. The Republika Srpska is more centralized, with no intermediate level between government and municipalities, while the Federation of Bosnia and Herzegovina is more decentralised and organized in cantons and local self-government units.

Notwithstanding the above differences, municipalities in both entities have roughly the same competences. Like in other Balkan countries, local governments have some exclusive competences over local matters, such as social protection, local fire department, communal police, primary health and elementary/secondary education, and they share other competences with the respective upper levels. Additional functions can also be delegated from upper levels (the canton and the entity in the Federation, the entity in Republika Srpska), which have control over police, education, urban zoning, energy, economy, social policy, transport, tourism and management of natural resources. Since recently, mayors are chosen through direct elections, making the voter preference less dependent on party ideology and more based on local needs and interests.

Although the Bosnian system was radically decentralized by the Dayton Agreement, centralism has remained rooted at the key points of the governance system, and municipalities in both entities greatly depend on the assistance of upper levels. In the Republika Srpska there is a still weak Ministry for administration and local self-government, while in the Federation there is no formal structure responsible for local government issues. While international donors strongly recommend regionalization, this is still put back by upper levels of government: a challenge to be taken in due consideration when starting decentralisation support activities. The Government of the Republika Srpska even placed a ban for the municipalities to participate in the European Union's programme which built up economic regions in Bosnia and Herzegovina.

Croatia is divided into 20 counties, one of which being **Istria**, administratively divided into 41 territorial self-government units, of which 10 cities and 31 municipalities. While cities and municipalities have competences over local issues, counties carry out activities of regional importance and share, in most cases, functions with the national government or with lower levels; they deal, in particular, with education, health, territorial planning, economic development, transports, social and cultural infrastructures.

The financing system of local and regional units in Croatia is quite favourable if compared with other situations in the Balkans, and is largely based on sharing tax revenues. In 2009, out of the total personal income tax collected, counties received 15.5%, cities and municipalities 55%, the government 12%, while 17.5% went to an Equalization Fund. Apart from the personal income tax share, cities and municipalities also receive 60% of the tax on real estate purchase in their

respective territories for the financing of their basic functions. In total, Istria County budget for 2010 was 34 million Euros.

Local self government is defined in **Kosovo** by a series of regulations issued by the international civil administration and the Kosovo Constitution of 2008. In Kosovo, like in the Republika Srpska, Montenegro and partially in Serbia, there are no intermediate administrative structures between the central government and the municipalities; municipalities have both their own competences and competences delegated by the central government, and have the right to set and collect taxes at the local level, even if the amount of this kind of revenue is still very limited. Transfers from the central government are also insufficient; they are set according to criteria based on financial needs, resources and spending priorities of each municipality.

Kosovo's peculiarity is that in the municipalities with a Serb minority there are Serb parallel municipal structures, with their own mayors and municipal assemblies. This is the case, for example, of the municipality of Peja/Peć.

Montenegro, as said before, has no intermediate administrative levels between the national government and the municipalities. Key stakeholders at the local level are the mayors, along with two peculiar institutions which are the local manager and the administrator, both subordinated to the mayor. Budva Municipality's administrative centre is divided into secretariats which are in charge for different areas. Similarly to almost all other Balkan countries, major decentralisation problems in Montenegro are weak local administrative capacity and little knowledge among local employees about EU processes and funds. Fiscal decentralisation is equally backward and the level of harmonization between national and local activities is low. Local officials are scarcely accountable and the separation of the executive and legislative powers at the local level is not adequate.

Serbia is still a centralized country and opposition to decentralisation is generally widespread. In this scenario, the province of **Vojvodina** is an exception, with its autonomous legal capacity returned, after almost twenty years of restricted entitlement to self-governance, through the Constitution of 2006 and a recent law of transfer of competences. Budget allocations for Vojvodina are not bad either, amounting at no less than 7% of the national budget.

Although Vojvodina received a number of competences in different areas, many important functions are still in the hands of the central government; this hampers Vojvodina government's potentials and opportunities to optimize development. Even if Vojvodina's economy is dominated by agriculture and food processing, the authority of the provincial government is limited in these fields too; therefore, the dependence of the province on the policies of the central government is still high.

1.2.2 COOPERATION SCENARIO

South East Europe countries are still fully integrated in international cooperation activities. Everywhere, the European Union is almost always the largest donor, even if bilateral cooperation from the USA and Europe are still very present.

Traditional development cooperation has been progressively complemented, in the last years, by a great record of decentralised and territorial cooperation activities; local authorities of South East Europe are committed to a number of partnerships with homologous institutions from EU countries and to cross-border cooperation projects and initiatives.

Local authorities and territorial actors have been creating institutional networks at different levels, such as the Adriatic Euro-region, the Chamber of Commerce Union, the University Union, the Adriatic City Forum, the Adriatic-Ionian Arc and other networks focused on thematic issues.

The building of the Adriatic-Ionian macro-regional strategy

In Ancona on 5th May 2010 the Adriatic Ionian Council¹⁶ signed a common Declaration for the creation of the macro-region. The representatives of the Governments of Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia and Slovenia were "... convinced that the Adriatic-Ionian Region, ... is to be developed into a European macro-region of security, stability and prosperity ... that the Strategy, through its features of inclusiveness and comprehensiveness, will also be highly beneficial for non EU member States, especially for candidates and EU potential candidates ... (and) affirm our readiness to ... play an active role, engage public and private sectors and encourage stakeholders, especially regional authorities, companies, universities and civil society for the successful preparation of a future EU Strategy for the Adriatic Ionian Region ... (and) to examine the possibilities and the conditions for promoting on the EU level a future EU Strategy for the Adriatic Ionian Region"¹⁷.

The Italian government is investing in a process that should achieve a first important result in 2014 during the Italian and Greek presidencies of the European Union¹⁸. These presidencies should promote the approval of the European Council on mandating the European Commission for the creation of the Adriatic-Ionian Macro-region.

The creation of this macro-region should take into consideration the linkages with other macro-regions, and particularly with the Danube macro-region in the making; Croatia, Serbia and Slovenia are involved in the setting up of the Danube macro-region and they could create a bridge with the Adriatic and Mediterranean area, strengthening corridors and connections for a more united Europe.

Over the next few years the Italian government with Slovenia and Greece will be committed to an important diplomatic effort to persuade European member states to consider the creation of the macro-region in the Adriatic area with a positive attitude, showing opportunities for common benefits. Regions and local authorities are to be involved too in this diplomatic effort, and they could perform a paradiplomacy action to support the creation of the Adriatic-Ionian macro-region; some Italian regions (for example Apulia, Emilia Romagna, Friuli Venezia Giulia, Marche, Molise) are already nurturing relationships with Balkan local authorities, to spread the opportunities of the macro-region as a new relevant step towards the enlargement and the investment in strategic projects to increase the well-being of the area. According to the Italian Under-secretary of Foreign Affairs, Alfredo Mantica, the strategy for the Adriatic-Ionian macro-region should concentrate European Union funds in infrastructural investment such as the corridors 5 (Milan-Venice-Belgrade-Kiev) and 10 (Salzburg-Thessaloniki), the Adriatic harbours and the Motorways of the sea, and energy plants¹⁹.

Previously the Adriatic Interreg programme, and now the IPA CBC programme – financed by the territorial cooperation of the EU –, are supporting the strengthening of networks and the implementation of common projects. Recently, the launch of the strategy for the Adriatic-Ionian macro-region²⁰ is opening a new transnational process that involves territorial cooperation and

¹⁶ The Adriatic-Ionian Initiative (AII) comprises all the States surrounding the Adriatic and Ionian seas. It aims at setting up the political conditions to promote the development of the area and the accession to EU of the Western Balkan states.

¹⁷ Declaration of the Adriatic Ionian Council on the support to the EU Strategy for the Adriatic Ionian Region. The 12th Adriatic Ionian Council. Ancona, 5 May 2010.

¹⁸ The Italian Minister of Foreign Affairs Franco Frattini has announced the formation of a new Adriatic-Ionian macro region by 2014, on the model of the Baltic Sea macro-region which has already started to operate, and the Danube region which is to be launched yet, <http://www.emg.rs/en/news/region/120973.html>.

¹⁹ Source: Ansamed.

²⁰ The strategies for the macro-regions are a new European Union regional policy at the trans-national level. The macro-region is "*an area including territory from a number of different countries or regions associated with one or more common features or challenges (...) geographic, cultural, economic or other*" (European Commission (2009), Macro-regional Strategies in the European Union, http://ec.europa.eu/regional_policy/cooperation/baltic/pdf/macoregional_strategies_2009.pdf; for an analysis see Andrea Stocchiero, Macro-regions of Europe: Old Wine in a New Bottle?, CeSPI working paper 65/2010). Creating a

interplays with decentralisation and local development. It could represent a new policy framework to increase the coordination of a scattered decentralized and territorial cooperation, involving central governments and European funds.

In **Albania**, most donor programmes are currently focused in the region of **Shkodra**. In the last four years a trend can be observed in Albania: bilateral grants declined, while bilateral concessional loans increased roughly in the same proportion; besides, multilateral grants and concessional loans decreased and non-concessional loans increased.

In Albania, bilateral and multilateral donors began to discuss the problem of donor fragmentation, duplication of efforts and lack of absorption of donor assistance in early 2003. To manage the coordination process, four multilateral donors (UNDP, EC, WB, OECD) formed the Donor Technical Secretariat (DTS), expanded since 2008 with two bilateral donors (Germany and the Netherlands); the DTS is matched, on the government's side, by the Department for Strategy and Donor Coordination (DSDC), established within the Prime Minister's office.

Albanian local self-government units experience problems in combining donor resources with public-spending objectives and rules. Furthermore, according to some local officials, only a limited number of cooperation programmes include an assessment of community satisfaction or community expectations; this entails that most programmes are not sufficiently local community-oriented.

The EU Division of Labour (DoL)

The 2005 Paris Declaration addresses the excessive fragmentation of aid at the global, country or sector level as a major factor impairing aid effectiveness; this committed donors and partner countries alike to a pragmatic approach to division of labour in order to increase complementarity and reduce transaction costs. In a number of partner countries, in-country division of labour processes has since been carried out.

Since the Communication on the DoL²¹, the EC is committed to a progressive implementation of division of labour among EU donors and the EC, as a means of achieving greater aid effectiveness.

To concretely advance on the ground, a "Fast Track Initiative on Division of Labour" (FTI/DoL) has been launched, and some pilot countries have been identified, Albania being one of them.

The facilitator donor in Albania for the FTI/DoL is Italy, whose commitment has been recently renewed through the signing of the Development Cooperation Protocol 2010-2012, involving disbursements for a total of 51 million Euros, including aid credits, grants and debt conversion.

Soon after the 1992-1995 war ended, **Bosnia and Herzegovina** experienced a huge influx of international cooperation. At the end of 1996, 17 governments, 18 UN agencies, 27 intergovernmental organizations and about 200 nongovernmental organizations were involved in the reconstruction. From 2002 on, international activities in Bosnia and Herzegovina entered a new phase of building a sustainable economy and society, and funds decreased, also because of the emergence of new countries of global interest such as Iraq and Afghanistan.

Anyhow, there is still a number of donors and cooperation initiatives of multilateral and bilateral partners, which try to exchange information through the Donor Coordination Forum, composed of twenty major bilateral and multilateral donors. Similarly to Albania, the trend in cooperation is a gradual reduction of development assistance in the form of bilateral grants, balanced by an

common public policy in a vast area implies the setting up of a trans-national governance where each level of government (central, regional and local) participates and is willing to share power and to pool resources. The real added value of the macro-region consists in the convergence of diverse political wills and in the integration of multi-level resources in the implementation of flagship projects in a common space (Andrea Stocchiero, The Geopolitical game of the European Union Strategy for Macro-regions: Where Does the Mediterranean Stand?, CeSPI working paper 74/2010).

²¹ COM(2007) 72 final, Communication from the Commission to the Council and the European Parliament, *EU Code of Conduct on Division of labour in Development Policy*, Brussels, 28.2.2007.

increasing volume of concessional loans provided by multilateral institutions and international financial institutions. At the same time, the European Commission's contribution is growing rapidly: in 2009 pipeline projects amounted to 66.65 million Euros, compared to 22.43 million contracted in 2008 and 45.77 million contracted in 2007.

Among the seven territories selected for the research, **Travnik** is the most isolated. EU funds are almost not present, since the first component of IPA is not so much beneficial for local development, and the municipality is not classified as a cross-border territorial unit for the second component. Other bilateral and multilateral presence is limited in terms of funds; anyhow, decentralised cooperation is quite lively, with the Italian region of Piedmont particularly.

In **Trebinje** there are international donors focusing on rural development and valorization of local resources, among which USAID, Norwegian bilateral cooperation, UNDP, World Bank and OECD. Local actors also interact with two ministries at the entity level (the Ministry of Agriculture, Waters and Forestry and the Ministry for General Administration and Local Self-governance) and one ministry at the country level (the Ministry of Foreign Trade and Economic Relations).

Croatia, as a EU candidate country, has a different profile of international cooperation with respect to other countries in South East Europe, and can accede to financial resources from all IPA components. Counties too, including **Istria**, are greatly oriented to participation in European initiatives and networks such as the Assembly of European Regions, the Conference of Peripheral and Paritime Regions, the Council of European Municipalities and Regions. Istria especially developed international cooperation in the Adriatic Sea and is one of the founding regions of the Adriatic Euroregion, born in Pula in 2006; it has strong ties with many Italian regions, above all Friuli-Venezia Giulia and Veneto, whose Regional Law 15/1994 provides funds for the recovery, conservation and valorization of cultural heritage of Venetian origin in Istria and Dalmatia.

International cooperation is an institutionalized function in Istria, and a Department for International Cooperation and European Integration is active at the county level. Moreover, a coordinating and monitoring function of cooperation initiatives is available at the county level, and Istria developed a county projects database, where projects financed from the EU and other international sources are recorded.

Since 1999, **Kosovo** welcomed an enormous international presence, with much investment in the social, political and economic development. The close cooperation with the European Union and the United States, along with other bilateral relations, resulted in millions of Euros invested through a huge number of development programmes. Until 2004, the focus of international projects was mainly on the return of refugees and displaced persons, reconstruction, privatization and democratization; while in the next period, and especially from 2006, this focus changed towards building infrastructure and creating sustainable economy and society.

In Kosovo, donor coordination is a major issue, since a coordination strategy which would overcome the overlapping of the same projects by multiple stakeholders is missing; this deficiency is experienced at both local and central levels, including Pejë/Peć.

In **Montenegro**, the main international cooperation player is the European Commission, supporting reforms through IPA in the sectors of health and food safety, infrastructure and environment, police and judiciary, rural development, social inclusion and education, socio-economic development. Most international activities are at the country level, the IPA Adriatic Cross-border Cooperation Programme 2007–2013 being one of the few initiatives involving Montenegrin municipalities, among which **Budva**. The Ministry for European Integration, with the Union of Municipalities of Montenegro, shares relevant information on EU funding opportunities with Montenegrin municipalities. Anyhow, EU funds are still out of reach for the Municipality of Budva, which did not apply for any call for proposals financed by the EU or other international donors in the past, due to limited human resources and proposal capacities.

This marginality of the municipalities is also due to the low capacity of local officials to attract international funds. Thus, Budva is not an exception, even if it could benefit from the construction

and rehabilitation of the regional water supply system for the coastal region of Montenegro, financed through a loan of the European Bank for Reconstruction and Development. It also has fruitful cooperation with many twin towns throughout Europe, Celje (Slovenia) and Rimini (Italy) above all; besides, Budva is a leading city in the realization of public-private partnerships in Montenegro, which also means a good capacity of local officials to attract international private investments.

Montenegro is particularly attractive for foreign investments. An “energy deal” has been concluded in 2009 between the Italian company A2A and the Montenegrin Electric Enterprise. In addition, after a large number of real estate purchases by Russians during the last three years, several Russian companies are now active in Montenegro and in Budva in particular, working with Montenegrin companies and local authorities in the construction of luxury flats.

In **Vojvodina** as well, in Serbia, international cooperation is an institutionalized function within the provincial administration. The Government of Vojvodina established a Secretariat for Inter-regional Cooperation which monitors and coordinates international initiatives with the aim of increasing the absorption capacity of donor-funded projects. In addition, there is an Office for EU Affairs established by the Assembly of Vojvodina, aiming at assisting provincial and local institutions in absorbing funds from the EU and other donors.

Vojvodina has a great record of development cooperation. In 2009, Vojvodina has implemented 43 international projects, out of which 35 by local self-government units and the rest by provincial secretariats or institutions, many of them being trans-national and cross-border cooperation projects. Furthermore, the Province established bilateral cooperation agreements with national and regional governments from Italy, Romania, Hungary, the Czech Republic, Germany, Norway, the Netherlands, the UK, France, the US and other countries.

One of the most active partnerships is with the Italian region Friuli Venezia Giulia, with which Vojvodina signed a cooperation agreement to strengthen institutional relations and to promote trade and economic exchanges, already implemented by a number of projects. In Italy, Vojvodina also signed agreements with Umbria and Sicily.

1.2.3 GOVERNANCE OF LOCAL DEVELOPMENT

Under this aspect, case studies vary very much, each considering one specific local development theme (see Table 1). In general, local government units have the most significant role, supported by relevant ministries and international stakeholders. Civil society and local actors are still weak but more and more involved in local development processes.

This is especially true in **Bosnia and Herzegovina**, where civil society organizations boomed under the pressure of international donors as the country started its transition after the war in 1995, replacing government organizations to fight authoritarian tendencies and promote democratization. However, citizens are increasingly apathetic and civil society’s role in reform is still very limited. Out of the 7000 registered NGOs, only about half are active; the root of civic engagement sometimes seems to be actually restricted to the arrival of international organizations and donors, even if the situation is slightly improving.

Bosnia and Herzegovina has another peculiarity seriously affecting progress in local governance in heterogeneous municipalities. That is the deep division into ethnic groups, still having some bearing on public life.

In the municipality of **Travnik**, where the focus of the research is on the theme of **mountain tourism**, the most influential stakeholders with respect to this sector are the municipality and the canton, between which a general power conflict exists, also concerning tourism development. There is also a conflict between the Municipality and some private organizations, worried about illegal construction and inadequate sewage systems and the privatization of the Sport Recreational Center

Vlašić, which was managing the entire mountain resort in the past. Anyhow, the Municipality improved its relations with local NGOs during the last years.

Travnik suffers from many infrastructural and illegal construction problems on Mount Vlašić. In addition, sewage and water systems are poor and a number of land mines are still present. Corruption, money laundering and difficulties in political leadership also slow down development in the area.

In **Trebinje**, where the research focuses on **rural tourism**, major stakeholders of local governance are municipal representatives (the mayor and the president of the municipal assembly above all), but the local association of beekeepers and honey producers as well as the local association of wine producers are influential too, while single local entrepreneurs are in majority very small.

The Ministry of Agriculture, Waters and Forestry and the Ministry for General Administration and Local Self-governance – at the entity level – and the Ministry of Foreign Trade and Economic Relations – at the country level – also play a role in rural development and tourism. There are also international donors focusing on rural development and valorization of local resources, among which USAID, Norwegian bilateral cooperation, UNDP, World Bank and OECD.

After the crisis of the main industries in the municipality during the 1990s, agriculture represents in Trebinje a sustainable economic alternative and a way to facilitate the return of the population to rural areas. However, it is to be noted that the mentality of local inhabitants is more oriented to industrialization than to rural development.

In **Albania**, in 2002, the central government transferred a number of competences to local governments, including in the sector of **social development**, which is the focus of the research. In primary health care and public health protection, local governments have complete responsibility and authority in some specific sectors such as clean water, waste collection and removal, treatment of wastewaters, food security, cleaning and greening. In other social development sectors, the responsibility is shared between local authorities and national government.

According to the 2008 External Assistance Orientation Document of the Albanian Council of Ministers, in the social sector there is an urgent need to focus on reforms and institutions, to be followed by investment. Donor interest in programming documents appears to be overbalanced with respect to actual assistance, and the support of more donors for the social sector should be ensured.

In the social sector, the Municipality of Shkodra is trying to regulate and coordinate the role and contribution of different stakeholders, above all of international ones, to its social development plan, aiming in particular at increasing standards of living and access to public services of vulnerable groups. Anyhow, results in this sense need to be much improved. It is worth noting that the social development plan of Shkodra has been realized with the cooperation of the Italian Municipality of Forlì and the Province of Forlì-Cesena.

In Croatia, the research focuses on the **valorization of cultural, environmental and historical heritage of Istria**, where revenues from tourism are misbalanced, when comparing coastal and inland municipalities. Imbalances are very high and create an antagonism between the coast and the inland, affecting tourist development in the county. On Istrian coasts, mass tourism is widespread and tourist offers almost look alike; in the internal part, many monuments are in very bad shape, and many are being even more seriously damaged by visits.

Istria Tourist Board decreased its active support to inland Istria, where it currently only invests minor funds for some events. Other key governance stakeholders in the sector of cultural and environmental tourism are local self-government units and the regional government, public institutions of national and regional character, local entrepreneurs. Environment protection and cultural heritage are main concerns of both county and national government. Furthermore, non-governmental organizations in Istria experience an intensive growth and are increasingly involved in environmental protection; they are major promoters and beneficiaries of EU funds and one of the key actors in the regional development process.

Thus, a question of territorial, economic and social cohesion emerges in Istria, and the local institutional level does not seem to be adequately dealing with it, while international stakeholders are more and more pushing for.

In **Peja/Peć**, where the research focus is on **environmental tourism**, the development potential is represented by the Rugova Valley, which hosts about 7,000 tourists per year. Tourism development in Peja/Peć is dealt with by a number of different stakeholders, among which the most relevant are the Municipality, the Ministry of Trade and Industry/Tourism Department, the Ministry of Environment, the Ministry of Culture, local NGOs and associations, local entrepreneurs such as hotels and resorts, international cooperation partners (USAID, GTZ, Tavolo Trentino per il Kosovo above all), mayors from surrounding municipalities (Decani and Istok), and local communities.

Tourism development in Kosovo is seen as an opportunity by most stakeholders, and there is a draft of National Tourism Strategy 2010-2020 and a tourism law have been issued, although not fully implemented yet. In Peja/Peć, local NGOs and private enterprises share the Municipality's vision of tourism development targeted on rural and mountain tourism. However, the development of the tourism sector in Kosovo is particularly troublesome, and the lack of advanced infrastructure and access to the sea are serious obstacles; in addition, environmental pollution, such as trash on the roads or contamination of rivers, further hampers tourism development.

In **Budva**, where particular attention was paid to the **territorial and environmental planning**, the municipal general spatial plan has been adopted before and in partial contradiction with the succeeding national spatial plan. In addition, there is a serious problem of mass illegal construction, including notorious tourist complexes and hotels; uncontrolled urbanization of recent years jeopardized the beauty of this city.

In the sector of territorial and environmental planning, the framework is the Law on strategic environmental assessment, but it is inadequately implemented at the local level. Many stakeholders are active in this sector, and notably the Ministry of Tourism, the Ministry for Spatial Planning and Environment, the Environment Protection Agency of Montenegro, and the Ministry for European integration at national the level. At the local level, in addition to the Municipality, the Agency for spatial planning founded by the Municipality of Budva and the local branch of the national Tourist organization in Budva are the most influential stakeholders. Local stakeholders intend territorial regulations differently, and some of them, including the local Socialist People's Party, have been fighting since longtime against illegal construction and other transparency problems in Budva's spatial planning.

Vojvodina's economy is dominated by agriculture and the food-processing industry. Vojvodina has still great potential in developing agriculture, but more investment is needed to fill the technical and technological gap with other European regions. The **transnational growth and integration of local productive systems**, which is the focus of the research, is an actual challenge. The agricultural production is characterized by fragmented agricultural family holdings, both in terms of size and location; there are 441 enterprises in the agro-business industry and agricultural cooperatives in Vojvodina, as well as a few dozen foreign companies.

The region is characterized by a good institutional thickness, shown by an easy access to local officials, and notable mobilization capacities of local actors. In the last ten years, Vojvodina government has paid much attention to the creation of institutional frameworks supporting economic development and, in cooperation with donor agencies, to the establishment of regional agencies and development funds.

In the sector of SMEs and economic growth, local institutions are major stakeholders, in particular the Provincial Secretariat for Interregional Cooperation and the Provincial Secretariat for Agriculture, Water Management and Forestry. The Faculty of Agriculture is another influential actor, and one of the most prominent scientific institutions in the field of agriculture in Serbia. Alma Mons, a regional development agency, is a business support organization especially active in Novi Sad and South Backa district in Vojvodina. Anyhow, it is worth noting that the national Ministry of

Agriculture, Water Management and forestry keeps in its hands most of the competences in the sector of agriculture, leaving little decisional power to Vojvodina.

1.3 - Conclusions

The analysis and comparison of the different themes/territories in the seven case studies allowed to highlight interesting governance questions concerning local development, decentralisation of SEE countries and internationalization opportunities in the territories considered.

In conclusion, it is worth stressing the following aspects, as emerged from the territorial case studies:

- Territories share common governance problems with respect to vertical subsidiarity and decentralisation issues, since most of them suffer from lack of institutional capacities and resources, which limits the management of new competences. Anyhow, some territories, Vojvodina and Istria in particular, aspire and are ready to deal with greater responsibilities;
- Territories differ in terms of horizontal subsidiarity, since some of the seven case studies (the municipality of Budva and the municipality of Travnik in particular) show active conflicts among different stakeholders with respect to the management of common resources such as landscape and territory; while in the case of the Rugova Valley (Pejë/Peć area) in Kosovo stakeholders seem readier to collaborate.
- Case studies present different visions of local development. Some of them (the municipalities of Trebinje and Travnik in particular) are facing social and economic crisis, being still linked to the industrialization model almost dismantled. They are seeking new economic specializations to counter the de-industrialization process, but opportunities are few and difficult to reach, big investments are needed and funding is lacking. Some other cases, like Vojvodina and Pejë/Peć, are clearly oriented towards new models of development. The case of Pejë/Peć is particularly relevant in this respect, since investments in mountain tourism can be profitable only if accompanied by investments in fighting pollution and infrastructures, with additional potentialities in the case of corridors and connections to the sea. An integrated approach to local development is to be implemented.
- Greater territorial cohesion at different geographical scales and higher collaboration among institutional levels are needed. In Istria, for example, there are significant discrepancies at regional scale with respect to actual and potential development of the coasts and the inland, a problem which seems to have worsened in recent years. In this case the regional institutional level has an important responsibility and competence in implementing a policy of reduction of territorial disparities by collaborating with the local level. At national scale, specific territories suffer strong marginality, and Travnik and Shkodra are examples of that, the first for its geographical position, the second for political reasons. In these cases more cooperation between central and local levels is required.
- Territories have very different opportunities and capacities of international relations. Istria and Vojvodina are extremely active and crossroads of a number of international cooperation programmes. Vojvodina in particular seems to benefit greatly from international activities, with a strong capacity to participate in them. On the contrary, Travnik is almost out of international cooperation opportunities and with low capacity of applying for international funds; while Budva has opportunities to intercept cooperation programmes but suffers of low capacity.
- Finally, the financial components of the cooperation are changing: the trend is a reduction of bilateral grants, while bilateral concessional loans increased in the last years. Anyhow, Kosovo is an exception, since a huge number of development programmes are still active; but this is linked to its special political situation.

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Annual Survey and Indicators on Political Rights and Civil Liberties (Freedom House)

Corruption Perceptions Index (Transparency International)

Country Policy and Institutions Assessment (World Bank)

Electoral Quotas for Women Database (International IDEA and Stockholm University)

Gender Empowerment Measure (UNDP Human Development Report Office)

The Business Environment and Enterprise Performance Survey (The European Bank for Reconstruction and Development and the World Bank Group)

World Governance Assessment (United Nations University)

Worldwide Governance Indicators (World Bank Institute)

Other resources

Association of Local Democracy Agencies: <http://www.ald-europe.eu>

Council of European Municipalities and Regions: <http://www.ccre.org>

European Network of Training Organizations for Local and Regional Authorities: <http://www.entonet.org>

Network of Associations of Local authorities of South-East Europe: <http://www.nalas.eu>

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Local democratic governance in Shkodra Region

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Assignment done under the CeSPI guidance

First Report

SeeNet Programme

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



November 2010

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ACRONOMYS

CDC	COUNTY DEVELOPMENT COUNCIL
COE	COUNCIL OF EUROPE
CSR D	CROSS-CUTTING STRATEGY FOR REGIONAL DEVELOPMENT
DLDP	DECENTRALIZATION AND LOCAL DEVELOPMENT PROGRAMME
DOL	DIVISION OF LABOUR
DSDC	DEPARTMENT FOR STRATEGY AND DONOR COORDINATION
DTS	DONOR TECHNICAL SECRETARIAT
EAMIS	EXTERNAL ASSISTANCE MANAGEMENT INFORMATION SYSTEM
EC	EUROPEAN COMMISSION
EU	EUROPEAN UNION
FTI	FAST TRACK INITIATIVE
GER	GENERAL ENROLMENT RATE
GTS	GOVERNMENT TECHNICAL SECRETARIAT
HH	HOUSEHOLD
IC	INTER COOPERATION
ILO	INTERNATIONAL LABOUR ORGANIZATION
IPA	INSTRUMENT FOR PRE-ACCESSION ASSISTANCE
IPS	INTEGRATED PLANNING SYSTEM
IPSIS	INTEGRATED PLANNING SYSTEM INFORMATION SYSTEM
LEDA	LOCAL ECONOMIC DEVELOPMENT AGENCIES
LG	LOCAL GOVERNMENT
LGU	LOCAL GOVERNMENT UNIT
MIPD	MULTI ANNUAL INDICATIVE PLANNING DOCUMENTS
NSDI	NATIONAL STRATEGY FOR DEVELOPMENT AND INTEGRATION
MoI	MINISTRY OF INTERIOR
MoF	MINISTRY OF FINANCE
MTBP	MIDTERM BUDGETARY PROGRAMME
NSDI	NATIONAL STRATEGY FOR DEVELOPMENT AND INTEGRATION
SECO	STATE SECRETARIAT FOR ECONOMIC AFFAIRS
SDC	SWISS DEVELOPMENT COOPERATION
SWAP	SECTOR WIDE APPROACH
SWG	SECTOR WORKING GROUP
UN	UNITED NATIONS
UNDP	UNITED NATION DEVELOPMENT PROGRAMME
WB	WORLD BANK

1. LOCAL COUNTRY CONTEXT

Albania is a small country with a population of 3.1 millions inhabitants. After almost half a century of an extremely centralized government, Albania undertook a path of political decentralisation, with the first local democratic elections held in 1992. Despite the significance of this initial political move towards increased democratic representation, local administrative and fiscal autonomy remained very weak. However, the decentralisation process received a second boost in the late 1990s; between 1998 and 2000 the country formally ratified the European Charter of Local Self-Government, incorporated its key principles into the new Constitution, and passed legal reforms for local self-governments.

The provision of public services in Albania is in a transitional phase, from a highly centralized, hierarchically de-concentrated system, to a decentralised decision-making structure formalized by the 2000 legal reform. This legal reform represented a turning point in intergovernmental fiscal relations, which, *inter alia*, broadly assigned responsibilities to local governments.

Albania is implementing the national strategy of decentralisation and local autonomy, making significant progress in decentralisation while aiming to achieve consistency with the principles of the European Charter of Local Self-Government of the Council of Europe (CoE). Key challenges of the decentralisation process, identified in the National Strategy for Development and Integration (NSDI), include: improvement of the legal and regulatory framework in order to increase authority and autonomy of local government; fiscal decentralisation; strengthening capacities of local government staff and of regional councils; transfer public utilities and public property to local government.

MAIN FUNCTIONS AND RESPONSIBILITIES. RESPECTIVE AUTONOMY OF LG

The basic principle leading the division of responsibilities between the central and local government and among the levels of local government, is “securing the highest level of public service at a government level as close to the public as possible”; this is also defined as the principle of subsidiarity. This implies maximal effectiveness and efficiency in exercising functions and providing services and accountability to the public.

Social development functions: This field includes functions such as education, public health, traditions and culture, social development, minorities, civil society development, human rights, information dissemination to population as well as among stakeholders. In areas such as traditions and culture, local government units have complete promotion responsibility through the support of local initiatives and activities, local cultural groups, etc. Local government units play an important role, sharing responsibilities with the central government, within the national policies defined by law; they have administrative, service and investment authority, and partial regulatory authority, within well-defined national policies and with minimal standards of inputs and outputs.

As far as *primary health care and public health protection* are concerned, local government bodies have complete responsibility and authority on specific sectors of vital importance for the protection and improvement of the population’s health, such as: supplying the population with hygienically clean water; providing for an appropriate environment (waste collection and removal, etc.); removal and treatment of wastewaters; food security for consumer protection; cleaning and greening.

In addition, *in local finances and budgeting*, in order to independently regulate and administer the local issues under their jurisdiction, local governments have the right to collect and spend revenues under their authority and discretion. The revenues of the local government comprise: i) local revenues and ii) revenues generated from the share of national revenues.

There are several fiscal policy measures which allow to carry out a number of important public services by the LGU directly or on behalf of the central government, and which contribute to increased convergence of LGUs total incomes; they fall into the following categories:

Unconditional transfer (based on population and an equalization formula) to the LGUs to support their own incomes and provide necessary services

Conditional transfer to cover costs of functions delegated from the central government and called shared functions

Competitive grants are from the state budget. They fund projects covering sectors of local government, and are distributed and monitored in collaboration with the local government representatives.

The competitive grant is composed of state budget funds, allocated to ministries or institutions, for capital expenditures related to the functions of local government units. In the years 2006, 2007 and 2008 the criteria formulated for the allocation of competitive grants seemed to be very broad, “flexible” and vague, with not sufficient specification; they mainly related to level of impact on social and economic development, level of accordance with regional and local priorities, impact on poverty reduction or increase of the access to basic services, number of inhabitants benefiting directly or indirectly from the project, ongoing projects and the quality of the projects. It is the MoI, the MoF and representatives from the association of LGUs that are responsible for defining the indicators for each criteria. Lack of strong and detailed definition of criteria and lack of quantification might be a reason why there are cases that show no relevant relation between poverty and the amount of grant allocated to a LGU, which means that poor LGUs receive less financial support than it was expected.

2. THE ORGANIZATIONAL STRUCTURE OF LOCAL GOVERNMENT

Although Albania is a small country, its territory is formally divided into 374 first-level local self-government units (65 municipalities and 309 communes). This entails a situation in which 48 percent of these self-governing units, representing 17 percent of the country’s population, are made up of communities of less than 5,000 inhabitants – or 54 percent and 30 percent, respectively, in the case of the communes (Fig. 1). As with many other European countries in transition, this fragmentation raises concerns that go beyond economic efficiency matters (e.g., economies of scale and externality spillovers) to include considerations of political and administrative nature.

So far, development programmes have been designed by the government and implemented by line ministries with a low level of participation by local people and communities; these have not been able to express their needs and tailor specific programmes allowing them to get away from a low degree of development. Due to the decentralisation process, some competencies are delegated to local government and new roles have been defined for them.

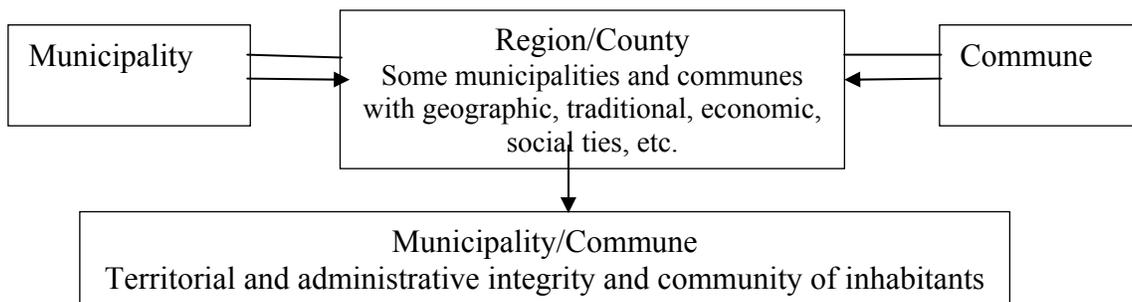
The discontinuation of the old districts and their replacement by a second level of local self-government (i.e., the Regional Councils) constituted an innovative facet of the 2000 territorial-administrative reform. According to the new law, there are three administrative local levels in Albania on which the flow of information and responsibilities is spread. These three levels have been defined as follows:

Commune: represents a territorial and administrative unit located in rural areas and specified urban areas. It is subdivided in villages and in some special cases in towns. The size, name and centre of the commune are determined by law.

Municipality: represents a territorial and administrative unit in an urban area or in specific cases in rural areas. It is subdivided in quarters which must have more than 15000 inhabitants. Rural subdivisions of a municipality are called villages and are populated by more than 200 inhabitants.

Region (Qark): represents a territorial and administrative unit which is composed of communes and municipalities with traditional, geographic, social and economic ties. This is a coordination body in charge of development at the regional level. The region/county is responsible to develop, implement regional policies and harmonize them with national policies at the regional level. The regional council, as a community representative body at this level is established for the administration of resources; it is based on representation and comprises the mayors of the communes and municipalities, and members of the respective councils, in proportion to the number of inhabitants of each LG unit.

Figure 1 - The organizational structure of local government



Albania has initiated a decentralisation process, by which administrative, political and fiscal tasks, competences and resources are transferred to municipalities and communes. Local government units are challenged by this process, as their resources, capacities and competences are still limited; although considerable efforts have been made in this direction and some progress has been observed in the years following the reforms, there is still a long way to go to bring the reforms into satisfactory practical implementation. Improving implementation capacity, especially at the local level, is a necessary condition for proceeding successfully with decentralisation.

In 2002, the central government transferred the authority and competence in the area of public services and infrastructure, in social, cultural and sports services, in the area of local economic development, and in the public order and civil protection area to local government. Besides, the 2002 State Budget approved and applied for the first time the concept of giving the unconditioned transfers for the local government, according to a formula. This formula balanced the need to take into consideration objective criteria regarding the local services' costs and of providing for a level of equality to support the poorest local government units. For the first time, local transfers from the state budget became transparent and predictable, which constituted a very big improvement in assisting budget management by the local officials. Thus if we take as an example the Shkodra region in the table below, we see an increase in budget management of the central level and local level incomes.

Source of income	2008 (Lek)	2009 (Lek)	Increase
Central level grant	318,454,000	346,361,000	8.8%
Own income	355,229,000	418,600,000	17.8%
Total	673,683,000	764,961,000	13.5%

3. CONTEXT OF SELECTED TERRITORY

The population of the region is located in 3 districts, which include 5 municipalities, 6 towns, 29 communes and 269 villages (see table 1). Approximately 2/3 of the population lives in the district of Shkodra. Most of the population lives in the villages, approximately 62.3% compared to approximately 58% for the country level. Approximately 53.7% of the population lives in the villages of Shkodra district, while in the two other districts there is a prevailing rural population. In the districts of Malesia e Madhe and Puka approximately 89% and 82% of the population live in the villages. According to the percentage of the rural population, the district of Malesia e Madhe ranks first at the country level, while the district of Puka is ranked the fifth.

Table 1 - Administrative and territorial division of the region

Districts	No. of Municipalities	No. of Communes	No. of Villages	No. of towns
Shkodra	2	16	138	2
Malesia e Madhe	1	5	56	2
Puka	2	8	75	2
Region	5	29	269	6

4. DEMOGRAPHIC FEATURES

The region of Shkodra is ranked the fifth as regards population numbers, and the second as regards its surface. The average density of the Shkodra region is approximately 71.8 persons per square kilometer, which is below the country's average. The region of Shkodra has the highest density with 94 inhabitants per square kilometer. The following figures show the age group composition of Shkodra region population and its composition in comparison with other regions of Albania.

Figure 2 - Shkodra region population pyramid for the year 2008 (estimated population)

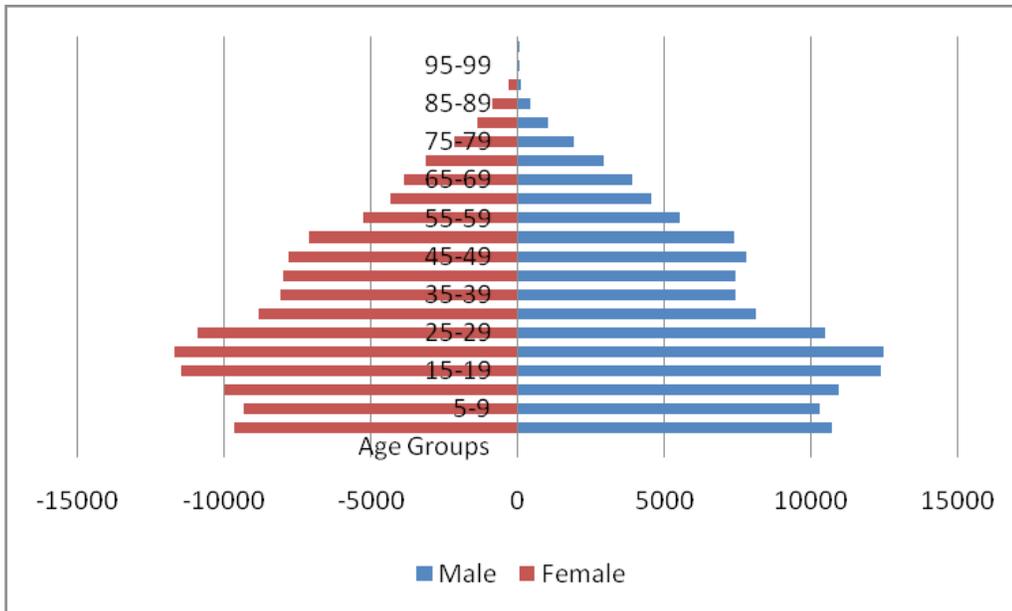
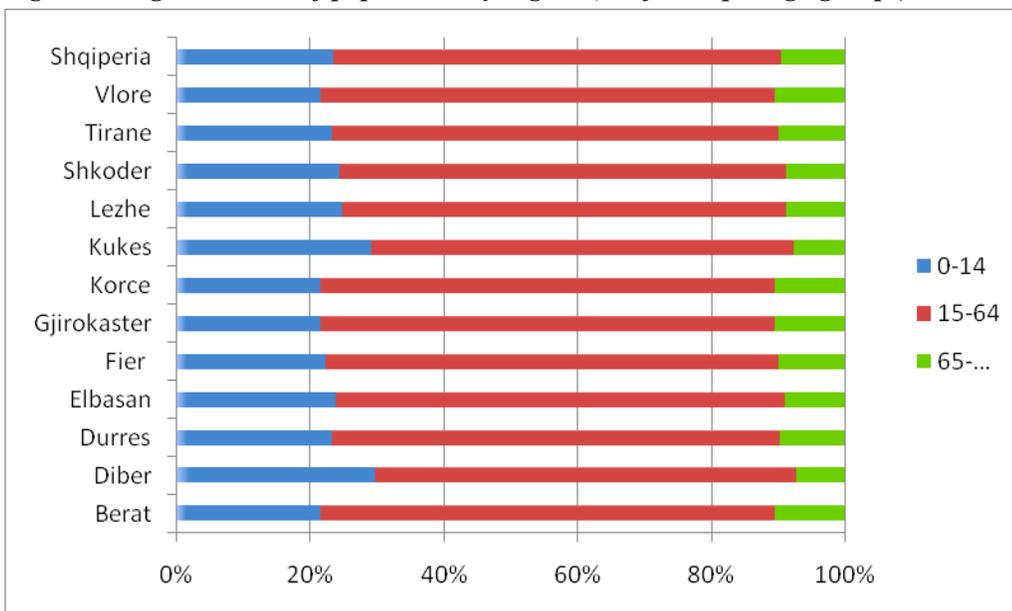


Figure 3 - Age structure of population by region (% of total per age groups)



Source: INSTAT

The figure below (Figure 4) shows Shkodra region's LGUs grouped by their populations. We can see Shkodra where 39.4% of LGUs have 2000-5000 inhabitants, while 46.5% have between 5000 and 10000 inhabitants. This region has also 3 LGUs with more than 30000 inhabitants.

Figure 4 - Shkodra region map

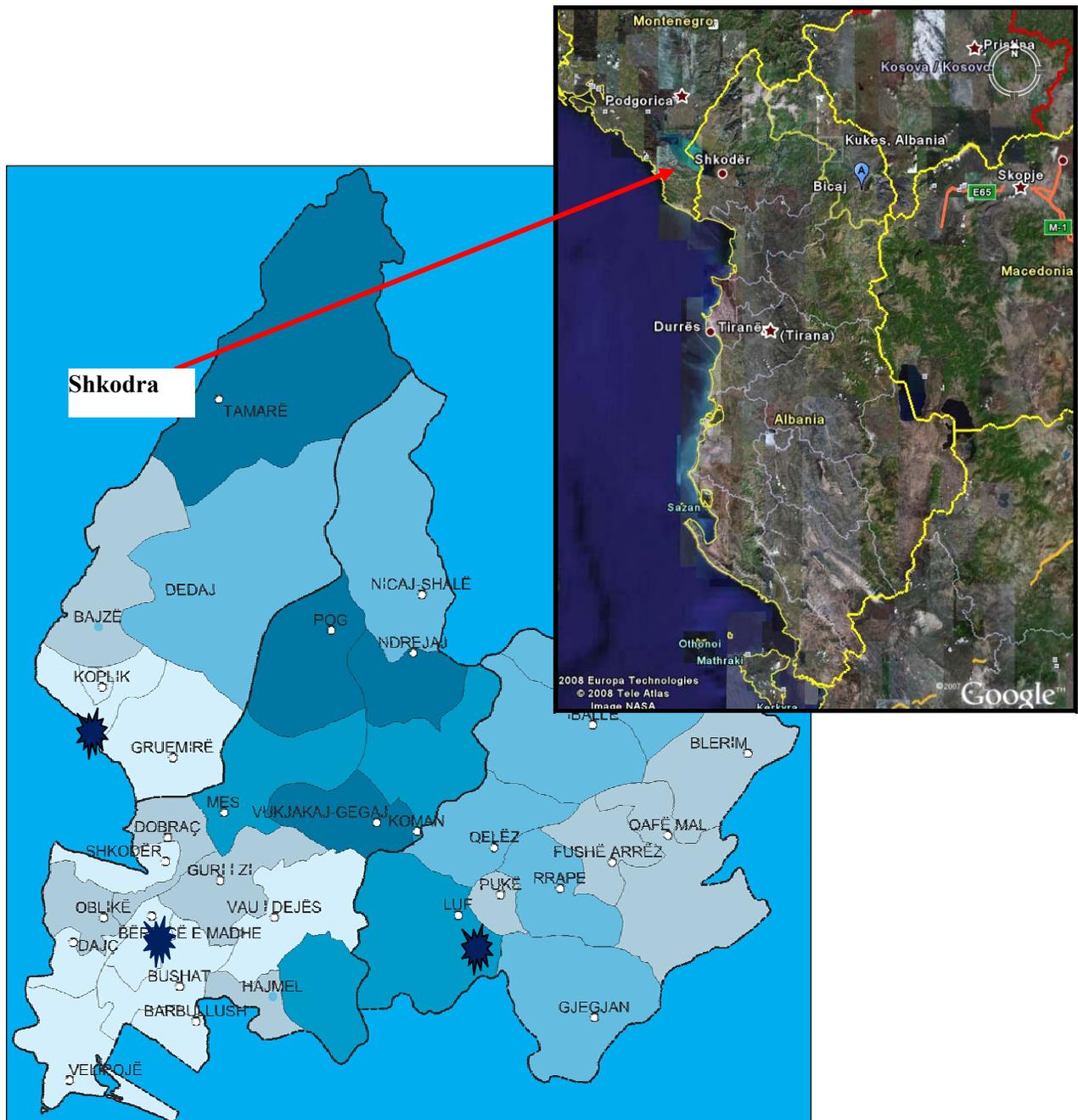
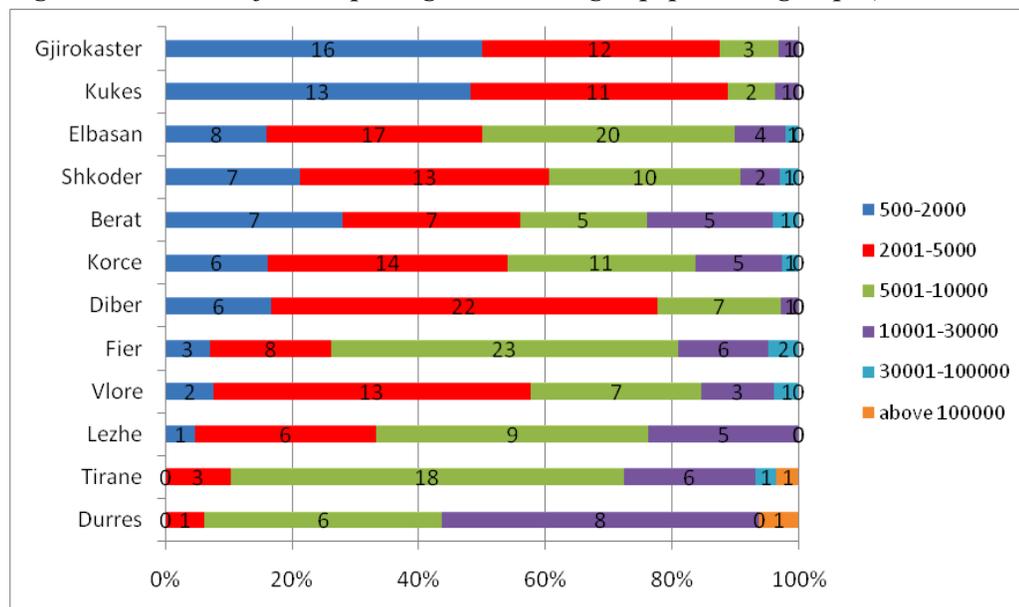


Figure 5 - Number of LGUs per region according to population groups (count and %)



5. THE LABOUR MARKET

The active population of the Shkodra region currently accounts for approximately 41% of the total population of the region, compared to 57% in 1989. The decline in the active population is due to international migration and internal migration of the working age population and it is true both for the urban and for the rural areas. The decrease in the active labour force is greater in the district of Puka.

A large share of the labour force of the region is engaged in the private agricultural sector. This represents approximately 47% of the active population, and approximately 65% of the total employment. In the districts of Malësia e Madhe and Puka, this is also the prevailing employment sector, which accounts for respectively 90% and 81% of the employed. In the district of Shkodra, in the last ten years, the population in the villages has declined by approximately 18%, while there is an increase of the population numbers in the urban areas by approximately 8.7%, which indicates that the movement of the population from the villages to the urban areas within the region has in fact been more evident compared to the movement from the cities itself.

The active labour force employed in the non-agriculture sector in the urban areas represents approximately 38% of the total employment. Approximately 2/3 of the employed work in the public sector, mainly in education and health sectors, while 1/3 are engaged in the private sector.

The table and figure below show the change in the employment by sector of Shkodra region while looking also to the trend of increase of active enterprise through the years 2001-2008.

Table 2 - Employment of Shkodra region by sector, % to total

	2001			2008		
	Public sector	Private, non-agriculture sector	Private, agriculture sector	Public sector	Private, non-agriculture sector	Private, agriculture sector
Albania	20.5	22.3	57.2	18.1	37.8	44.2
Shkodra	21.7	9.3	69.1	15.7	38	46.4

Figure 6 - Labour force participation by gender in %, 2008

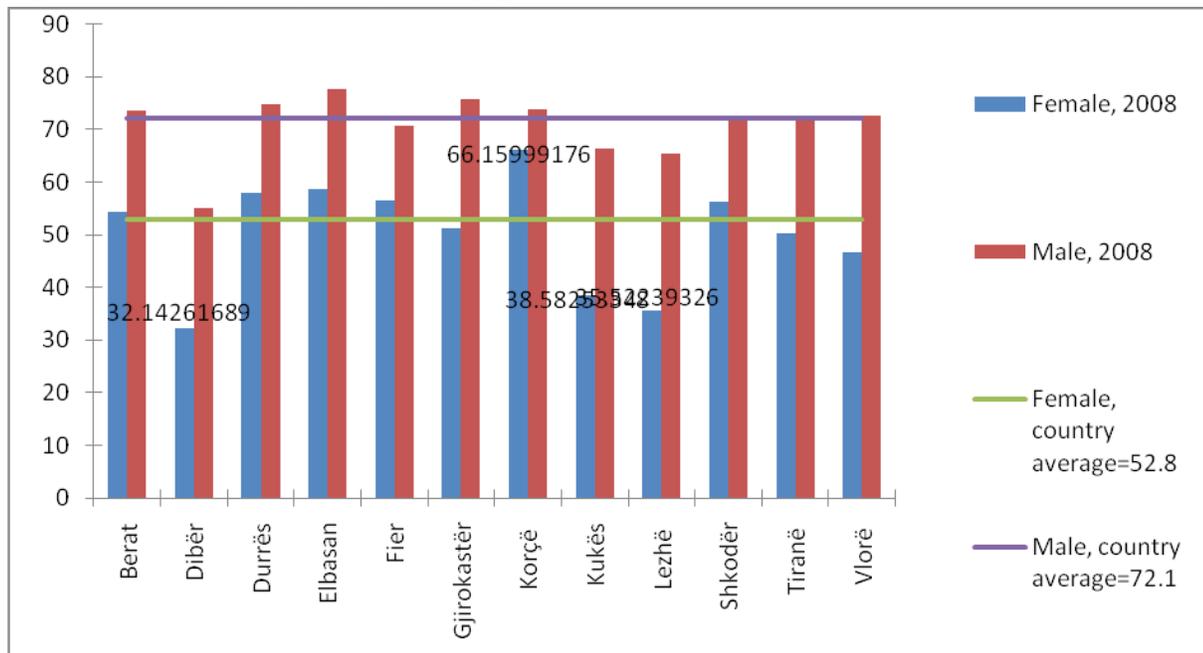
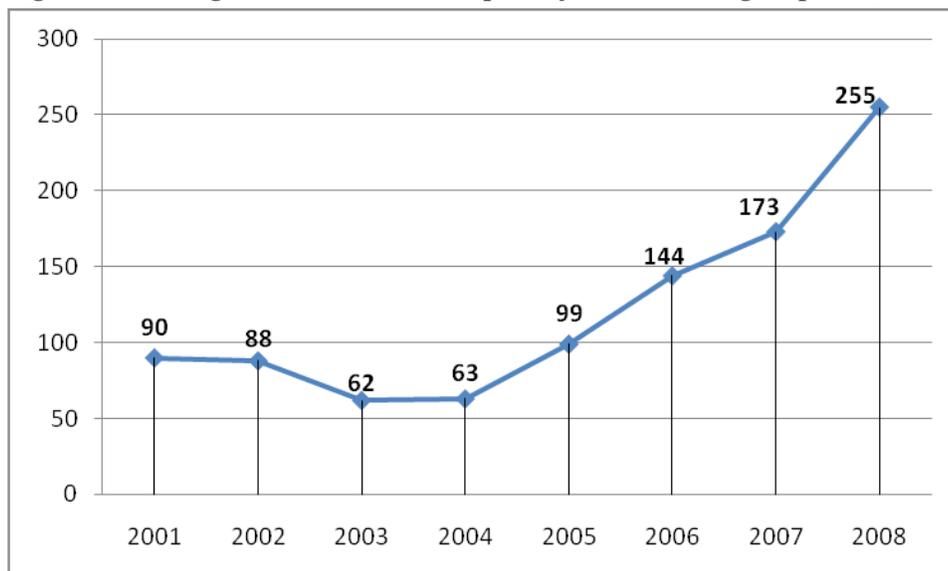


Figure 7 - Non-agricultural active enterprises for Shkodra region per 10,000 inhabitants, 2001-2008



6. SOCIAL ASSISTANCE

The Social Assistance Scheme started to function in 1993 and is a national economic programme providing **cash benefit** for poor families with insufficient income. The benefit is distributed every month. It may be partial or full depending on the level of the family incomes. Economic aid is given to all families in urban and rural areas without or with insufficient income. The amount of partial assistance is calculated as a difference between the full amount of social assistance and the real family incomes. The following table shows the position of Shkodra District in the light of the headcount poverty indicator, as well as a picture of families that get social assistance in this region. From Table 3 Shkodra shows a moderate inequality of consumption, leaving behind even some southern regions such as Vlora and Gjirokastra, with much lower poverty level. Besides, the decrease in the number of families getting assistance from the year 2001 to 2008 reflects the reduction of the poverty level during this period.

Table 3 - Headcount poverty and degree of consumption inequality by region

	Qark	Head count Count	Consumption	Gini
1	Diber	42.77	6125	28.3
2	Kukes	39.98	6282	27.5
3	Lezhe	36.68	6898	30.7
4	Shkodra	32.77	7025	28.6
5	Elbasan	31.84	6852	26.6
6	Fier	29.71	7365	28.8
7	Korce	26.95	7405	27
8	Berat	26.42	7233	25.6
9	Durres	24.77	8412	31.2
10	Tirane	23.44	8201	29.5
11	Gjirokaster	19.38	8393	27.4
12	Vlore	18.26	9817	33.5

Table 4 - Number of families getting social assistance by type – full/partial assistance for the year 2001-2008

2001				
Partial Assistance		Full Assistance		
City	Commune	City	Commune	
1190	14,105	8,354	140	
2008				
Partial Assistance		Full Assistance		
City	Commune	City	Commune	
827	9,665	5,463	0	

Source: INSTAT 2004

The central government provides each local government unit with a budget that is managed by the local government for a series of services including the payment of social assistance benefits for poor families. Approximately 30% of the households in the urban area of the region of Shkodra benefit from social assistance (*ndihme ekonomike*), which in average is approximately Lek 3,425 per month or 24.86 euro.

Table 5 - Selected indicators for Shkodra region

YEARS	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009
Education								
Primary (9-yrs)								
General Enrolment Rate (GER)	84.36							95.67
Enrolled students	45132	43299	41763	42026	40179	38141	36241	38768
Graduated	4649	4746	4773	4762	4729	4789	4,504	NA
Teachers/10 000 inhabitant	96.7	94.3	93.4	91.1	92.1	98.2	95.3	99.7
Students per teacher	18	NA	17	17	17	16	15	16
High school								
GER	36.74							62.07
Enrolled students	8740	9590	10382	11688	12177	14011	14777	10550
Graduated	1381	NA	1851	1837	2383	2168	2535	NA
Teachers/10 000 inhabitant	21.66	21.81	21.86	23.09	25.03	25.59	25.79	24.46
Students per teacher	17		19	17	20	24	17	13
	2001	2002	2003	2004	2005	2006	2007	2008
Total expenditure of state budget for Ministry of Education and Science - Expenditure (MLN LEK)								
	1546	1475	1170	1802	2,108	1,515	2.343	2,908
Health								
Beds per 10 000 inhabitants	31	31	29	28	29	29	29	29
Circulatory system death rates/10 000								
	15.09	23.52	NA	33.75	NA	27.08	19.37	20.51
Total expenditure of state budget for Ministry of Health - Expenditure (MLN LEK)								
	939	5504	611	904	921	778	918	957
Access to water system	73.1%							76.4%
Social								
Families getting social assistance per 10 000 persons								
	917	877	836	804	759	718	655	649
Average of social assistance per household								
	30253	31531	32691	35096	30918	31219	24923	28300
% of urban population	37.55	37.94	38.16	38.28	38.89	39.18	38.84	38.61
Population change as result of population movement								
	2002	2003	2004	2005	2006	2007	2008	2001/2008
	-1.21%	-0.26%	-2.08%	-1.36%	0.18%	0.78%	-1.46%	-5.30%

Source: INSTAT publication

The above table gives a picture in terms of data in regard of health and education trends in the Shkodra Region, showing the contextual framework where this analysis take place. The above data show that in relative terms enrolment at primary and secondary education (8-9 years) is slightly increasing, since from 2001 to 2008 it results to have risen from 84.36% to 95.67%, while the GER in high schools (>8/9 years) reveals much greater dynamics.

In regard to health, the indicators selected, the number of beds for 10000 inhabitants particularly, do not show significant change, which reflects a non-flexible health care policy, and a reform in the tertiary level which in turn might not be able to follow the dynamics and the significant redistribution of population in the region.

The quality of the water supply system and of access to the system is linked to the water reform initiated in Albania after the year 2000, when water supply was decentralised and allocated to local government units as an exclusive service. The real transfer of water systems has in fact taken place around 2007 and it is not yet totally completed. The LGUs are not able to cover capital investments and most of the funds go for operation and maintenance of old and inefficient water systems. Apart from the large need for investment in improving the water systems, a difficulty for private operators to enter a subsidised market is also observed (WB PSIA 2004). Another reason for low access to water supply is urbanization and the highly dynamic demographic changes: infrastructures and service supply have not followed the demographic dynamics. Moreover, the informal settlements established at the cities outskirts have normally no access to services and add up to the total number of families that do not have access to water.

7. COOPERATION SCENARIO

Bilateral and multilateral donors began to discuss the problem of donor fragmentation, duplication of efforts and lack of absorption of donor assistance in early 2003. The European Commission, UNDP, OECD and the World Bank were given stewardship of the coordination process by the donor community in-country, supported by efforts of a number of bilateral donors and international organizations. The Government thereafter responded with similar action.

- The main features of the Albanian coordination system are:
- Donor Architecture of 2003: an agreement of the donor community to allow four multilaterals donors (UNDP, EC, WB, OECD) to lead the process, reporting to all donors on a regular basis, with assistance from a large number of sector working groups;
- The twin steering and logistical functions since 2004: mirrored donor community and government bodies that are able to operationalise the will of both to improve aid effectiveness;
- New government planning and budgeting mechanism IPS: a state-of-the-art internal coordination system to transform vision and policy into multi-annual budgeting, programming, implementation and monitoring/evaluation¹.

The “donor architecture” of Albania is led by regular Quarterly Donor-Government Roundtables chaired by the Deputy prime minister. These quarterly roundtables of government and donor heads of mission address strategic issues of coordination, monitors the main progresses in improved aid effectiveness and provide a forum for government-donor dialogue on critical issues. At the roundtable there are reports on coordination efforts in the sectors. To prepare and coordinate the donor community prior to the ambassador-level roundtables, Development Counsellor Meetings are convened by the Donor Technical Secretariat (DTS)².

¹ http://dsc.gov.al/dsc/pub/external_assistance_orientation_document_10_1.pdf

² <http://www.aidharmonisation.org.al/?fq=mesi&gj=en&kid=161>

The DTS was formed by the four lead multilaterals to manage the coordination process, and the EC as the largest donor became its permanent Head. Initially the DTS was a working committee of high-level official representatives of the four lead multilaterals. In January 2005, the Government matched the DTS with the Government Technical Secretariat (GTS). This committee consisted of representatives of the core ministries – Finance, Economy, European Integration, Interior and Council of Ministers under the leadership of the Prime Minister’s Office.

As of December 2005, the Department for Strategy and Donor Coordination (DSDC) was established within the PM’s office with responsibility for the NSDI (National Strategy for Development and Integration), the Integrated Planning System (IPS), and aid coordination. Since its creation, this Department has been the counterpart for the DTS. The DSDC was created to:

- Co-ordinate the implementation of the Integrated Planning System (IPS), which will ensure that the government's priorities, including the requirements for EU and NATO integration, are fully reflected in the core government policy and financial planning processes;
- Co-ordinate the formulation and monitoring of the National Strategy for Development and Integration in which the government's priorities will be articulated;
- Ensure that external assistance effectively supports implementation of the government's priorities.

EXTERNAL ASSISTANCE BY TYPE

During the period 2000-2007, 48% of total external assistance was in the form of bilateral grants, followed by multilateral loans (22%), multilateral grants (19%), non-concessional loans (19%) and bilateral loans (11%). Bilateral grants have been variable, but have been lower in the last four years. The decline in bilateral grants has been roughly offset by an increase in bilateral concessional loans, resulting in relatively stable overall support from bilateral partners. Multilateral grants and concessional loans have been variable, but are currently below earlier levels. These have been offset by the growth in non-concessional loans, which come mainly from multilateral sources.

REGIONAL DEVELOPMENT:

Based on the National Strategy for Development and Integration 2007-2013 as well as on the external assistance orientation document, one of the priority sectors where continuity of the external assistance is needed, as a major theme in reaching European standards, is Territorial development (including regional, rural and local economic and agricultural). EC and other donors with relevant experience, have ensured TA and logistical support to help build implementation capacity. Priorities for donor support include: modernization of agriculture farm, agri-environment and rural markets; and implementation of the National Strategy for Regional Development. The key challenges of this regional development crosscutting strategy are:

- a single policy framework for the socio-economic development of counties (‘National Programme for the Development of Counties’), a single socio-economic development programming document for the county (‘County Development Strategy’), and a single local agency to coordinate its implementation;
- a government plan for the development of the Disadvantaged Areas and the allocation of a special budget line in order to operate special support schemes for both disadvantaged regions and disadvantaged communes and municipalities. This will build on a new partnership between national, county, municipal and commune stakeholders, and the County Partnership Council.

- Future donor support key challenges over the period 2007-2013 remain³:
- a single policy framework for the socio-economic development of counties ('National Programme for the Development of Counties'), a single socio-economic development programming document for the run ('County Development Strategy'), and a single local agency to coordinate its implementation;
- a government plan for the development of the Disadvantaged Areas and the allocation of a special budget line in order to implement special support schemes for the disadvantaged areas.

Table 6 - Needs and orientation for external assistance, by sector⁴

Sector	Needs	Gaps in donor programming
Democratization and rule of law	Will continue to require a significant share of public investment, with a critical role for external assistance	The strong emphasis on public administration is welcome, but justice and public order should feature more strongly in donor programming.
Economic development	Urgent need to establish the institutions and mechanisms, to be followed by large funding for private sector development, including rural and regional development	Gets the highest emphasis of all sectors in donor programmes, suggesting that donors are preparing for increased support, in line with NSDI priorities.
Transport	Continued top priority for the next four years at least, after which focus will shift from major to minor roads and to road safety	Good support in donor programmes. Needs to be sustained for several more years, although domestic finance will dominate.
Social development	Immediate focus on reforms and institutions, to be followed by investment	The interest in donor programming documents is wider than the current support, suggesting that the support of more donors for the social sector may be attained.
Territorial development	Expanding support for local, rural and regional development will be a very significant feature of EU integration	Regional and rural development, agriculture and urban planning do not feature strongly in donor programming documents and need to be given more emphasis.

8. RELATIONSHIPS WITH ITALY

The bilateral cooperation between Italy and Albania, that aimed to guarantee assistance to the Albanian population after the fall of the regime, saw a first important moment with the large Joint Commission, gathered in Rome in November 1992. Hereinafter, Italy and Albania worked together at the drafting of a Country Plan (the first for the Italian Development Cooperation), necessary for the next cooperation agreement and at the origin of a Declaration of Intent, through which the Parties agreed on the planning of interventions completely in line with the General Action Directories for the rehabilitation and the economic and social development in Albania, identified by the Albanian Government in accordance with the main bilateral and multilateral donors. The long-standing Italian Development Cooperation commitment for Albania reflects the deep friendship between the two countries. The Italian Cooperation is acting in a number of areas, aligning its interventions to the national and sectoral

³ Council of Ministers, External Assistance Orientation Document, April 2008.

⁴ Ibid.

strategies adopted by the Albanian Government and designing them in coordination with the other donors.

The Italian Development Cooperation supports the ongoing processes of institutional strengthening and socio-economic growth and assists Albania in its path to European Union membership. As stated in the new Development Cooperation Protocol, the resources of the Italian Development Cooperation in Albania for the period 2010-2012 totalled 51 million euros, of which 28 million euros as aid credit; 3 million in grants, 20 million euros in the form of debt conversion. The programme to support social development policies – 20 million euros (conversion debt) will be oriented to social development, in particular to the educational, health and labour policies), the Protocol establishes the basis for the first debt-for-development SWAp agreement.

9. IMPLEMENTATION OF COOPERATION AGREEMENTS

In order to facilitate a well structured Albanian development, since 2002 international aid – including Italian-funded initiatives – has been referring to the so-called Public Investment Plan (PIP), which envisages:

- the continuation of the urban and rural development plan;
- investment in the water supply and energy sector, together with a restructuring programme;
- the development of private businesses;
- the reform of the education and health sectors in a way to better assist the poorest and the most disadvantaged groups;
- the progressive adjustment of the Albanian administration to EU democratic and institutional standards.

Afterwards, PIP was replaced by the Integrated Planning System IPS (2006-2008) which is the current strategic document integrating the NSDI guidelines with the EU Stabilization and Association Agreement.

Partnerships between Albanian and Italian stakeholders have been continuously promoted, through implementation of various programmes and specific cooperation agreements. Joint activities were consolidated and implemented with the Regions of Marche, Molise, Puglia, Friuli Venezia Giulia, Sardinia and Emilia Romagna with local government authorities in Albania (Vlore, Shkoder, Elbasan, etc.).

Specific agreements were also reached with the University of Perugia and the Universities of Ancona and Trieste for the organization of several intensive courses on democratic governance, decentralisation, territorial development planning and management, etc., with the University of Tirana.

International cooperation was reinforced with several UN Agencies such as the UNDP, UNICEF, WHO and ILO, as well as with international cooperation agencies such as the GTZ, SIDA, SNV and the Italian and Swiss Cooperation.

Some of the main programmes implemented through the Italian cooperation agreements are:

- The “Fast Track Initiative on Division of Labour” (FTI/DoL), which aims at promoting progressive implementation of the EU “Code of Conduct on Division of Labour” among EU Donors, is a means for achieving greater aid effectiveness. Albania was selected as a pilot

Country for FTI/DoL where Italy acts as “facilitator”. The local EC Delegation has invited EU and non-EU donors to provide their comments on the final draft version of IPA “Multi-annual Indicative Planning Documents” (MIPDs) 2009-2011. The aim was to start using MIPDs as a basis for future DoL, following recommendations of the “Conference on Donor Coordination in Western Balkans and Turkey” (Brussels, Oct. 2008)

- The Art Gold, first phase closed (September 2006 – March 2008) and second phase ongoing, has as its general goal that of promoting national co-operation framework activities for governance and local development. The initiative promotes the sharing of international best practices and innovations for local development and direct partnership with local communities, in particular through the strengthening of the capacities of regions, municipalities and other local institutions. The expected results of the programme are strengthening the capacities of regional institutions in Shkodra and Vlore to design and implement regional development strategic plans, supporting regional councils and local economic development agencies (Teuleda in Shkodra and Auleda in Vlore); strengthening the capacities of the central government, with regard to decentralised processes particularly, through the dissemination of good practices and the use of the ART international thematic network (IDEASS, UNIVERSITAS, UNDP LDA).

10. DECENTRALISATION AND DEMOCRATIC GOVERNANCE

There are several donors and programmes operating especially at the qark and local level, synergizing the intervention relevant to regional development. At present most of the donor programmes are focused in the region of Shkodra, while the UNDP currently works in Kukes and SNV implements a programme funded by the Dutch government in Diber. Some support is also provided at the centre to government and non-government institutions.

The Regional Work Group created is headed by the President of the Regional Council and by the Prefect. It brings together representatives of local public administrations and of the private sector: the mayors of the priority municipalities, two associations, and TEULEDA (Local Economic Development Agency). A technical unit for decentralisation and planning supports the Regional Work Group, in accordance with the national strategy for decentralisation.

AGA, a programme framed within the UN ONE overall strategy, aims at enhancing development results and impact by working coherently and cost effectively as ONE, in collaboration with the government and other partners for the development, progress, rights and prosperity of all people in Albania. The AGA Programme is implementing 10 projects in the region, in the following action fields:

GOVERNANCE

- Production of a territorial marketing document and of a regional plan for international cooperation.
- Support to the regional technical unit in running costs and human resources for territorial data collection and systematization within a functional module of regional development, with Ministry of the Interior and TEULEDA.

- Training for regional technicians on territorial planning and regional development planning, with Ministry of the Interior and TEULEDA.
- Support for the design of Albanian decentralisation structures was provided through meetings, workshops and the Local Economic Development Agencies (LEDAs), fully operational in Shkodra.
- Constant international technical assistance was provided to TEULEDA and AULEDA so that by the end of 2010 they become Regional Agencies of Integrated Development.

11. SUSTAINABLE SOCIAL-ECONOMIC DEVELOPMENT

ON LOCAL ECONOMIC DEVELOPMENT

- Implementation of the IDEASS project Compagnia dei Parchi (The Park Company), with Ministry of Interior, Ministry of Tourism and Culture, Ministry of Environment and Ministry of Transport and the participation of UNDP GEF Small Grant Project, World Bank Albania, GTZ (German Cooperation), SNV (Dutch Cooperation), the local authorities of Shkoder, TEULEDA.
- Support to TEULEDA to: implement capacity building activities for local authorities on LED in 2 communes; support local authorities in developing LED plans in 2 communes; carry out a survey on the potential for territorial economic development in the region of Shkoder; develop and disseminate territorial marketing documents; provide services to UNDP projects in the Shkoder region.
- Project Construction of nets for the integrated development of rural areas, with the Molise Region, funded by Italian Law 84 and implemented by TEULEDA, for pilot interventions in tourism and food safety and for starting to build a complex networks of relations between the two regions.
- TEULEDA is involved as a partner in nine INTERREG III A Adriatic cross-border projects.
- TEULEDA was continuously supported and strengthened to provide technical assistance on fundraising and finance management to local socio-economic development stakeholders.
- Technical assistance was provided to the TEULEDA for the implementation of a joint project between the Molise and Shkodra Regions, for: the establishment of a laboratory for the analysis of milk, olive oil and wine production, according to European standards; the creation of a tourism information and promotion centre for the Shkodra lake; elaboration of a tourist guidebook of the area.
- International technical assistance was also provided to both LEDAs for their participation in 11 cross-border cooperation projects in the Adriatic area funded by Interreg IIIA Italy-Albania, for the design and implementation of two Regional Strategic Plans and for the elaboration of preliminary studies and research on priority development projects and local production value chains.
- The Project did aim (2000-2006) to take into consideration the diverse development of the coastal area that consists of the provinces of Bari and Lecce and the corresponding areas of Albanian coast situated around Durres, Vlora, down to Saranda. The project's objective was to promote the development of these areas through the study and the offer of implements of

analysis of competitive advantages, of the potentials and perspectives of improvement in the context of current globalization processes, with a constant rely on the concepts of territory and sustainability.

HEALTH AND SOCIAL PROTECTION

- Start up of the Mother Kangaroo Method in the Shkodra Hospital and support to regional territorial health centres, with the Ministry of Health and WHO, in partnership with the Tuscany Region and the A.Meyer University Children’s Hospital of Florence
- Support to the Albanian Ministry of Health for the creation of “protected houses” for ex psychiatric hospital patients in the framework of the national mental health care reform.

CULTURE AND EDUCATION

- Establishing a computer lab in a high school in the Shkodra Region, with the Ministry of Education and Science, and the UNDP’s e-Schools Project.
- In the framework of the Nei suoni dei luoghi project, ART GOLD provides the “Progetto Musica” association of Friuli Venezia Giulia Region with logistic and promotional support to implement the activity in the region.

Table 7 - Total assistance of Italy by sectors (2000-2010)

Sector	Total Committed (2000-2010)	Total Disbursements (2000-2009)
Agriculture	12,190,265.00	8,600,795.00
Culture	1,072,303.00	1,023,516.00
Economy	29,256,300.00	5,829,254.00
Education	11,242,564.00	4,968,577.00
Employment	736,682.00	467,735.00
Energy	94,332,502.00	26,545,664.00
Environment	15,240,154.00	9,581,229.00
Gender equality and prevention of domestic violence	2,365,318.00	1,356,301.00
Health	41,272,867.00	17,902,337.00
Justice	230,340.00	203,340.00
Migration	1,773,340.00	1,023,722.00
Police, organised crime, terrorism and trafficking	753,410.00	616,728.00
Public administration	1,392,161.00	1,136,901.00
Public finance	725,281.00	725,281.00
Regional development	1,696,260.00	830,708.00
Rural development	3,496,544.00	1,543,075.00
Social inclusion	3,466,643.00	1,285,538.00
Social protection	123,243.00	109,483.00
Spatial planning	7,212,844.00	5,434,618.00
Tourism	1,835,497.00	270,194.00
Transport	62,210,400.00	22,053,353.00
Water supply and sanitation	29,097,546.00	13,804,268.00
Total (euro)	321,722,464.00	125,312,617.00

Source: <http://dsdc.gov.al/dsdc/pub/>

12. MAP OF OTHER RELEVANT COOPERATION STAKEHOLDERS - SHKODRA REGION

Regional development is horizontal by nature, since it intersects with many other sectors. Thus, an effective implementation of the CSRD would require very close cooperation and synchrony of actions taken in the framework of other sector and cross-sector strategies which have a say in local development. In addition, beyond management at the central level, regional development obviously occurs in the regions and is being implemented by the different levels of local government. In this context, a major influence (not necessarily negative) resides in the progress and course of the decentralisation reforms – especially with respect to administrative and territorial reform and the scope of regional government.

The effectiveness of external assistance management has been a concern of the Government and donors operating in Albania for many years and attempts to address this have gone through cycles of institutional architecture and process improvements. Government has been increasing ownership and its role in coordination of external assistance since the establishment in 2005 of the Department of Strategy and Donor Co-ordination (DSDC). DSDC central coordination role is to ensure organic links between the external assistance main policy and the financial processes of the government.

By coordinating the external assistance in Albania, DSDC provides a government contact point and orientation for donors with respect to strategic matters as defined in the National Strategy for Development and Integration, thus strengthening government leadership in this process. This orientation affects both the balance of assistance across sectors and the approach taken by external assistance within sectors, and assists donors in programming their assistance and in defining and managing projects by ensuring that domestic investment and external assistance are coordinated.

DSDC develops familiarity with different donor programmes and expertise with various external assistance instruments (e.g. grant vs. credit arrangements, pooled funding approaches) with a view to optimizing the match between government external assistance priorities and multi/bilateral donor programmes/aid instruments.

Donor Technical Secretariat was established with the purpose of facilitating a structured donor-to-donor and donor-government dialogue. The DTS, initially composed of four multi-lateral donors (EC, OECD, UNDP, World Bank), is expanded since 2008 with two bi-lateral donors (Germany and the Netherlands), whose membership will be rotated annually. DTS and DSDC work closely in organizing joint events.

The DSDC is leading the design and development of two information systems in support of its multi-faceted mandate for strategic planning, policy analysis, monitoring, evaluation and donor coordination: the Integrated Planning System Information System (IPSIS) and the External Assistance Management Information System (EAMIS) linked with the MTBP and Treasury systems.

UNDP

European and Euro-Atlantic integration, along with rapid and sustainable growth, remain overarching goals for Albania. In response, UNDP has launched programmes contributing to improved governance and institutional strengthening in Albania.

The *Integrated Planning System* (IPS) represents a broad planning and monitoring platform that aims to ensure that core policy and financial processes developed by the Government of Albania function in an integrated manner. These core processes include the National Strategy on Development and Integration (NSDI) and the Mid-Term Budgetary Programme. UNDP and other donor partners in the country are working together with the Government while offering expertise in the establishment of the Department

of Strategy and Donor Coordination (DSDC) under the Council of Ministers as the first step towards a successful functioning of the IPS.

Under the Integrated Support for Decentralization (ISD), during the period October 2008 – December 2012, an ongoing programme is contributing to the harmonization of national efforts and building of capacities and institutions for regional development in compliance with the national Cross-cutting Strategy for Regional Development and the EU regional development and cohesion policies and instruments. The action will contribute to fulfilling the above objective by specifically seeking to:

- Create and strengthen the necessary institutional, legal and administrative framework conducive to the implementation of local, national and EU development policy;
- Improve sub-national policymaking processes and capacities in development planning, implementation and monitoring in order to meet forthcoming challenges and opportunities for sustainable regional development;
- Improve local public infrastructure related to transport, environment and economic development by means of co-financing priorities identified through formal local planning process.

SWISS DEVELOPMENT COOPERATION (SDC)

Support to decentralisation is the most important contribution to the improvement of governance in Albania. Expanding services and increasing quality of local and central government offices, through strengthening their effectiveness and efficiency, and thus contributing to social and economic development.

Activities of the SDC contribute to greater transparency and information with regard to the work of the administration and help to improve the relationships between the various actors.

Swiss cooperation contributes to the enforcement of democratic principles, with particular attention to improved services and a greater participation of civil society:

- Local government guidance and furthering of local authorities;
- Access to information (archives, statistics);
- Building up the capacities of local actors;
- Support for the migration dialogue.

The *Decentralisation and Local Development Programme in the Shkodra and Lezha Region (DLDP II)*, of SDC, aims to contribute to the development of Northern Albania and to the decentralisation reform at the national level. The immediate objective is to strengthen capacities of municipalities and communes in Shkodra and Lezhë and enable these local government units to make efficient use of resources for improving the lives of the communities. At the local level, the Swiss Cooperation Office expects municipalities and communes in Shkodra and Lezhë to improve their governance structures and procedures, enhance their capacities and improve selected public services. The following outputs have been defined at the local level:

- Improved capacity of municipalities and communes in strategic planning and budgeting; selected units apply strategic planning instruments and methods, linked to annual and mid-term budget;
- Strengthened capacity of municipalities and communes to conduct financial and fiscal management, including mid-term budgeting;

- Improved local public services such as waste management, sharing of information, and one-stop-shops; equal access is made possible for all citizens, including women, poor and marginalized groups;
- Enhanced transparency and easier access to quality information and services through use of innovative communication and information mechanisms;
- More effective cooperation between communes and municipalities as well as between these units and the qark.

Intercooperation (IC) is a leading Swiss non-profit organization engaged in development and international cooperation. It undertakes mandates and manage projects⁵ on behalf of the Swiss Government, mainly SDC and SECO, as well as of many other government and private, Swiss and international funding partners. From 1st January 2006, IC started a new Decentralization and Local Development Programme (DLDP) in Northern Albania, funded by SDC (phase 1: July 2006-February 2010, phase 2: March 2010-February 2013, functioning through a programme support office in Shkodra).

The DLDP – phase II aims to support a group of 8 partner municipalities and communes in the Shkodra region – in close cooperation with citizens and civil society organizations – to successfully plan, implement and monitor a comprehensive and balanced process of decentralisation and local development. The following five working domains have been agreed with the partners:

1. Strategic planning (including monitoring and quality management);
2. Public services provision, management and administration;
3. Financial management (incl. local tax collection and participatory budgeting);
4. Participation of the civil society (including communication with the citizens);
5. Inter-municipal exchange and cooperation, as well as contributing to the national policy dialogue (horizontal and vertical integration).

Local partners are Co-plan Tirana, FLAG Tirana, ANTTARC Tirana, while international partners are Urbaplan Lausanne, Competence Centre for Public Management University of Bern and CreaConsult Biel.

USAID: LOCAL GOVERNANCE PROGRAMME IN ALBANIA

USAID's Local Governance Programme in Albania (LGPA) works with ten municipalities throughout Albania to foster local economic growth, improve local governance, and strengthen civic and private sector engagement in local development. LGPA's partner municipalities are Elbasan, Fier, Fushë-Krujë, Gramsh, Korça, Kukës, Lezha, Librazhd, Pogradec, and Shkodra.

Whereas the primary objective of the economic growth component of the LGPA is to help target municipalities to increase own-source revenues, the objective of the local governance component is to aid them to use existing revenues more effectively. LGPA provides technical assistance and on-the-job training to staff in the ten target municipalities on a variety of issues including tax collection, budgeting, borrowing, procurement, asset management, energy efficiency, and public services provision. This component both capitalizes on and enhances efforts undertaken in the Local Economic Growth component. Through better asset management practices, the municipality can identify assets that can be leased or disposed of to private investors for improvement. Improved tax collection allows the municipality to capture increased taxes from greater economic growth. Increased revenues from

⁵ <http://www.intercooperation.ch/projects/>

better asset management and tax collection allows target municipalities to improve the quality and efficiency of services provided to citizens and businesses.

GTZ

The German Cooperation (GTZ) is active in supporting regional development in the regions of Shkodra & Lezha with regards to: (i) planning processes – preliminary development plans and moderation of planning processes among stakeholders, (ii) concrete measures – pilot projects of assistance to Thethi tourism and producer groups in the rural area, and to the industrial zone, handicrafts market and Shkodra Lake in the urban area, (iii) networking – through establishment of one local action group (LAG) for regional/rural development and training measures on regional development. GTZ is following closely developments on the area of regional development and stands ready to provide support in coordination among various levels. In different donor coordination meetings on decentralisation and regional development GTZ has stated its readiness to support negotiation processes with line ministries for the adoption and operationalization of the CSRD, support institutional setting for regional development at the qark level, which are all strong points to exploit during the implementation of the current Project

THE AUSTRIAN DEVELOPMENT COOPERATION is engaged in a programme supporting regional development in the Qark of Shkodra, through stimulating socio-economic development and economic growth by attracting more public and private investments. The programme consists in a series of outcomes related to (i) capacity improvement within the qark administration, (ii) establishment of a Basket Fund for investments in infrastructure and environmental projects, and (ii) other support for implementing the qark strategy. This programme will last until 2011.

13. FINDINGS

The findings of this phase come mainly from the interviews with key actors. Taking into consideration that this is the first progress report, the actors involved were identified in the context of the interviews, by adding up new field actors from each interviewee's suggestions. As such,, the upcoming report will reflect and have a more complete picture from other voices.

PARTICIPATION

There is a very good opinion of the SeeNet programme, considered as a very dynamic initiative, with an important role in the process of strengthening local government in Shkodra Region. This appreciation comes very significantly from the structure of the Municipality of Shkodra, which is necessarily aware of the whole SeeNet regional programme, activities and structural framework, as well as of the scope of its work and objectives.

- Even though the local government does regulate and coordinate the participation and role of the various stakeholders, on the basis of the local strategic plan, it still needs more assistance in this respect.

- While NGOs and civil society representatives seem to be active, there are open issues about the involvement of the business community actors in the process of regional development through common interests. More should be done to increase the participation of the private sector as a development actor and to involve it in the initiatives presented in the region.
- The local government is looking for more innovative ideas in the upcoming future to improve the business community's participation in the regional development process, and to make them hear the community voice and needs through collaboration and partnerships. Some proposals are already being discussed with the purpose of helping Albanian and Italian business organizations to share experiences and ideas.

EQUITY AND INCLUSIVENESS

- Even though there are attempts to have a more inclusive approach for the community through implementation and intervention, there are still limitations in hearing the community voice and contributing to make its voice heard by its respective authorities.
- Local government does recognize that only a limited number (i.e LGPA 2008 City Survey) of programmes or implementers carry out an assessment of community programme satisfaction or community expectations.
- Most programmes are run with the central coordination of SWG or donor meetings, which results to be working well, though they should be more local-community oriented (that is, tailored on Shkodra population).
- In projects related with social services, the local government seems to be focused on improving life standards and access to public services of vulnerable groups; but this process should work by integration in society, as opposed to leaving them apart from the rest of the community.
- There were cases where the LGU was critic about the project design for vulnerable groups (Save the Children was a case mentioned).

TRANSPARENCY

- Nearly all stakeholders seem very active in information dissemination, the objective being to reach the communities with information about the respective project.
- Facing the decentralisation challenge, exchanging experience from region to region seems an effective too for the LGU, that is holding greater responsibilities and wants to share its challenge with other experiences on the country, exploring lessons learned and successes relating to the particular processes it is undergoing.
- The LGU appreciates the assistance of donors in being patient when experiencing concerns or barriers in dealing with public financial resources, as in the case of the time-line which sometimes is not compatible with the project implementation time-line, of following regulations and procedures, etc.
- From other implementers there was attention to the local civil society involvement in relation with their institution capability. Sometimes they are just “one person NGOs”, which makes it hard to reach results.

EFFICIENCY

Even though the local government tries to do its best, the dynamics of recent development and of the presence of donors make it sometimes unable to make the best use of its financial resources.

- One of the main problematic issues facing the Municipality of Shkodra is how to increase efficiency through using public financial resources based on the legal framework, as well as using and combining donor resources in compliance with its objectives and public-spending rules.
 - The assistance of the programme of Emilia Romagna Region, which has helped the local government of Shkodra to better employ the procurement mechanisms for the use of public spending in the social services, has been frequently labelled as a “success story”. The local government of Shkodra has been actually able to better assist the social structures, and make suggestions to the central government that changed the procurement rules for the projects related with social services.

Moving towards being merit-based and objective-oriented procurement procedures’ quality criteria are now weighted 80% and financial criteria are weighted 20%.

- Overlapping seems a very critical aspect, particularly for stakeholders – almost all stakeholders do articulate it very clearly. Local actors are driven from the central cooperation framework (DSDC, MoI, SWG) but the need is to have a better monitoring and reviewing system of the intervention plans, so as to be in compliance with updated development and community needs.
 - The overlapping of activities has been a focus of local government, which is seeking more interactive cooperation between actors on these issues. Not any leadership is recognized by any actor in this respect.
- The Province of Trento is significantly recognized as a highly efficient and result-oriented actor. As mentioned by the Deputy Major, its objectives are evidence-based and translated into results; its activity has now turned to be greater in action-oriented than in classical assistance activities such as training (70% to 30%). A reversed proportion is usually observed.
- Increasing the efficiency of LGU structures (municipality and communes management structure), articulating their need for more training in the accountability and management of public resources and analysis of all financial plans.
- The Municipality also recognizes the need for assistance to use the bottom-up approach for bringing the needs from local to central level, as its power of analysis is not yet as strong as it is assumed to be.

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ANNEX: LIST OF STAKEHOLDERS INTERVIEWED

	Name	Institution	Position
1	Ridvan Troshani	Shkodra Municipality	Deputy Mayor
2	Valerio Cendali Pignatelli	Cooperazione Italiana allo Sviluppo Ministero Affari Esteri	United Nation Fellow
3	Valbona Kuko	Department of strategy and donor coordination, Council of Ministers	DSDC Director
4	Klodjan Seferaj	Department of strategy and donor coordination, Council of Ministers	Donor Coordination
5	Elda Bagaviki	Swiss Agency for Development and Cooperation SDC	National Programme Officer
6	Genta Bektashih	Ministry of Interior	Donor Project Coordinator
7	Erjeta Ashiku	Professional Development System Albania-Human Resource in Health Sector	Programme Officer – PH Specialist
8	Daniela Zampini	Joint UN Programme on Youth Employment and Migration	Chief Technical Advisor
9	Altina Peshkatari	USAID Project	Communication Specialist
10	Sokol Rraka	General Police Directory - Shkodra	Juvenile Section
11	Erjon Ndroqi	Major Advicer	Municipality
12	Rovena Kurtulaj	High School “Koplik” Shkodra	Deputy Director
13	Erida Saraci	For a Society without Smoking	Project Development
14	Leonat Luli	Social Welfare Society	Project officer
15	Odeta Nishani	Tourism Development Office – Ministry of Tourism	Director – Tourism Development
16	Brunela Trebicka	Joy - Company	Executive Director
17	Arti Cicolli	Environmental Protection NGO	Executive Director
18	Mirela Gjokaj	Women Health Center	Physician
19	Anja Idem	Ministry of Interior	Decentralization Department
20	Anita Gusho	Ministry of Justice	Social Service Project Directory
21	Two Focus Groups with Health Centers Managers	Commune of Bushat. Dajc, Velipoje, Shllak, Gruemire, Kastrot	Health Centers Managers

Local democratic governance in Travnik Municipality

Think Tank Popolari of Sarajevo
Assignment done under the CeSPI guidance

First report

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



November 2010

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1. THE LOCAL CONTEXT

1.1. Socio-political factors

In 1995, the Dayton Peace Agreement defined the internal structure of Bosnia and Herzegovina. It created two semi-independent entities (Federation of Bosnia and Herzegovina and Republika Srpska) and one special status district (Brčko District). The Federation of Bosnia and Herzegovina is composed of ten cantons, which were established with the Bosniak-Bosnian Croat Washington Agreement in 1994.¹ Cantons are territorial administrative units that consist of municipalities.

Travnik is the capital of the Canton of Central Bosnia, which encompasses 12 municipalities: Bugojno, Busovača Dobretići, Donji Vakuf, Fojnica, Gornji Vakuf-Uskoplje, Kiseljak, Kreševo, Jajce, Novi Travnik, Travnik and Vitez. Central Bosnia is one of the most ethnically mixed regions of Bosnia, and its capital Travnik is literally at the centre of the country. Nowadays the municipality of Travnik has around 56,500 inhabitants.² For many centuries, the area has played host to two important communication routes: the Vrbas River Valley, and Lašva Fojnica. Travnik connects the two largest cities in Bosnia and Herzegovina, Sarajevo and Banja Luka; the shortest route between these two cities passes through the town.

The canton covers a region of 3,199 square kilometers, which make up 6% of the territory of Bosnia and Herzegovina; there has been a significant decline in its population, from 338,979 in 1991, to an estimated 250,000 in 2008.³ During the 1992-95 war, this canton was the site of heavy inter-ethnic fighting. The current population is mixed between Bosniaks and Bosnian Croats, with the former holding a slight majority; the canton is also home to some Bosnian Serbs.

1.2. Economic factors

Central Bosnia Canton has a rich variety of natural resources, including: coal, barite, clay, quartzite, bauxite, forests, and both arable and pastoral agriculture. Its economic potential lies in its water, which has excellent drinking quality, stunning natural features, renewable energy opportunities and has the potential to become a hub for regional water supply in Bosnia and Herzegovina. Even though there is great potential in this sector today, not all parts of this canton's territory have well developed water supply systems; this means that any effort in the future aimed at developing this potential would need considerable financial investments.

However, the war destroyed most of the region's industrial capacity. Before 1992, industry was mainly focused on textiles, leather, manufacturing, wood processing, joinery and furniture, chemicals and the production of ferro-alloys. The municipality of Travnik had active textile, footwear, wood, food production and agricultural industries.⁴ Besides the industrial capacities that collapsed as a consequence of the war, the municipality of Travnik has crafts, trade, tourism and agricultural sectors of the economy that have potential for the further development.

¹ Florian Bieber, *Post-War Bosnia: Ethnicity, Inequality, and Public Sector Governance* (New York: Palgrave MacMillan, 2006) 62.

² Municipality of Travnik. "About Travnik," <http://opcinatravnik.com.ba/ba/stream.daenet?kat=174#>.

³ Government of Central Bosnia Canton, "Info on Canton," http://www.sbk-ksb.gov.ba/index.php?option=com_content&task=view&id=16&Itemid=31.

Federal Office of Statistics, "The Estimate of the Federation of Bosnia and Herzegovina Population," Last modified June 30, 2008. <http://www.fzs.ba/Dem/ProcPrist/stalno.pdf>.

⁴ Municipality of Travnik. "About Travnik," <http://opcinatravnik.com.ba/ba/stream.daenet?kat=174#>

Today, the canton's industry is operating at roughly 10-15% of its pre-war production.⁵ There are, however, notable examples of companies who have escaped this trend, including BSI (ferro-alloys) in Jajce, and Borac (clothing industry) in Travnik. The Central Bosnia Canton has currently very high unemployment and has averaged a 14% lower net salary when compared with the Federation of Bosnia and Herzegovina as a whole;⁶ employment in the industrial sector is mainly centered around jobs involving clothing industry, footwear, processing of wood and metal.

The canton suffers from poor "transition to market" conditions; post-war privatization has been slow, and has not produced the results which some in the region expected. This is especially true of the low domestic and/or foreign investment in the canton, because the majority of the industrial capacities in this canton were completely devastated.⁷ Although there is low domestic production, local people have launched many small- to medium- size businesses, which operate in the wood processing and service sectors, in the form of catering/gastronomy and commerce/trade.

The canton's communication networks and infrastructure compare favorably with other cantons, and the region provides high quality drinking water and electricity for domestic and industrial consumption. The sewage infrastructure, however, is not up to the same standards.

1.3. Political factors

The legislative authority the Travnik Municipal Council is composed of 31 councilors. The share of political parties in the municipal council after the 2008 municipal elections is the following: the Party for Democratic Action (SDA) with 15 seats, the Party for Bosnia and Herzegovina (SBIH) with 5 seats, the Social Democratic Party of Bosnia and Herzegovina (SDP BiH) with 2 seats, and the Croatian Coalition for Travnik (HDZ BiH, HDZ 1990 and HSS-NHI) with 9 seats.⁸

The 2010 general elections results in Central Bosnia Canton were the following: the SDP BiH 48%, the Union for a Better Future of Bosnia and Herzegovina (SBB BiH)⁹ 35%, the Party for Democratic Action 33%, the Democratic Union of Bosnia and Herzegovina 29%, the Party for Bosnia and Herzegovina 19%, the Croatian Coalition 15% and the People's Party Work for Betterment 13%.¹⁰

Municipal elections were held in October 2008 and the next municipal elections are scheduled for 2012; the municipal authority in office, that was elected in 2008, has a mandate until October 2012. Even though general elections do not have a direct effect on the political composition of the municipality, they have indirect influence on its political situation.¹¹ The

⁵ Federal Office of Statistics. "Federation of Bosnia and Herzegovina in Figures," Last modified 2010. <http://www.fzs.ba/Podaci/Federacija%20u%20brojkama%202010.pdf>.

⁶ Federal Office of Statistics. "Federation of Bosnia and Herzegovina in Figures," Last modified 2010. <http://www.fzs.ba/Podaci/Federacija%20u%20brojkama%202010.pdf>.

⁷ Federal Office of Statistics. "Federation of Bosnia and Herzegovina in Figures," Last modified 2009. <http://www.fzs.ba/Podaci/Federacijaubrojkama2008.pdf>.

⁸ SDA is a Bosniak national political party; SBIH is a liberal conservative Bosniak political party; SDP BiH is the successor of the League of Communists of Bosnia and Herzegovina, a multi-ethnic predominantly Bosniak social-democratic party. The Croatian Coalition for Travnik is made out of three parties: HDZ BiH, HDZ 1990 and HSS-NHI; HDZ is a Bosnian Croat conservative Christian Democrat party.; HDZ 1990 is a Bosnian Croat political party that follows the ideology of national conservatism; HSS-NHI is a Christian Democrat Bosnian Croat political party..

⁹ The Union for a Better Future of BiH is a Bosniak political party. The party was founded in September 2009, by Fahrudin Radončić, the founder and owner of Dnevni Avaz, the largest daily newspaper in Bosnia and Herzegovina.

¹⁰ Bosnia and Herzegovina Central Election Commission. "Established Results of the 2010 General Elections: Travnik," Last modified October 18, 2010. <http://izbori.ba/webmodule/PredsjednistvoBiH/Opstine.aspx>.

¹¹ The Canton of Central Bosnia is a federal unit of the Federation of Bosnia and Herzegovina. The municipality of Travnik is classified as a local government unit inside Central Bosnia Canton. Local self-government is achieved by performing the responsibilities outlined in the constitution of the Canton. Cantonal authorities provide funding to the municipalities to exercise the responsibilities that are delegated to them by the canton. Furthermore, cantonal

municipality council is ruled by the SDA and the Croatian Coalition for Travnik; however, the ruling structure of Central Bosnia Canton changed in the sense that in 2010 general elections SDP BiH and SBB BiH gained the majority of the votes. Even though municipality has a degree of autonomy within the canton, it is still an administrative unit of Central Bosnia Canton. The canton on its part must consult with the municipality when it comes to adopting legislation which relates to local governance. The canton has direct control over police, education, urban zoning, energy, economy, social policy, transport, tourism and management of natural resources. On the other hand, the municipality has direct control over the use of zone land parcels, implementation of social policy, development of municipal infrastructure, waste management and management of municipal resources.

1.4 Tourism

Travnik has a rich cultural and historical heritage. The Nobel Prize-winning author, Ivo Andrić, was born in Travnik. His house has been transformed into a museum and today is one of the most impressive tourist sites in Travnik's old town. There are various cultural and religious sites and institutions which, when combined with local literature, painting, music, folklore and traditional customs, indicate the potential of year-round tourism in the region.

Vlašić is a mountain in the central part of Bosnia and Herzegovina; its peak is called Paljenik, and has an elevation of 1,943 meters above sea level. The mountain is a major centre for winter tourism due to its excellent accommodation for skiing, snowboarding and other winter sports; it is also a popular destination for summer and eco-tourism, with many hiking trails and undisturbed wilderness areas. Mount Vlašić is located on the territory of Travnik municipality.

Furthermore, there is room for the development of cultural and entertainment programmes, as well as scientific and professional conferences, which would serve to further enhance the viability of Travnik as a tourist destination. Travnik has also potential for the development of more specialized tourism, such as winter and mountainous sports on Mount Vlašić, hunting and fishing, rural pursuits, cultural trips, religious pilgrimages, culinary breaks, and many other possibilities.

2. COOPERATION SCENARIO

Soon after the 1992-1995 war ended, Bosnia and Herzegovina was a focus of international attention and received over \$14 billion in international aid. By the end of 1996, there were 17 different foreign governments, 18 United Nations agencies, 27 intergovernmental organizations, and about 200 nongovernmental organizations involved in the reconstruction of BiH.¹² The international aid influx dynamics in Bosnia and Herzegovina can be divided into two phases: reconstruction and stabilization (1996-2001), and building sustainable economy and society (2002-present). In addition, the focus of the international community, especially the United States, which was one of the biggest donors, changed to other war-torn countries such as Iraq and Afghanistan.¹³

authorities carry out administrative supervision of municipal authorities in the exercise of powers conferred upon municipalities.

¹² Patrice C. McMahon and Jon Western, "The Death of Dayton: How to Stop Bosnia from Falling Apart," *Foreign Affairs* 88 no.5 (2009), 69.

¹³ Patrice C. McMahon and Jon Western, "The Death of Dayton: How to Stop Bosnia from Falling Apart," *Foreign Affairs* 88 no.5 (2009), 71.

2.1. United States Agency for International Development (USAID)

USAID is an independent federal agency primarily responsible for administering civilian foreign aid. This agency provides economic, development and humanitarian assistance around the world in support of the foreign policy goals of the United States. To date, the U.S. Government has provided over \$1 billion in assistance through USAID, to support economic, democratic, and social progress in Bosnia and Herzegovina.

USAID works in BiH through its FIRMA and FARMA initiatives. The purpose of the Fostering Agricultural Markets Activity (FARMA) is to expand environmentally sustainable production, processing, and sales of agricultural products in order to contribute to poverty reduction. Although this project did not reach Travnik yet, many municipalities in Bosnia already received technical assistance to local agriculture. In addition, the Fostering Interventions for Rapid Market Advancement project (FIRMA) supports sustainable economic growth, employment expansion, and increased household incomes in Bosnia and Herzegovina.¹⁴ In the Travnik municipality, FIRMA supported projects in the wood industry sector, and encouraged the development and implementation of strategies and action plans that improved wood sector productivity and expansion of market connections. The overall goal was to widen the range of offered wood products, and to penetrate global markets more effectively.

2.2. Swedish International Development and Cooperation Agency (Sida)

Sida is responsible for the organization of the bulk of Sweden's official development assistance to developing countries, and works to reduce poverty in the world. The overall goal of Swedish development cooperation is to contribute to making it possible for less privileged people to improve their living conditions. In Bosnia, Sida promotes political and economic development and supports the country in its move towards joining the European Union; specifically, the programme focuses on reforming and building up public administration.

Sida has already financed two projects in the Travnik area, LEAP and GAP. The Local Environment Action Plan (LEAP) is a recognized methodology, offering a detailed approach in the planning and implementation of a local environmental framework through a development and planning document; this document evaluates the environmental situation in a particular region like Travnik, identifies problems and priorities, and defines actions. Travnik formed a LEAP working group and some advisory boards with the participation of members from higher and local levels of government, non-governmental environmental organizations, municipal tourist organizations and the media. In addition, the Governance Accountability Project (GAP) aims at building competency and capacity and addressing budgetary and organizational concerns in Bosnia's municipalities, including Travnik, to better serve their citizens; besides Travnik, half of the country's municipalities are participating in GAP, that will continue for several years.

2.3. Netherlands Development Organization (SNV)

SNV aims to alleviate poverty by increasing income and employment opportunities for those with lowest incomes. In the Balkans SNV is active in the following sectors: water and sanitation, rural and sustainable tourism, forestry and agriculture. With SNV support, Central Bosnia Canton became the first in Bosnia and Herzegovina to apply basic European Union water standards and best practices. SNV works on WASH in Bosnia and Herzegovina, including Travnik, with a focus on safe drinking water, especially for the marginalized rural

¹⁴ FIRMA Project. "Project Information," <http://www.firmaproject.ba/about/facts.aspx>.

population.¹⁵ An estimated 200,000 people already benefited from SNV's customer services in Central Bosnia Canton.

2.4. The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

GTZ has been working in Bosnia and Herzegovina since the end of the war, on behalf of the German Federal Ministry for Economic Cooperation and Development. The focus of its work is orientated towards sustainable economic development, democracy and civil society, as well as supporting the implementation of reforms aimed at closer integration with the European Union.¹⁶

GTZ and the Municipality of Travnik signed a memorandum of cooperation in 2007, which aims to promote local and regional development through sustainable tourism, in order to contribute to regional economic development. This programme is carrying out the following actions in Travnik municipality: master planning and mission development, visitor guiding and tourism infrastructure, urban design and open spaces, tourism service and information, tourism marketing and promotion, nature and environmental conservation (including energy efficiency) as well as qualification and training measures.

2.5. United Nations Development Programme (UNDP)

UNDP is the United Nations' global development network, which places strong emphasis on supporting the ability of national authorities to assume greater responsibility in policy-formulation and setting the national development agenda; it also continues to focus on supporting the sustainable return of displaced persons. In BiH, the Support to Results-based Approach (SUTRA), in its third phase, aims to provide local communities with the tools to articulate and implement return and reintegration projects in a joint effort among government, civil society and business.¹⁷ In the framework of SUTRA, UNDP worked on house reconstruction for the returnees in Travnik municipality; it also rehabilitated the water supply system in the post-war period for thousands of citizens. Furthermore, UNDP provided funds that strengthen the municipality by including governmental and non-governmental sector representatives in the strategy for socio-economic development.

2.6. European Union

The main objective of the European Union Delegation to Bosnia and Herzegovina is to support the country in its present transition from a potential candidate country, to a candidate country, to a member state of the European Union. Since 1995, the Union's assistance to Bosnia and Herzegovina totalled €2.80 billion.

Community Assistance for Reconstruction, Development and Stabilization (CARDS), is the EU's main instrument of financial assistance to the Western Balkans; the European Commission committed considerable funds via grant actions under the CARDS programme that ended in 2006, resulting in support for the development of successful tourism products in Bosnia and Herzegovina by promoting their creation and reinforcement, and by strengthening tourist service delivery, tourism personnel skills, the quality of tourism infrastructure and tourism marketing and commercial activities.¹⁸ Travnik was one of the municipalities involved in this project, with the Travnik Fortress rehabilitation project implemented by the Museum of

¹⁵ SNV Netherlands Development Organization. "Annual Report 2009,"

<http://www.snvworld.org/en/Documents/SNV%20Annual%20Report%202009.pdf>.

¹⁶ Deutsche Gesellschaft für Technische Zusammenarbeit. "GTZ in Bosnia," <http://www.gtz.de/en/weltweit/europa-kaukasus-zentralasien/651.htm>.

¹⁷ SUTRA: Bosnia and Herzegovina. "Project Description," <http://sutra.undp.ba/?PID=3&RID=20>.

¹⁸ Delegation of the European Union to Bosnia and Herzegovina. "EU Assistance to BiH: CARDS," <http://europa.ba/?akcija=clanak&CID=41&jezik=2&LID=14>.

Travnik. A total of €5.13 billion was secured for all CARDS actions in the Western Balkans during 2000-2006; after 2006, this was replaced by the Instrument for Pre-Accession Assistance (IPA), which covers both candidate and potential candidate countries.¹⁹ Currently, together with the Regional Development Agency of BiH and Zenica Economic Development Agency, the EU is working on a project that will establish a science and technology park in the Travnik municipality; the project is called MENTOR (Modern Economy through New Technology-Oriented Research), and Travnik is one of the sixteen Bosnian municipalities included in this undertaking. The EU funded a project to support socio-economic development in the Travnik area out of IPA 2008 funds.

3. RELATIONSHIPS WITH ITALY

The biggest trading partner of Bosnia and Herzegovina is the European Union (55.8% export in and 50.4% import from); in these statistics Italy has 12.8% of exports and 8.1% of imports.²⁰ The Italian Institute for Foreign Trade was established in 1926; the office in Sarajevo was opened in 1997, during the time of Socialist Yugoslavia; Bosnia and Herzegovina was covered by the Institute's offices in Belgrade and Zagreb.²¹ When it comes to tourism, Italians represent 12.5% of foreign tourists in Bosnia and Herzegovina.²²

Italy has a history of international co-operation in regional projects stretching back to the late 1960s; at the same time, the policy was developed at the European level.²³ The model for this form of development involves a strong emphasis on decentralization, local autonomy and the role of international actors. Besides SeeNet, the Italian Cooperation in Bosnia and Herzegovina is carrying out the project "Development of conditions for minor children, adolescents and youth in Bosnia and Herzegovina (CESVI, CISP, COSV, INTERSOS, MOVIMONDO)"; the budget of this project is € 2,775,439, and three municipalities (Busovača, Novi Travnik, Vitez) are taking part²⁴; its goal is to promote reconciliation among young people and in this way reconstruct Bosnian society. Besides, "Humanitarian De-mining Project - Phase III (LTU Sarajevo/INTERSOS)", with the budget of € 435,000, is being implemented in both Sarajevo and Central Bosnia cantons,²⁵ finally, an Italian company, Metalleghe S.p.a, privatized the B.S.I. company from Jajce that produces ferrosilicon and silicon-metals.

In the context of Travnik, this model of decentralized cooperation would lead to the strengthening of a local identity and would produce huge economic and social benefits for the region. Furthermore, there is room for strong inter-municipality connections, which could result in multi-municipality cooperation.

Vlašić will serve as an important element in the process of planning the development of mountain tourism; although it has undergone minor infrastructural development in the last few years

¹⁹ Delegation of the European Union to Bosnia and Herzegovina. "EU Assistance to BiH: IPA," <http://europa.ba/?akcija=clanak&CID=23&jezik=2&LID=33>.

²⁰ Business Monitor. "Foreign trade still takes place on a narrow area," Last modified August 23, 2010. <http://www.biznis-monitor.com/biznis/bhnovosti/3927.html>.

²¹ Italian Trade Commission. "Bosna i Hercegovina," <http://www.italtrade.com/countries/europe/bosniaerz/index.htm>.

²² Agency for Statistics of Bosnia and Herzegovina. "Konferencija za Novinare – Oktobar 2010. Godine," Last modified October 22, 2010. <http://www.bhas.ba/new/press.asp>.

²³ Anna Bull, *Regionalism in the European Union* (United Kingdom: Intellect Books, 1999) 140-141.

²⁴ Italian Cooperation in Bosnia and Herzegovina. "Development of conditions for minor children, adolescents and youth in Bosnia and Herzegovina (CESVI, CISP, COSV, INTERSOS, MOVIMONDO)," http://www.utlsarajevo.org/index.php?akcija=project_details&cat=&id=60&lang=3.

²⁵ Italian Cooperation in Bosnia and Herzegovina. "Humanitarian De-mining Project - Phase III (LTU Sarajevo/INTERSOS)," http://www.utlsarajevo.org/index.php?akcija=project_details&cat=&id=60&lang=3.

as a centre for winter sports, vast scope remains for its transformation into a year-round mountain sport hub.

The Piedmont Region first developed cooperative links in the Balkans in 1995, on the ground of informal agreements on cooperation concluded after the end of the 1992-95 war; the Agreement on Cooperation and Partnership, signed in 1997 by the Canton of Zenica-Doboj, represented the transition from humanitarian assistance in the period immediately after the war, to political and economic cooperation. This cooperation is primarily focused on the socio-economic revival of the canton system; since 1997 there have been many projects in the fields of health, environment and economics that have brought significant benefits to local population.

With Turin 2006 Winter Olympic Games approaching, the Piedmont Region, the Province of Turin, the Municipality of Turin and IOC (International Olympic Committee), promoted a number of events within the Olympic Truce schedule supported by IOC, CONI (Italian Olympic National Committee) and Italian Ministry of Foreign Affairs, including a demining project in the Mount Trabevic area, a mountain near Sarajevo which hosted the bobsleigh track in 1984 Olympics.

Subsequently, in order to continue the first positive intervention, on demand of Bosnian local Authorities, in accordance with INTERSOS, and engaging the Province of Turin, the Piedmont Region approved the continuation of the demining project, by financing two new lots in the municipalities of Hadzici and Trnovo (that are SeeNet partners)

Events during the olympic truce were also the occasion to establish relationships among six *Comunità montane* of Piedmont (territorial associations of mountain municipalities), which hosted the 2006 Olympic Games and are members of the cross-border association "Conferenza Alte Valli", with twenty years of experience in cross-border cooperation and integrated projects, and some Bosnian mountain municipalities that had hosted the 1984 Olympic games.

The similarities between the municipalities in the Piedmont mountain communities, and the municipalities in Bosnia and Herzegovina allowed in 2006 to sign an agreement and run the project "Decentralized cooperation for institutional strengthening of municipalities in Bosnia and Herzegovina". Activities implemented, concluded in 2008, focused on the exchange of professional experience in special areas, improvement of leadership and managerial skills. The aim of this project is to foster better reciprocal knowledge of culture and institutional local-level development aspects; this initiative prepared the participating Bosnian municipalities, and the Piedmont mountain communities that are part of the Conferenza delle Alte Valli, to cooperating in possible future projects such as SeeNet.

The general idea of the Piedmont Region in Bosnia and Herzegovina within the SeeNet project is to decentralize cooperation in order to strengthen the institutions of Bosnian municipalities.

In general, the SeeNet project has the aim of strengthening the exchange of professional experience in specific areas, improving leadership skills, management and organization in Bosnian municipalities; furthermore, the project will facilitate reciprocation in cultural knowledge as well as mutual understanding at state and local levels, creating a solid basis for future cooperation.

Thanks to the abovementioned projects, it has been possible to establish strong cooperation between Italian and Bosnian partners, thus creating a foundation for the continued exchange of ideas and proposals. This enables the project to determine the activities to be implemented within the framework of SeeNet, and sets out the parameters for all future cooperation.

4. MAP OF RELEVANT COOPERATION STAKEHOLDERS

4.1. Key stakeholders

4.1.1. CANTON LOCAL AUTHORITIES

As an administrative territorial unit, the canton serves as the second-level unit of local autonomy in the Federation. The canton consists of municipalities; twelve in this case. Like all the other cantons in the Federation, this one has a high level of autonomy. A canton is led by the Premier, who has his own cabinet, and is assisted in his duties by various cantonal ministries, agencies, and cantonal or county services. In Central Bosnia Canton there are eight ministries. During this research, Populari interviewed the representatives from three ministries: Ministry of Urban Planning, Ministry of Reconstruction and Refugee Return, and Ministry of Economy.

4.1.2. MUNICIPALITY LOCAL AUTHORITIES

The municipality is ruled by the mayor and the municipality assembly; in addition, it has eight departments, which oversee all the socio-economic aspects of the municipality. Populari interviewed the representatives from two municipal departments: the Department for Municipal Development and the Department for Urban Planning of the Municipality. These two departments, chosen by the mayor, were those in charge of the contacts with the Italian representatives from the Piedmont Region.

4.1.3. SPORT RECREATIONAL CENTRE VLAŠIĆ

SRC Vlačić was managing the entire mountain resort in the past; however, SRC Vlačić is only in charge of taking care of the public utility services today, and is in the process of being privatized. It is 100% owned by Travnik municipality. The cantonal agency for privatization conducted the legal process; the Centre was bought by a Travnik-based company called Ozon. However, the municipality was not satisfied with this action and complained about the entire privatization process; it would like to keep SRC Vlačić under its control and develop it further in the future. Cantonal authorities believe that this is not a realistic idea, because municipal authorities brought this firm almost to the brink of destruction. Besides the legal troubles, the firm is suffering from the huge debt that it accumulated over the years of ineffective management.

4.1.4. CANTONAL ASSOCIATIONS (FARMERS ASSOCIATION OF CENTRAL BOSNIA CANTON AND TOURIST ASSOCIATION OF CENTRAL BOSNIA CANTON)

The Farmers Association of Central Bosnia Canton and the Tourist Association of Central Bosnia Canton are the two main cantonal associations. Their main goal is to promote and protect the interests of the agricultural and tourist stakeholders. They are connected to the Canton, that is the body in charge of their management; although they are private bodies, they claim to represent public interests. This applies especially in regard to the Farmers Association of Central Bosnia Canton, because their policy is to protect the individual rights of farmers; on the other hand, they have very active contacts with the municipalities, because they are bodies protecting the interests and promoting the activities of actors in the municipalities.

4.1.5. LOCAL NGOs AND CITIZEN ASSOCIATIONS (VLAŠIĆ PLANET OF LIFE, TEAM VLAŠIĆ)

Civil society organizations boomed as Bosnia started its transition after the war in 1995, replacing government organizations with NGOs to fight authoritarian tendencies and promote democratization. However, Bosnia citizens view politicians as indifferent to their interests,

which makes citizens increasingly apathetic, and politicians, in turn, indifferent to their voters' interests; as a consequence, civil society's role in reform is limited. Of the 7000 registered NGOs, only about half are actually active.²⁶ Bosnia is currently experiencing a progressive development in youth NGOs as well as an increased interest of religious and community groups in public affairs; local NGOs are working mostly on activities together with foreign organizations, which are the main donors for the projects. Their cooperation with the local government was practically nonexistent, although this trend is changing; the municipality and the local NGOs improved their relations in the last several years. The local government is still not providing them with significant funds; however, the parts are consulting with each other about various projects. This was a consequence of the increasing European integration trend in Bosnia and Herzegovina: some of the international organizations working on the field required this kind of cooperation in order to implement the projects.

4.1.6. LOCAL ENTREPRENEURS (ECO VLAŠIĆ, OZON COMPANY)

Both of these companies experienced significant growth in post-war Bosnia and Herzegovina. They are doing well and are among the best-placed enterprises in their respective business sectors. Although there are many small companies operating in the fields of food production and winter tourism, these two companies are important actors present in the municipality. They are experiencing growth and are working on the development of their enterprises; furthermore, they are positive examples for other actors in the municipality; all in all, they are going to have an important role in the SeeNet project. Agriculture Cooperative Eco Vlašić was established in 2003; in 2009 it had 250 active members/farmers, 8 members of the administrative staff and a turnover of €205,000. Ozon Company has 15 workers and a turnover of €511,000 as of 2009. In October 2010, Agriculture Cooperative Eco Vlašić bought new dairy pasteurization equipment from the Netherlands, which they would use for their sheep milk products; they also have a plan to introduce goats to Mount Vlašić, because this will widen their scope. When privatization of SRC Vlašić is completed, the management of Ozon plans to invest €4,000,000 in an upgrade of the infrastructure that it owns on the mountain; besides this, they plan to invest additional €4,500,000 from 2012 in the development of new vertical transport infrastructure in Babanovac.

4.1.7. ITALIAN PARTNERS (UCODEP AND PIEDMONT REGION)

We met with UCODEP office in Sarajevo and talked about the SeeNet project. We had an informal chat about their activities and will keep up to date with the office, but as this is the first stage of the process, we were not able to share any additional information. The focus of our first field visit to Travnik did not include Italian partners, as it was orientated towards the socio-economic analysis of the municipality; however, as the project enters into its second phase, we should need to contact the representatives from both organizations.

4.2. Mutual interactions among key stakeholders

Conflicts, synergies, convergences/divergences among stakeholders (multi-stakeholder analysis).

- 1 - Small;
- 2 - Average;
- 3 - High

²⁶ United States Agency for International Development "The 2006 NGO Sustainability Index: Bosnia and Herzegovina," Last modified in 2006.
http://www.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex/2006/bosnia_herzegovina.pdf.

Matrix of possible conflicts according to possibility

	Canton	Municipality	SRC	Farmers Association	Tourist Association	Vlašić Planet	Team Vlašić	Eco Vlašić	Ozon Company
Canton		2	2	1	1	1	1	1	1
Municipality			1	1	1	1	1	1	1
SRC				1	1	1	1	1	1
Farmers Association					1	1	1	1	1
Tourist Association						1	1	1	1
Vlašić Planet							1	1	1
Team Vlašić								1	1
Eco Vlašić									1
Ozon Company									

Matrix of possible synergies according to possibility

	Canton	Municipality	SRC	Farmers Association	Tourist Association	Vlašić Planet	Team Vlašić	Eco Vlašić	Ozon Company
Canton		3	3	1	3	1	1	2	1
Municipality			3	1	2	2	2	1	1
SRC				1	3	2	2	2	1
Farmers Association					1	1	1	1	1
Tourist Association						3	3	3	3
Vlašić Planet							2	2	2
Team Vlašić								2	2
Eco Vlašić									1
Ozon Company									

*(please note that the table of synergies will show its full impact over time. It does not necessarily reflect current individuals/institutions dynamics, as much as it reflects the potential that can be generated over time)

Two main cases of conflict exist, between the Municipality and the Canton, and between the Municipality and the private sector. The canton is the higher administrative level, but both the Canton and the Municipality representatives interviewed believe the other has too much authority. The leadership of the municipality believes that the canton is an obstacle to future development and that it should be removed. On the other hand, the cantonal administration has the opinion that the municipality is perfunctory in regard to municipal development and that it should consult more with the cantonal authorities. Both institutions approve the creation of the master plan; however, because of this general power conflict, their synergy in regard to this project is weak. Furthermore, there is a conflict between the municipality and the private sector. Organizations such as the NGO Team Vlašić expressed concern over the municipal development strategy and its environmental impact, due to issues such as illegal construction and inadequate sewage systems. Moreover, Ozon Company has pursued legal action against the municipality over the privatization of the SRC Vlašić, adding tension to the stakeholders.

Despite these instances, the relations among the stakeholders are amicable. For example, synergy between the NGO Vlašić Planet of Life and the Municipality is strong; they succeeded in establishing solid cooperation and work together on several projects.

4.3. Multi-level governance

The Municipality of Travnik has already two strategic development documents (2005-2010 and 2010-2015). These documents highlight the potential and weaknesses that could have effect on the future growth and development of the municipality. The new strategic document is still in the making; however, the municipality informed us that it will have a budget of €5,624,000 for 2011.²⁷ The main investment priorities of the future development strategy will be concentrated on the following projects: construction of the waste management centre, completion of the new Travnik high school building, construction of the Sports and Recreational Centre Pirota, and various investments in local infrastructure (roads, water supply system and sewage). The municipal leadership aims to improve the socio-economic situation in the municipality in order to make Travnik a pleasant place for the future. The general idea of the municipal strategic development can be linked to the ongoing projects of international organizations in Bosnia and Herzegovina, such as USAID projects FIRMA and FARMA, Belgian Caritas project “White Roads, Roads of Cheese”, SNV project for the development of the water supply system in Travnik municipality, etc; all them are somehow connected to the strategy outlined by the municipality. All of the aforementioned projects in the international stakeholders section work on the improvement of the socio-economic situation in the municipality, thereby being directly involved in the fulfilment of the goals stated in the municipal strategic development document.

Interaction among the domestic and international stakeholders is positive. Since the end of the war, municipal authorities have been cooperating with the international organizations on various issues that had profound socio-economic effects. The role of the NGOs became stronger and more active in the period when the nature of the international aid changed, from a reconstruction and stabilization phase to building a sustainable economy and society; this transition occurred because NGOs are crucial elements for the successful enforcement of the actions aimed at this goal. During our visit both municipal and NGO representatives said that they have solid cooperation, and that this cooperation increased in the last five years. One of the obligations from the Stabilization and Association Agreement (SAA) for the Bosnian government was to build the capacities of the administration to meet the requirements of the European integration process. This preparation will also have an

²⁷ The budget of the Municipality of Travnik for 2010 was of € 5,879,856.

important impact on the municipality of Travnik, which will need to decentralize in order to be able to apply for all IPA funds in the future, when BiH acquires candidate status.

The Instrument for Pre-Accession Assistance (IPA) is a funding mechanism of the European Union introduced in 2007 for both candidate and potential candidate countries; this replaced previous programmes such as PHARE and CARDS. IPA has five components: 1.) Transition Assistance and Institution Building, 2.) Regional and Cross-Border Cooperation, 3.) Regional Development, 4.) Human Resources Development, 5.) Rural Development. Potential candidate countries are eligible to apply for the first two, while candidate countries may apply for all five components.

At the moment Bosnia and Herzegovina is not a EU candidate country, hence local stakeholders from Travnik are not eligible to apply for all IPA funds. The first component of the IPA is available for Bosnia and Herzegovina, but is not very beneficial for local development; it is designed for public institutions at the state and entity levels. Because Travnik is situated in the centre of the country, it was not classified as cross-border territorial unit for 2007-2010 IPA second component funds. However, there is an intention to declare it as an adjacent area (cross-border region Croatia-Bosnia and Herzegovina) for the next round of second component funds after 2010; when the municipality of Travnik becomes adjacent area, stakeholders from the municipality would be able to apply for Regional and Cross-Border Cooperation funds. The Bosnian Directorate for the European Integration, with the support of EU, worked extensively to promote IPA funds in the country (conducting several seminars, media campaigns and promotional events). From our interviews, we were informed that Central Bosnia Canton and 4Travnik Municipality did not apply for any first component IPA funds.

4.4. Cooperation dynamics

The international community has been very active in Travnik since the end of the Bosnian War, investing money into issues such as refugee return, de-mining and basic infrastructure reconstruction. As time went on and BiH stabilized and started to follow the Euro-Atlantic integration path, the nature of the involvement of the international community changed. In the last several years, international actors focus more on local socio-economic development, than on the stabilization of society necessary for the post-war years.

In recent years, there is also a growing cooperation of local governmental and non-governmental organizations with the international organizations. In the light of European integration they have to cooperate more than in the past, because one of the goals of this process is to connect governmental and non-governmental sectors to strengthen civil society. However, it must be noted that rural development and tourism covered by the SeeNet project in Travnik, remain in a premature stage in Bosnia and Herzegovina. The municipality is developing a Master Plan for Travnik, and a public debate is planned to involve the local community in the development projects. This will be completed by the end of 2010. The Master Plan will decide who will manage the resort, how the area will develop, which illegal housing will be demolished, and other plans for the future.

However, relations among NGOs, hotel owners, canton, municipality and farmers are still strained. There is poor communication among them, and they do not meet; some people mentioned trying to get funding from the municipality for various development projects, and the municipality was of little help. For example, Benjamin Seferović, the director of the NGO Team Vlašić, wanted to set up an informational portal, but the municipality was not a helpful partner in this venture; Elvedin Mehić, production technologist at Eco Vlašić, spoke of a project to build new stables to help fight and stop the spread of brucellosis²⁸, but they

²⁸ According to the Centre for Disease Control and Prevention, brucellosis is an infectious disease caused by the spread of the bacteria of the genus *Brucella*, which is usually passed along by animals. *Brucella* species affect sheep, goats,

received little help from the municipality. Some people commented that the problem is that so much of Vlašić became privatized and there is very weak governmental control.

5. MAIN FINDINGS FROM THE INTERVIEWS

Populari conducted 13 interviews over five days in the Travnik area. Many of the 13 people interviewed were not informed about the SeeNet project at all. Six people mentioned that they heard about the project during the interview, including the assistant mayors from the Municipality of Travnik, the director of the Tourist association of Central Bosnia Canton, a civil servant from the Ministry of Economy of Central Bosnia Canton, the director of Vlašić Planet of Life, and the director of Ozon. The assistant mayors were the most aware of SeeNet, because of their responsibility for this project; they have been working directly with the representatives from the Piedmont Region. The goals of the SeeNet project were discussed with each person interviewed. They were asked about their relationships with other stakeholders, concerns about regional development, and other opinions on the future.

5.1. General opinions about SeeNet

Most people interviewed responded enthusiastically when asked about their opinion of the SeeNet project and the potential investment in the area; most people were of the opinion that any foreign investment would be a positive step for the region. Those who expressed some reserve and concern were interviewed as well; most notably, Benjamin Seferović, the director of NGO Team Vlašić. This NGO is concerned with the protection and promotion of natural resources of the mountain, and works to promote eco-tourism in the region. Mr. Seferović does not think a Nordic ski track is a good idea, because very few people practice this sport; he feels that it would be better to build a ski touring track, so as to use the area to its full potential in the winter; besides, he thinks an ice skating rink would be popular and a good investment. Mr. Seferović also stated that investment should be made for basic infrastructure problems before building a Nordic ski track, such as improving the sewage system, updating the water supply system and adding more ski lifts. Similarly, Samer Dolovac, the director of NGO Vlašić Planet of Life, expressed concerns; this NGO works closely with the municipality and also promotes eco-tourism. He felt that the SeeNet project should be connected to other projects in the future, such as the forestation project called eco-forest²⁹, in order to reach its full potential.

Although there is still little information among the majority of people about this project, they however expressed interest and do see the potential; during many interviews it was repeated that the region needs such investment. Sport and recreational facilities are needed on the mountain; although there is capacity in terms of accommodation and bars, sport centres are not developed yet. The SeeNet project would help to boost tourism by highlighting the natural beauty of the region.

cattle, deer, elk, pigs, dogs, and several other animals; humans become infected by coming in contact with animals or animal products that are contaminated with these bacteria. Human symptoms are similar to those of the flu, but severe infections of the central nervous systems or lining of the heart may occur, as well as chronic fevers, joint pain and fatigue. This disease is most common in countries that do not have good standardized and effective public health and domestic animal health programmes. Direct person to person spread of this disease is rare, but it should be noted that unpasteurized cheese from these areas, sometimes called "village cheese," may represent a particular risk for people.

²⁹ Vlašić eco-forest project has the aim of planting a forest in the central area of the future Nordic ski track. This project would include artificial reforestation of the Nordic ski track inner ring by direct planting of tree units, which would be bought and planted by tourists.

5.2. Issues for regional development

Despite discussing the benefits of the investment, all of the actors interviewed agreed on the infrastructural problems in the area. Many people mentioned the conditions of the roads and argued that better connections are needed on the mountains; illegally built properties were mentioned several times, and there is an initiative to demolish them, according to Sifet Dervić; in addition, the lack of parking was mentioned, as well as the poor sewage and water systems; it was also pointed out that there is a lot of corruption and money laundering on the mountain, which would impede on profitable development for the region. Politics cause slow development in the area, due to inefficient political leadership. Moreover, Nihad Korić emphasized the importance of future demining of the mountain. Land mines were mentioned in several interviews, but most people agree that these should not interfere with development; they are not located close to the SeeNet location, and most fields are marked and known. There were no death or injury cases in Travnik as a result of landmines, but there should be an effort to clearly mark the areas with this problem. Lastly, each person interviewed was concerned about damage to the environment of the region, but there is agreement that the location of the track would not disrupt sheep herding routes. However, deforestation has already greatly harmed the region.

5.3. Relations among stakeholders

In general, relations among NGOs, hotel owners, canton, municipality and farmers are very bad. There is lack of communication among them, and they do not meet, which will make future develop difficult. Many local initiatives work with international aid sources, such as USAID, the Netherlands Development Organization (SNV) or the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), in order to implement their projects. In general, it seems as though the NGOs and the smaller initiatives do not have good relations with the municipalities. Elvedin Mehić stated that most projects on the mountain have place because of local, not governmental initiatives. On the other hand, a few people commented that the problem is that so much of Vlačić became privatized and there is very weak governmental control. Furthermore, the Municipality does not operate optimally with the Canton, both in terms of information dissemination and on the operational level. The assistant mayors of the Municipality expressed disdain for the Cantonal tourist association in particular, and in general feels that the “canton is a dead body, and should be removed.”

5.4. Resort management

The need for proper local management of the sport centre was also pointed out many times. Although Adis Arnautović, from the NGO Centre for Education of Youth, pointed out that Sport and Recreational Centre Vlačić would be the most relevant stakeholder to manage this track, most people expressed the need for new management. The acting director of Sport and Recreational Centre Vlačić, Sifet Dervić, explained that they were in charge of managing before the war, but now they are a “relic from the past.” The centre has needed to sell hotels and vertical ski transport to pay worker salaries, and its's debt remains, although much smaller. A few interviewees suggested that a new firm should be established through concession as local manager of this project, and that the municipality should determine the manager as soon as possible; many seemed concerned with inadequate management in the past, and commented on its disorganization. The assistant mayors of the municipality stated that once completed, the track will be owned by the municipality; they will give it to someone to manage, probably one of the communal companies, of which there are three in Travnik: SRC Vlačić, Bašbunar and Trebišnica (Nova Bila). No decision has been made as of yet.

5.5. Other projects

Most of the persons interviewed emphasized the potential of the SeeNet project for the development of the region. In addition to the aforementioned ice-skating rink, many people would like to see more mountain bikers using the area in the warm months. Most agreed that the area has a big year-round potential and would like development to bring tourists to the region in all seasons. In addition, many would like to build an ethno-village to showcase the local crafts and products from the region. There is already a popular cheese fair, but the potential of selling these products in several *katuns* (local summer shepherd's huts) was mentioned; this cheese should continue to be certified, and the process should keep to EU standards to avoid problems when BiH enters the EU. Many people would also like to see more ski-lifts working on the mountains, but they are expensive to install and manage.

5.6. A Future for tourism

There is much tourism potential in the opinions of the local actors. Like in the rest of BiH, there was no recent census. However, during the interviews it was mentioned that about 2000 people reside in the rural areas on the mountain. Most of the foreign tourists currently come from Croatia and Slovenia; in fact, around 15,000 people visit the area for the New Year holidays alone, but there is the necessity for initiatives to boost tourism all year long. Most importantly, the people interviewed felt that the SeeNet project is original in the way it will help the development of regional and rural tourism of the area.

6.1. CONCLUSIONS

Mount Vlašić has great potential to become one of the most important tourist destinations in Bosnia and Herzegovina. From our research, we have discovered that certain conflicts exist, between the municipality and the canton, and between the municipality and the private sector. A project like SeeNet offers the potential for better cooperation.

When the Nordic ski track is completed, people from NGO Vlašić Planet of Life plan to acquire funds from the German state of Mecklenburg-Vorpommern through GTZ, to start their eco-forest project; the project would involve the planting of trees in the inner ring area of the Nordic ski track. Because the track will increase tourism, local farmers could use the resources developed in the FIRMA and FARMA projects to build stands where they could sell their own products. During interviews with the Department for municipal development, we were informed that they plan to build water fountains near the Nordic ski track, because Dutch SNV already works on several water and sanitation projects in Central Bosnia Canton; with this experience, SNV could potentially be the party to install the water fountains. The municipality should need to determine who will manage the Nordic ski track when it is built; there is a possibility of choosing Ozon or some other company that performs similar services to run this job. For further development of Babanovac ski resort, the Municipality must work together with the Canton when it comes to the land zoning issue. Finally, the Tourist association of Central Bosnia Canton should create a campaign to promote the entire sport and recreational facility.

The Nordic ski track is a beneficial project for the ski resort on Mount Vlašić; it will diversify the offer of the ski resort, because such recreational facilities are currently missing. The Babanovac resort on Mount Vlašić is full of hotels, bar and discos, but there are not enough winter or summer sport-recreational facilities in a region of such natural beauty. One of the

biggest advantages of a Nordic track is that it can be used in summer time; this offer will help the Municipality to promote the concept of Vlašić not just in winter, but also as a summer holiday resort. The Municipality of Travnik and the Piedmont Region communicate frequently and have very good relations, which suggests a promising partnership in the future.

Nevertheless, when evaluating the purpose and cost effectiveness of this project, some questions should be asked. Should a Nordic ski track be built in a country where this sport is not very popular? Before the war, there were an Olympic Nordic ski track on Mount Igman and a second one on Mount Vlašić. These complied with Olympic standards, that is, were a minimum of four times longer than future SeeNet Kukotnica Nordic track. However, this project could attract more foreign tourists, who will use the track more than locals; for example, many Slovenian tourists visit Mount Vlašić every year, and Slovenia has a highly developed culture for Nordic skiing. Before the war there was a Nordic ski club in Travnik, but, as the interviews revealed, most of its members died or are too old to train the younger generations. Yet, when compared with other winter sports that could be developed on the mountain, building the Nordic ski track is cheaper than, for example, installing new ski-lifts; if we take into consideration that the project has a budget of around €82,000, the development of a sport-recreational facility that could be used 365 days a year is one of the best ways to invest the money.

This project is going to improve socio-economic conditions in the municipality. First, when it is completed, people will need to manage it and this will generate new jobs. Second, it will diversify the sport-recreational offer of the resort and attract new tourists, which will result profitably for hotels, restaurants, and other hospitality establishments. Third, in the future small wooden stands could be built nearby to sell traditional food and crafts; this will bring direct financial benefits to the local population of the mountain. Fourth, the project could increase the popularity of this sport among young Bosnians and Herzegovinians; new clubs could be formed or the old one revived. However, in order for development to reach its full potential, local key stakeholders (Canton, Municipality, cantonal associations, NGOs and agricultural cooperative societies) need to cooperate and communicate more. While conducting interviews, it was discovered that the level of communication among them was low and could be improved. In conclusion, the SeeNet project will bring many new possibilities to the Travnik area, if implemented properly and with all the relevant stakeholders involved. This project will expand tourism and showcase the natural beauty of the region, which will result in a better life for local population.

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ANNEXES

A. List of stakeholders interviewed

11.10.2010

- 1.) **Nezir Aganović**, Director
Farmers Association of Central Bosnia Canton
- 2.) **Lejla Salkić**, Assistant of the Minister in the Sector of Urban Planning
Central Bosnia Canton, Ministry of Urban Planning, Reconstruction and Refugee Return

12.10.2010

- 1.) **Samer Dolovac**, Director
NGO Vlašić Planet of Life
- 2.) **Benjamin Seferović**, Director
NGO Team Vlašić

13.10.2010

- 1.) **Amira Delilbašić**, Assistant Mayor
Travnik Municipality, Department for Municipal Development and Economy
- 2.) **Gordan Zec**, Assistant Mayor
Travnik Municipality, Department for Urban Planning, Construction, Surveying and Property -
Legal Issues
- 3.) **Elvedin Mehić**, Production Technologist
Eco Vlašić
- 4.) **Sifet Dervić**, Acting Director
Sport Recreational Centre Vlašić

14.10.2010

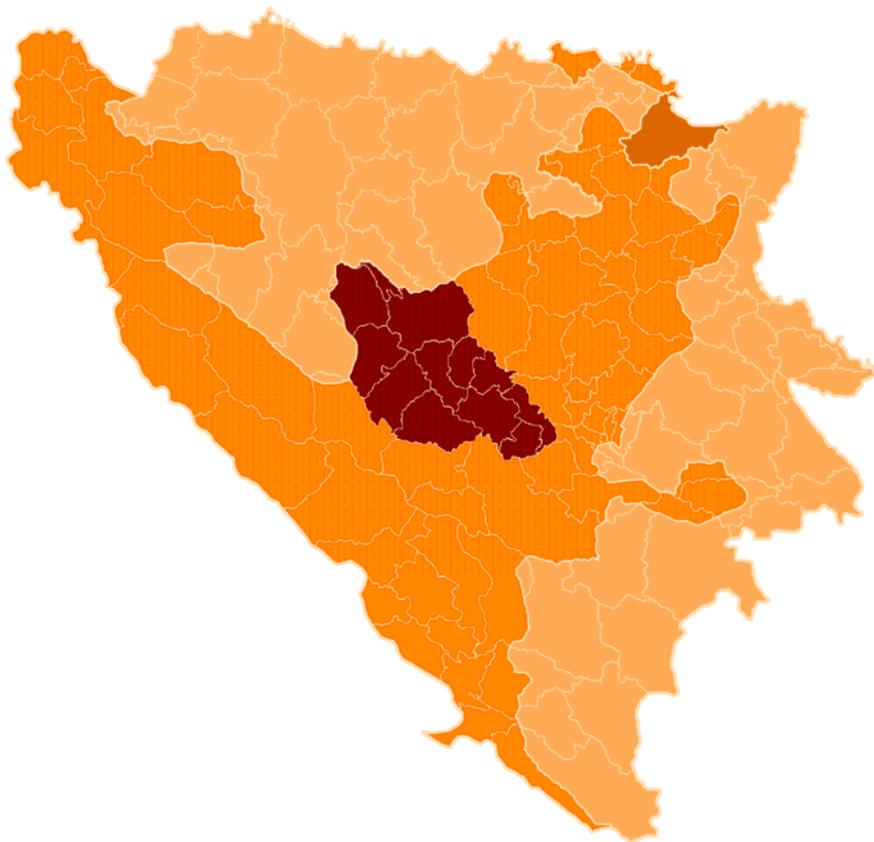
- 1.) **Imelda Šormaz**, Assistant of the Minister for Agriculture
Central Bosnia Canton, Ministry of Forestry, Water and Agriculture
- 2.) **Nihad Korić**, Director
Tourist Association of Central Bosnia Canton
- 3.) **Dragan Matić**, Member of the Minister's Cabinet for Tourism
Central Bosnia Canton, Ministry of Economy of Central Bosnia Canton

15.10.2010

- 1.) **Adis Arnautović**, Director
NGO Centre for Education of Youth
- 2.) **Goran Šarić**, Director
Ozon

B. Maps

*Map1. Map of Bosnia and Herzegovina,
Central Bosnia Canton marked in dark red colour*



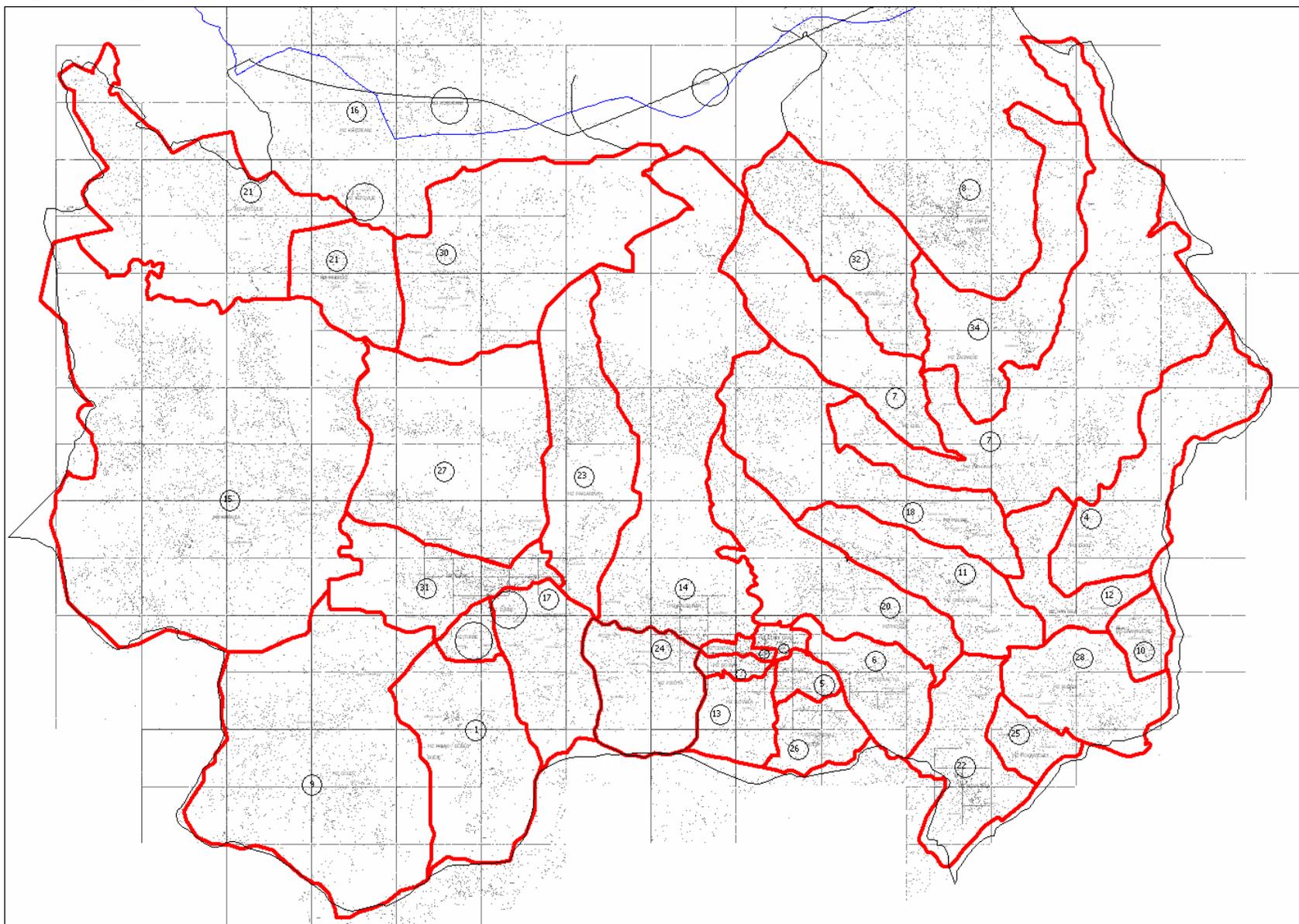
Source: Travnik Municipality, Department of Urban Planning, Construction, Surveying and Property Affairs

*Map2. Map of Central Bosnia Canton,
Municipality of Travnik marked in dark red*



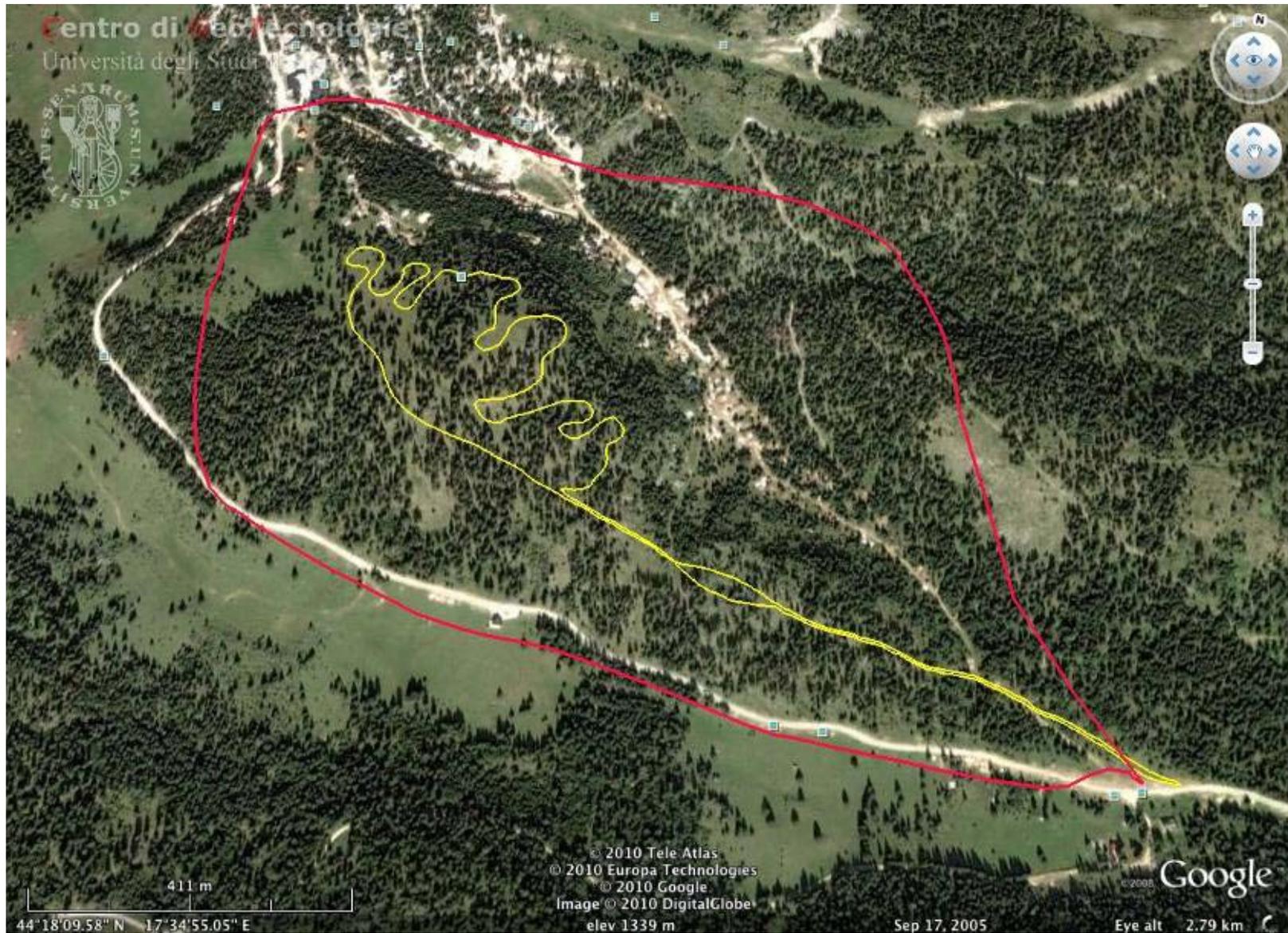
Source: Travnik Municipality, Department of Urban Planning, Construction, Surveying and Property Affairs

Map3. Municipality of Travnik, internal subdivision on counties



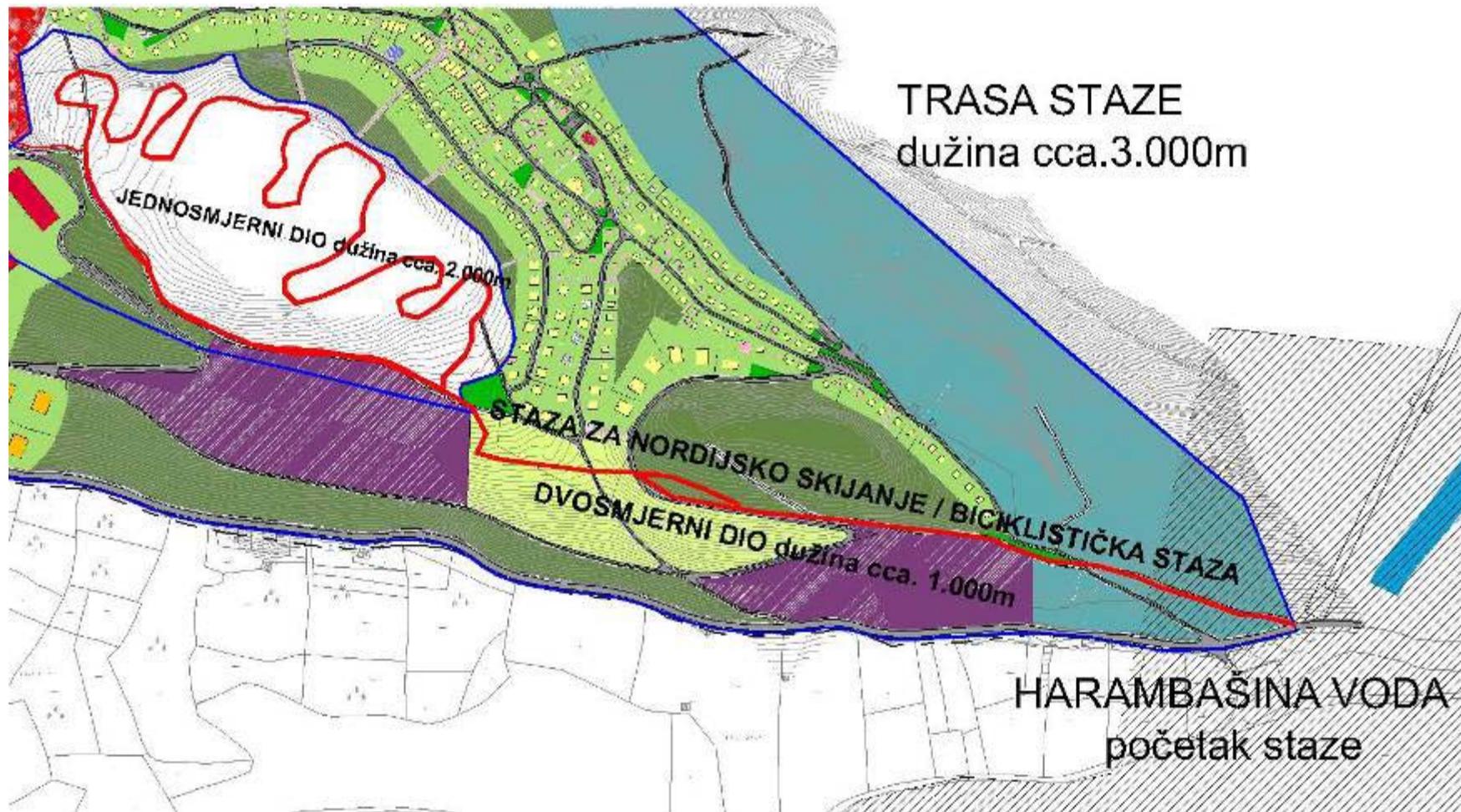
Source: Travnik Municipality, Department of Urban Planning, Construction, Surveying and Property Affairs

Satellite Image1. Kukotnica Nordic ski track



Source: Travnik Municipality, Department of Urban Planning, Construction, Surveying and Property Affairs

Map4. Urban planning outline of the Kukotnica Nordic ski track



Source: Travnik Municipality, Department of Urban Planning, Construction, Surveying and Property Affairs

C. Statistics

Table 1. Municipality of Travnik pre-war ethnic composition of the population

	Bosniaks	Bosnian Croats	Bosnian Serbs	Others	Total
1991	31.862	26.008	7.751	4.781	70.402
Year	Ethnic composition of the population				

Source: Department for Statistics of the Central Bosnia Canton

Table 2. Municipality of Travnik post-war data on population according to age

Population according to age		
0-14 years	15-65 years	65 and above
10,486	37,479	7,035

Source: Department for Statistics of the Federation of Bosnia and Herzegovina, 2009

Table 3. Municipality of Travnik post-war data on population according to date and sex

Population according to age and sex					
Up to 14 years		From 15 to 65 years		65 and above years	
Male	Female	Male	Female	Male	Female
11,8%	10,8%	33,1%	33,9%	5%	5,1%

Source: Department for Statistics of the Federation of Bosnia and Herzegovina, 2006.

Table 4. Municipality of Travnik migration trends

			Internally Displaced People	Displaced Individuals from other municipalities	Total	
1.	1995. – 2001.	16.578	9.876	9.029	18.905	7
2.	2001.	446	1.534	2.974	4.481	37
3.	2002.	270	1.437	2.864	4.307	30
4.	2003.	105	1.314	2.413	3.727	33
5.	2004.	22	1.222	2.258	3.480	7

Migration trends

Ordinal	Period	Returnees	Displaced people	Refugees		

Source: Municipality of Travnik Department for Refugees, Displaced Persons and Reconstruction.

Table 5. Municipality of Travnik economically active population

Economically active population		
Age	Male	Female
From 14 to 18	3.210	3.111
From 15 to 50	16.462	14.941
51 and above	1.504	1.300
Total	21.176	19.552

Source: Department for Statistics of Central Bosnia Canton, 2006.

Table 6. Municipality of Travnik economically inactive population

Age	Male	Female
From 14 to 18	40	22
From 15 to 50	5.336	2.271
51 and above	671	158
Total	6.047	2.451

Source: Department for Statistics of the Central Bosnia Canton, 2006.

Table 7. Municipality of Travnik post-war data on unemployment

Unemployed population according to the length of unemployment and education												
Municipality	Length of unemployment (years)	Elementary school education		High school education		Highly qualified individuals		Post secondary education		University educated individuals		Total
		m.	f.	m.	f.	m.	f.	m.	f.	m.	f.	
Travnik	1 – 5	1.690	698	2.615	960	41	1	48	22	64	23	6.162
	6 – 10	863	241	612	136	9	-	4	1	1	-	1.867
	11 – 15	228	57	156	24	3	-	1	-	-	-	469
	15 and more	-	-	-	-	-	-	-	-	-	-	-
	Total	2.781	996	3.383	1.120	53	1	53	23	65	23	8.498

Source: Statistical Data of Several Municipality Departments of Travnik Municipality.

Table 8. Municipality of Travnik average number of employed people 2007-2009

Average number of employed people	
2007	10,700
2008	11,188
2009	11,207

Source: Department for Statistics of the Federation of Bosnia and Herzegovina, 2009.

Table 9. Municipality of Travnik average net income 2007-2009

Average net income	
2007	€ 270
2008	€ 311
2009	€ 328

Source: Department for Statistics of the Federation of Bosnia and Herzegovina, 2009.

Table 10. Municipality of Travnik mineral reserves

Minerals / Ore	Location	Site / amount
Brown coal	Area of Bila	48,700,000 tons
Gravel	River Bila	10,000 tons

Source: Travnik Municipality, Department of Urban Planning, Construction, Surveying and Property Affairs, January 2005.

Table 11. Municipality of Travnik purposes for the land

Municipality	Land use	Area (in hectares)
Travnik	Fields	8,348
	Orchards	1,007
	Grasslands	8,023
	Pastures	5,396
	Woods	28,364
	Total	52,138
	Uncultivated land	1,747

Source: Department for Statistics of Central Bosnia Canton.

Local democratic governance in Trebinje Municipality

by Aleksandar Draganic (EDA, Banja Luka)

Assignment done under the CeSPI guidance

First report

SeeNet Programme

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



November 2010

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1. LOCAL CONTEXT - BROADER PERSPECTIVE

Bosnia and Herzegovina is a complex state made up of two entities, the Federation of Bosnia and Herzegovina and the Republic of Srpska, and the Brcko district as a special territorial unit within the country. With its area of 51,209 km², B&H is one of the smallest countries in the region. The entities share the territory at a ratio of 51%:49%, with the Federation of B&H having the larger portion.

Bosnia and Herzegovina has two local government systems, one in the Republic of Srpska (RS) and one in Federation of Bosnia and Herzegovina (FB&H). The RS is a centralized entity with 63 local government units, while the Federation is a decentralized entity with 10 cantons and 80 local government units. Cantons are not just another level of local government but rather political and territorial units with pronounced state-like features.

Differences among the municipalities in Republic of Srpska are immense, just as are differences among the municipalities in the Federation of B&H (Zlokapa et al., 2007). The territorial organisation and consequential distribution of state functions have a major influence on the economic position of a particular level of authority (Draganic et al, 2008). Since B&H has four levels of authority (state, entity, cantonal – in FB&H – and local), the position of local self-government units in these relations is not surprising at all. According to data, it can be seen that the allocation of public expenditures for the local government level is significantly lower in FB&H than in RS (2.27% as compared to 7.28% of the respective entity's gross domestic product in 2006, and 7,64% to 4,33% in 2007). At the same time, allocations for the middle level of authority (entity and cantonal level in FB&H, and entity level in RS) are lower in RS (16.83% of the entity GDP in 2006 and 19,5% in 2007) than in FB&H (20.26% of the entity GDP in 2006 and 25,90% in 2007).

The share of expenditures by local government units in the gross domestic product (GDP) of Bosnia and Herzegovina (4,29% in 2006 and 5.36% in 2007) is extremely low as compared to other countries in Europe (see Table 1).

Table 1 - Local government expenditures¹ in % of GDP in 2006

	Euro 25	Euro 15	Denmark	Czech Rep	France	Germany
% of GDP	11,5	11,5	33	11.9	11.1	7.2

Source: Eurostat statistics

Robert Putnam, the most popular author on the social capital concept, has once said: “The bonding without bridging equals Bosnia and Herzegovina” (Salaj, 2008). By this, he meant that the bridging social capital is missing, while the bonding social capital is instead very strong.² The political reflection of missing bridging capital is manifested in political life, particularly after the war. Generally, all people from the same ethnic group have their own “national” political parties, and most municipal mayors and local government assembly representatives originate from these parties. This hardens cooperation between municipalities where different political (and ethnical) options run local policies.

1 Local government expenditures exclude social security funds, state and central government.

2 The concept of social capital was popularized in Putnam's *Making Democracy Work: Civic Traditions in Modern Italy* (1993). Social capital is used to explain that the quality of a social relationship influences the success of individuals and entire societies in regard to democracy, economic development, education achievement, health, etc. The bonding social capital keeps together people who are similar in relation to specific characteristics such as ethnicity, religion, class, etc. The bridging social capital keeps together people that are not similar/do not look alike.

Lack of cooperation is the consequence of cultural factors and of lack of trust among people. Recent findings (Salaj, 2008) on social trust in Bosnia and Herzegovina, that question the abovementioned Putnam's hypothesis on the existence of the bonding social capital, show a low level of trust among people. Generalized trust level shows that only 16% of the population within the country thinks that most of the people can be trusted. At the same time, 74% thinks that in the relationship with other people it is necessary to be careful.

The one specificity related to Bosnia and Herzegovina is the trust of citizens in government institutions as well as in social and political institutions (UNDP's Early Warning System Report, quarterly, 2000-2008). General findings³ are that most people are not proud of institutions where they consider themselves as a minority related to ethnicity, religion or status. This implies great division within society, preventing any improvement in cooperation among people. In the matrix below, some aspects of interethnic relations can be seen.

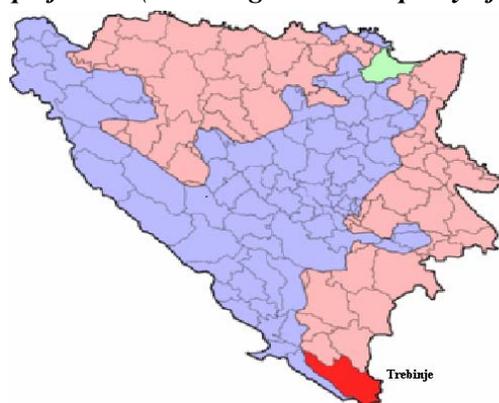
Table 2 - General attitudes among the main ethnic groups (B&H)

% of full acceptance (March 2008)	Bosnyaks	Croatian	Serbian
To live in the same country with Bosnyaks	100	48	37,5
To live in the same country with Croatians	92	100	38,5
To live in the same country with Serbians	90	48	100
To live in the same neighborhood with Bosnyaks	100	46	36.5
To live in the same neighborhood with Croatians	92	100	36.5
To live in the same neighborhood with Serbians	91	43	100
To have a boss who is Bosnyak	100	40	26
To have a boss who is Croatian	90	100	27.5
To have a boss who is Serbian	88	41	100
To have Bosnyaks' children that go to school with your children	100	44	36
To have Croatians' children that go to school with your children	92	100	37
To have Serbians' children that go to school with your children	90	43.5	100
To have member of the family that get married with Bosnyak	100	22	13
To have member of the family that get married with Croatian	28	100	17
To have member of the family that get married with Serbian	27	25	100

Source: EWS statistics, www.undp.ba

3 The Early Warning System (UNDP) is a methodology that examines quarterly public opinion polls related to economic, political, social, ethnic and institutional aspects of Bosnia and Herzegovina. More can be found on www.undp.ba under Publication section.

Picture 1 - Map of B&H (including the municipality of Trebinje, in red)



◇ Federation of B&H ◇ Republic of Srpska ◇ Brcko district

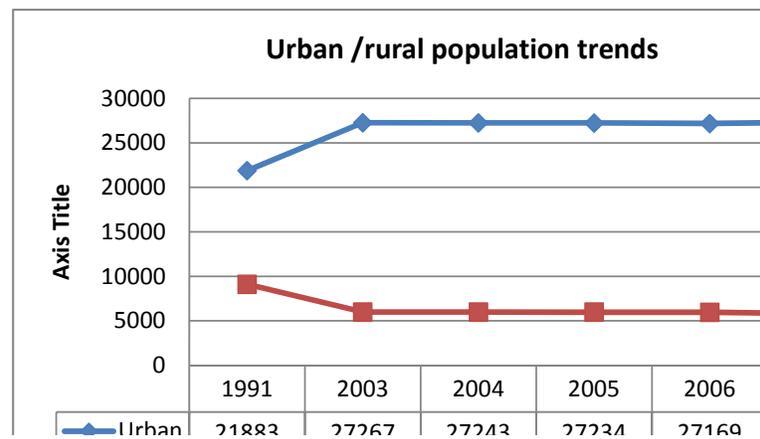
1.1 Population and territory (main characteristics)

According to estimates of local administration, Trebinje had 33 120 inhabitants in 2007, of which over 80% were living in the urban part of the municipality. Trebinje municipality covers an area of 904 km². Population density of 37 inhabitants per km² places Trebinje municipality among the rarely populated municipalities in BiH. Although the ninth-largest territory in BiH (out of 144), Trebinje municipality is located at the 99th place according to the density of population.

Due to climatic conditions and abundant rainfall, the area of Trebinje municipality is one of the areas richest with water in the Balkans and Europe. The biggest source of water is a catchment area that includes Trebisnjica (4457 km²) and which is thoroughly investigated. Water, as the basic natural resour of this area, has multipurpose use: population water supply, power plants and electric power generation, industrial and service activities, irrigation of the fertile soil of the Trebisnjica valley fields. Trebinje municipality owes to its geographical position a special climate, suitable for agricultural production; most of its territory is characterized by two types of climate: mediterranean and mountain (a mild variant of moderate-continental climate).

Before the last war, the main migration trends in the municipality of Trebinje were from rural areas to the city. According to the 1991 census, out of a total of 30.996 inhabitants, 69% were Serbs, 18% Muslim (Bosniaks), 4% Croats, 5% self-declared Yugoslavs, and 4% others. Since the outbreak of war in 1992, Trebinje has lost most of its Muslim population. Currently, records of the Association of returnees show that permanent returnees in Trebinje are only 150 Bosniaks (Muslims). According to estimation from the municipality and latest elections, there are around 400 Bosniaks in total. A few thousands of Serbian refugees from the Federation B&H and Croatia have settled in Trebinje in the last 15 years, mostly in the urban part of the municipality.

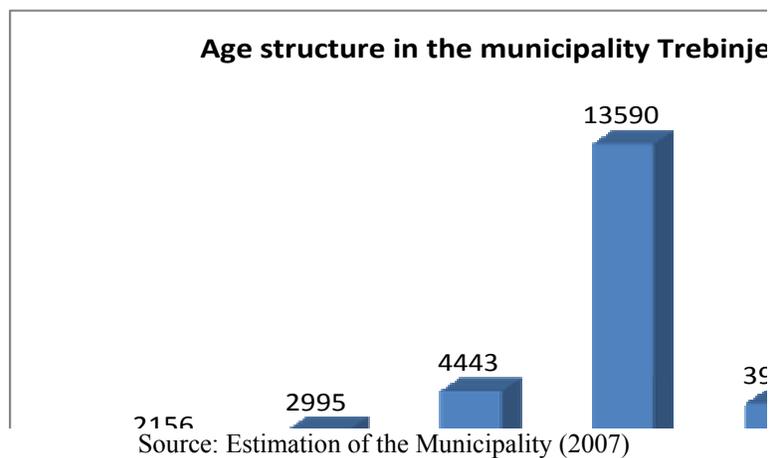
Picture 2 – Population trends (urban/rural)



Source: B&H Census 1991, estimation of the municipality (2003-2007)

Data on the natural movement of population show a negative population growth since 2002. The age structure of Trebinje population steadily deteriorated. From year to year, there are fewer and fewer children up to 9 years of age and youth from 10 to 19 years. Population between 20 and 49 years is stagnant, while there are more and more people over 50 years. The continuing of this trend would increase pressure on the population in working age, while the economy and the Trebinje municipal budget would not be able to cope with increasing multiple needs in health and social care.

Picture 3 – Age structure of Trebinje’s population (2007)



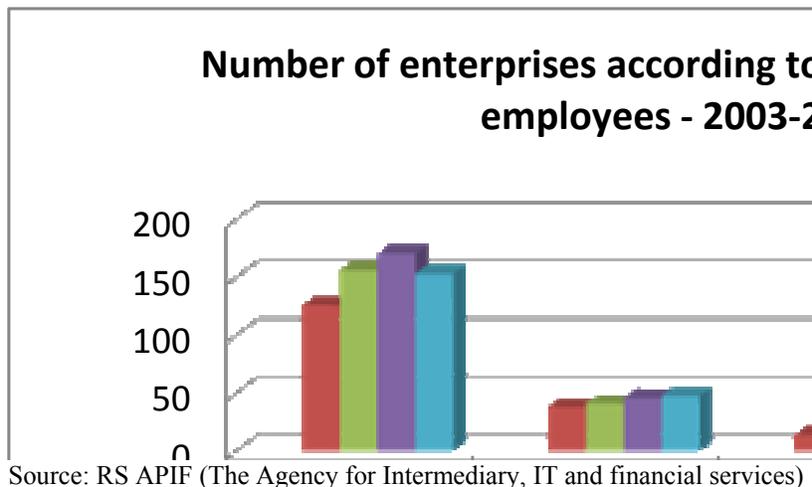
Source: Estimation of the Municipality (2007)

1.2 Economy and employment (current situation and perspectives)

Trebinje is a municipality that was harshly hit by the transition period, the previous war and the changes from 1990s. Previously, it was a municipality with several big industrial and energy enterprises. While the energetic sector remained the pillar of Trebinje’s economy, the industry (especially big enterprises) recorded drop year by year. The total number of the employed is now less than the sum of the number of pensioners and that of the unemployed registered at the RS Employment Bureau. Taken in itself, this ratio is a serious indicator of the unfavorable economic situation. The number of the employed in enterprises decreases from year to year while the number of registered employed in entrepreneurial activities (crafts and micro enterprises) increases. This positive development occurs in the field of entrepreneurial activities, with constant growth in trade and catering,

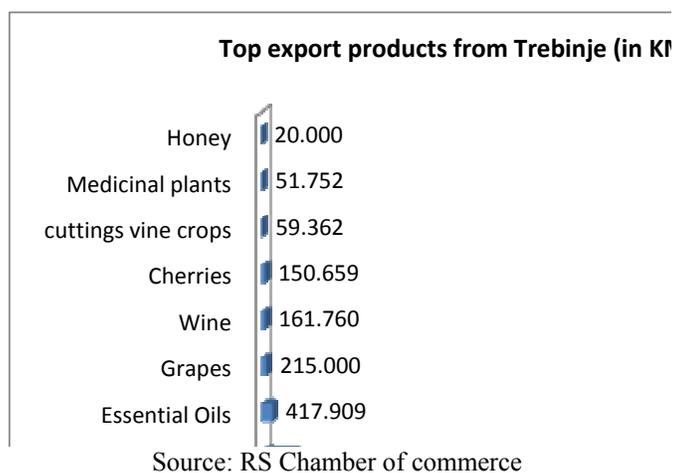
and slightly higher growth in craft stores and services related to traffic services. Local tourist offer is growing steadily, but still without adequate support from local and upper institutional levels, donors or private investors.

Picture 4 – Number of SMEs and big companies in Trebinje (2003-2007)



However, the biggest influence over economic issues is still in the hands of people coming from the energy sector.⁴ Since the head office of the state electric holding company is in Trebinje, the local élite comes from this part of economic activity. This is a very important issue in Trebinje, where the new perspective from rural development is trying to find its place “under the sun” within a broader concept of development.

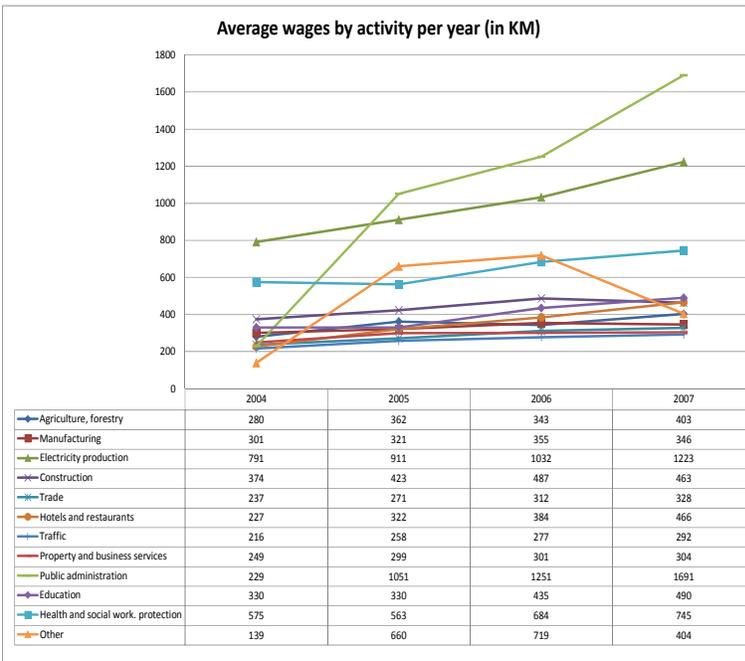
Picture 5 – Top export products from Trebinje municipality (in Kms)



Since the highest net wages are in sectors such as electricity production or public administration, everybody tends to look for employment in those sectors, while the agriculture sector records among the lowest net wages in the municipality.

⁴ Fiftyfour % of entire incomes generated in the municipality of Trebinje comes from economic activities attached to the energy sector (including water).

Picture 6 – Average net wage by business activity (in Kms)



Source: RS APIF (The Agency for Intermediary, IT and financial services)

1.3 Local politics and the “national” issues

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

Table 3 –Results of local government elections in 2008 (number of mandates)

Name of the party/independent candidate	Number of votes	Percentage	Number of mandates
SAVEZ NEZAVISNIH SOCIJALDEMOKRATA - SNSD - MILORAD DODIK SRPSKA DEMOKRATSKA STRANKA	4299	33,23%	10
	888	6,86%	6
PARTIJA DEMOKRATSKOG PROGRESA	2063	15,95%	5
POKRET ZA TREBINJE	1569	12,13%	3
SOCIJALISTIČKA PARTIJA	1039	8,03%	2
SRPSKA RADIKALNA STRANKA REPUBLIKE SRPSKE	750	5,80%	2
DEMOKRATSKI NARODNI SAVEZ	730	5,64%	2
PENZIONERSKA STRANKA REPUBLIKE SRPSKE	440	3,40%	-
SAVEZ SDA-S BIH	271	2,09%	-
NARODNA STRANKA RADOM ZA BOLJITAK	199	1,54%	-
SRPSKA RADIKALNA STRANKA DR VOJISLAV ŠEŠELJ	196	1,51%	-
DUŠAN MINOV	148	1,14%	-
POLITIČKI POKRET MLADIH-STRANKA MLADIH BOSNE I HERCEGOVINE	131	1,01%	-
SOCIJALDEMOKRATSKA PARTIJA BOSNE I HERCEGOVINE	64	0,49%	-
MILAN ŠARENAC	32	0,25%	-
VUKAJLOVIĆ BAĆO SRPSKA DEMOKRATSKA STRANKA	51	0,39%	1
BUHA MILAN BOSANSKO DEMOKRATSKA STRANKA	37	0,29%	-
KOVAČEVIĆ NEBOJŠA ZAVIČAJNI SOCIJALDEMOKRATI - MILE MARČETA	26	0,20%	-
JAKŠIĆ ZORAN NEZAVISNA LISTA BIH	5	0,04%	-
TOTAL	12938	100,00%	31

1.4 Institutional set-up

Trebinje municipality is one of 62 municipalities in the Republic of Srpska, having the same competences over local issues as the others. Besides local administration and its employees, the local government has some competences over social protection (Centre for social work), local fire department, communal police, primary health and elementary/secondary education and some other competences shared with the upper level. All other functions are entity functions deconcentrated at the local level, that are attached to the RS Government and to certain ministries.

Article 21 of the Law on local self-governance in the Republic of Srpska states that in the area of tourism the municipality has competences *over provision of conditions for development of tourism and tourist places, and development and advancement of communal, sport, recreational and other activities that contribute to tourism development*. The municipalities do not have explicitly defined responsibilities (competences) related to rural development.

The specific problem in Herzegovina is related to “regionalization”, since the failing of the 2005 initiative of local leaders (mayors and assembly presidents), where 7 municipalities of Eastern Herzegovina tried to form a region (Association of municipalities of the Eastern Herzegovina), failed. The reasons were seen in politics, in lack of support from upper level which didn’t like this idea, and in donors who had a different approach (EURED⁵). This vacuum of regionalization is very problematic

⁵ The Republic of Srpska is a centralized entity. Regional policy and instruments are not developed, although some functions are organized regionally (employment offices, statistics, public health institutions, courts). In 2002 the European Commission launched the EU Regional Economic Development - EURED project, that brought controversy in regional politics, since this project, backed by some political parties from the Federation B&H, introduces economic regions within Bosnia and Herzegovina that don’t correspond to entity boundaries. The fear within the political élite in the RS is that the

for initiatives of inter-municipal cooperation trying to attract EU funds for certain local and cross-border projects.

1.5 Social dimension

Social dynamics in Trebinje have always been questioned by outer challenges. The previously mentioned historic perspectives, industrialization, “democratization”, transition, etc., were always phenomena that required time to respond and change certain societal behaviors. Unfortunately, the changes that occurred in the municipality Trebinje from the 1990s of the 20th century are not yet properly responded to, especially as far as future EU perspectives are concerned. The municipality is struggling in the post-transition period without proper infrastructure for attracting EU funds.

The economic problems rooted in industry crisis and rise of unemployment, hostile neighborhood, undesired migration and de-population trends, etc., left severe consequences on the quality of life of Trebinje’s inhabitants. Only in very recent years were the “signals” of these problems received by municipal leadership with due attention, while it is not clear whether it takes concrete actions accordingly. For example, although Trebinje Municipality has announced the new strategic goal of rural development, it provides less than 1% of its budget for concrete support.

Trebinje development strategy 2008–2017

The problems in various economic sectors in Trebine are recognized through the local development strategy where its first strategic goal focuses on the “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 future comparative advantage that will be based on Trebinje’s history and cultural heritage.

Various international and domestic experts⁶ have said that Trebinje municipality has one of the best social protection policies at the local level in BiH, This judgment is based on the number of projects where the local centre for social work has been involved, on the budget poured into social sector on annual basis, and on very skilled staff. However, this policy is constantly endangered by unfavorable economic situation, rise of unemployment and deterioration of old industry sectors, while new entrepreneurial activities are still underdeveloped. This puts more weight and responsibility on the development of new perspectives, including rural development and tourism in Trebinje municipality as a social buffer for rising problems.

regionalization (even such in the Eastern Herzegovina) weaken the position of the Republic of Srpska within the unsettled constitutional framework.

⁶ UNICEF staff, DFID reports, interlocutors from the RS Ministry of health and social protection.

2. COOPERATION TRENDS IN B&H

The international cooperation in B&H can be divided into two major phases: reconstruction after the war (1996-2001), and building sustainable economy and society (from 2002 onwards). There are numerous donors and cooperation initiatives by multilateral and bilateral donors. Although several initiatives have been recorded to create a joint platform for international assistance, joint coordination mechanisms have not been created up to now. However, the information exchange occurs through the Donor Coordination Forum (DCF), made of twenty major bilateral and multilateral donors contributing to reform cooperation processes in BiH.

DCF Report for 2008/2009 confirms the trend which was previously observed - gradually reducing development assistance in the form of grants, alongside an increasing volume of concessionary loans. This can be seen as a natural phenomenon as Bosnia and Herzegovina moves from being perceived as a post-conflict country to a future member of the European Union. In line with this, whilst direct bilateral assistance from some countries will come to an end in the near future, assistance from many of them will continue through the auspices of the European Union.

The report shows that DCF members have allocated 766 million EUR to projects in 2008 and 430 million in 2009. Of the 1,196 million EUR earmarked for 2008 and 2009, 355 million was in the form of grants and 841 million in the form of loans. Compared to 2007, the 2008 figures represent an overall growth of 243 million in the total ODA allocation, with a 20 million decrease in grants and a 263 million increase in loans. This trend, which can be observed since 2006, is partially explained by the gradual phasing out of direct bilateral support from four donors (Canada/CIDA, the Netherlands, Spain/AECID and UK/DFID) and the increasing scale of concessionary loans provided by major International Financial Institutions (IFIs). At the same time it should be noted that EC's contribution is growing rapidly. In 2009 EC pipeline projects amount to 66.65 million EUR, compared to 22.43 million contracted in 2008 and 45.77 million contracted in 2007. Another important factor impinging on developmental aid in BiH has been the global financial crisis. Although the crisis has not significantly affected ODA flows yet, its spill-over effects are felt in sectors such as Infrastructure, Economic Development or Forestry.

The list of donors and cooperation partners is huge. Thus, we have decided to just mention a few major donors with their major initiatives, due to their probable connectivity with SeeNet (especially in the Trebinje region).

2.1 USAID

The overriding U.S. interest in BiH remains its transformation from a source of regional instability to a peaceful, democratic state on the road to Euro-Atlantic integration. The U.S. Government (USG) works to promote a BiH that is secure within its own borders, at peace with its neighbors, capable of combating crime and corruption, democratically governed, pluralistic and tolerant, and economically growing. USA/USAID allocated 38.33 million EUR in 2008 and 27.35 million EUR in 2009 to the following sectors: Economic Development and Social Protection, Conflict Prevention, Good Governance and Institution Building, Agriculture and Forestry, Local Governance, Education, Infrastructure, Cross-cutting and Health.

USA/USAID, in cooperation with the Netherlands and Sweden/SIDA, is promoting efficient, transparent local governance throughout BiH, by working directly with municipal governments to improve customer service, rationalize and control revenues and expenditures, and secure financing from commercial institutions (GAP project). GAP has also provided small grants scheme to various

municipalities. For example, besides a help in the creation of one stop shop, Trebinje has got 110.000 \$US for regulating the City Park, the establishment of the Youth business centre and improvement of life of youth and women. A USA/USAID special initiative in the Srebrenica area endeavors to connect municipal institutions with citizens and relevant organizations with an internet-based communications network.

Through FIRMA and FARMA projects, USA/USAID seeks to increase productivity and competitiveness of SMEs in agriculture and agribusiness, in order to generate employment and profitability. FARMA efforts will be used to provide targeted demand-driven assistance to agricultural associations, cooperatives, market integrators and SMEs in targeted agriculture sub-sectors, to take advantage of domestic, regional and international market opportunities. Specifically, USA/USAID works in the following areas to improve competitiveness: facilitating the creation of sustainable market linkages, helping to improve productivity and quality of agriculture producers and food processors, assisting firms to become more competitive, improving sub-sector-related policies, and increasing access to finance. The USAID's FARMA has a part-time office in Trebinje.

2.2 European Commission

The main objective of the EC's current assistance to Bosnia and Herzegovina (BiH) is to support the country in its transition from the status of a potential candidate country, through that of a candidate country, to membership of the European Union. As a potential candidate country, BiH benefits from the first two components of the Instrument for Pre-accession Assistance (IPA), available to BiH since 2007: component I for Transition Assistance and Institution Building and component II for Cross-Border Cooperation. The indicative allocation to BiH under the Multi-annual Indicative Financial Framework (MIFF) for 2009–2011 amounts to €303.20 million. Within component I, 30–40% is indicatively allocated to assist the country in complying with the political criteria, 25–35% with the economic criteria, and 30–40% with the *acquis*-related requirements.

Since the end of the war in 1995, EC assistance to BiH has totalled €2.80 billion. Between 1995 and 2001, the EC provided more than €540.00 million for humanitarian assistance. The programmes Poland and Hungary Assistance for Economic Restructuring (PHARE), OBNOVA, and Community Assistance to Reconstruction, Development and Stabilization (CARDS), provided more than €1.00 billion to BiH, of which €503.00 million under CARDS in the years 2001 to 2006. IPA has provided €137.00 million since 2007. Since 2007, through its national and multi-beneficiary programmes, it addresses the political and economic requirements in the framework of the Stabilization and Association Process (SAP) and of approximation to European Standards, mainly to support BiH in establishing regulatory systems and preparing for IPA pre-structural funds; it also supports the participation in cross-border cooperation programmes with neighboring countries and EU Member States.

EU funds are currently not targeting municipalities in general, while tourism and rural development were partly in focus through the IPA 2 component – cross-border cooperation programme⁷.

2.3 The Royal Norwegian Embassy in Sarajevo

Much of Norwegian development cooperation internationally involves long-term assistance in the form of grants. Norwegian long-term development cooperation generally emphasizes both bilateral assistance, directly channeled to the governments of partner countries, and multilateral assistance,

⁷ The project manager Marina Dimova, of UNDP's Integrated Local Development Project (ILDP), has said that the EU does not have eligible funds for support of local development and municipalities.

which is channelled through the UN system and development banks. Norway also provides significant assistance through international, local and Norwegian non-governmental organizations (NGOs).

Norwegian Business Innovation Programs (BIP) is a non-profit foundation whose objective is to contribute to the creation of jobs and facilitate the development of expertise in the field of economic development, as an effective means of building or rebuilding countries. Core activities revolve around exploiting the principles of market economy and transferring entrepreneurial expertise. BIP is currently strongly engaged in Herzegovina and Trebinje, and has links with Trebinje's association ZALFIA related to their honey production activities. ZALFIA and BIP cooperate in various areas, including the training of young people to become bee-keepers, and the export of honey.

2.4 UNDP

UNDP allocated €10.86 million in 2008 and €11.12 million in 2009, mainly to the following sectors: Local Governance, Economic Development and Social Protection, Good Governance and Institution Building, Conflict Prevention and Environmental Protection.

Among activities most relevant to SeeNet programme there is the Community Reconciliation through Poverty Reduction project, focused on community reconciliation in South-eastern Herzegovina through a multi-dimensional approach to poverty reduction. This approach included mine clearance, waste management, income generation activities in the highly potential tourism industry, restoration of the cultural heritage and strong advocacy activities. The project was based on the principle that a participatory and transparent approach to income generation will create a synergetic bond for municipalities to cooperate in the development of common interests and the mitigation of "hard-line" politics. The project has been concluded in 2010; UNDP has carried out four projects in Trebinje under this initiative.

The other projects relevant to SeeNet Programme are the Integrated Local Development Project (ILDLP) and the Training System for Local Government in BiH (MTS). The ILDP is a response to a call for support by municipal partners to sustain a systematic approach to capacity development and policy design at the local level in BiH; it ILDP initiates a process where such a unified local planning framework is elaborated, launched and successfully applied throughout BiH municipalities in the long term. Translating municipal strategic goals into concrete projects and action plans, and making direct connections with the municipal budget cycle remain a challenge at the municipal level. Currently, 24 municipalities are covered by the ILDP, but the project does not cover Trebinje municipality. MTS aims at facilitating the development of a competent and professional local administration through the establishment of a sustainable municipal training system, which will help to ensure that training provided by various local and international organizations corresponds to the real needs of municipalities and meets established quality standards that are common to all training programs and providers throughout the country. MTS will provide training for municipal leadership and clerks in all municipalities, including Trebinje.

2.5 Local diplomacy – pillar for SeeNet in B&H

The need for more interaction between B&H and foreign municipalities and regions is recognized in the B&H Local Self-Development Strategy until 2020, adopted by both associations of cities and municipalities of the Federation and the RS, and approved by major donors such as USAID, UNDP, SIDA, GTZ, etc. The rationale was in the fact that cities and municipalities in B&H and their associations are not sufficiently using the opportunities comprised in the globalization and European integration processes, especially the new role that local diplomacy can achieve by contributing to stable peace and development. The main expected results from this strategic intervention are seen in:

- improved capacities of cities and municipalities and of their associations for international networking,
- increased number of accomplished connections with the cities and municipalities from other countries, with positive economic and social effects in local communities, and easier integration process of BiH into EU.

Many international donor projects are using this approach in order to support this strategic intention of cities and municipalities.

Local Self-Governance Development Strategy in BiH to 2020

Local Self-Governance Development Strategy in BiH represents a key result of the Project Designing Local Self-Governance Development Strategy in BiH by Key Domestic Actors. The Project was financed by the Open Society Fund and the Municipality Development Project (SDC and Intercooperation), and designed and implemented by EDA Agency from Banja Luka.

Local Self-Governance Development Strategy in BiH is the first comprehensive document that sets a basis for successful local self-governance building and improvement, as well as for the development of local communities. It represents a platform for consolidating a significant number of partial initiatives into a structured unity, by enabling their integration and giving them a final meaning through clearly defined goals.

At the very center of the development vision is a new local self-governance that is seen by citizens both as their right and their obligation, in order to manage local development and affairs in a responsible and pro-active manner, upon the principles of the European Charter of Local Self-Governance, thus achieving a new quality of life, both in their local community and in the whole of BiH. A few most important, strategic orientations, defined as seven strategic goals, lead to such local self-governance; these include: an essential and simultaneously functional fiscal decentralization, ensuring modern leadership, competent and motivated staff, significantly improved quality and cost-effectiveness of services, increase in direct participation of citizens and civil society organizations in public affairs, partnership and responsibility of all levels of government and a productive mutual cooperation of local units, actively participating in regional networks and initiatives.

The Development Strategy was unanimously adopted by the Partner Group for Local Governance Development (comprised of local experts and practitioners and both Association of cities and municipalities of the Federation and the RS).

3. RELATIONSHIP WITH ITALY

Although a lot could be told as to the historical aspect of B&H and Italy, the focus will be only on recent time.

Italy has been active in Bosnia and Herzegovina (BiH) since 1992 via its first emergency programmes, which catered to the most urgent social and healthcare problems caused by the war. Since then, the Italian Cooperation (IC)'s action has been developing to include both bilateral initiatives and multilateral programmes implemented by international organizations. Italy/IC in BiH commits a great deal of its resources to support the entire country's socio-economic progress and – in perspective – its integration into the European Union, paying particular attention to the potential of bilateral economic

relations. BiH is still among the “Priority 1” countries for Italian Cooperation, as stated in the guidelines and programming orientations for the period 2010-2012⁸.

Consequently, the Italian contribution aims to meet the following important needs: (i) supporting sustainable development, especially through the promotion of private economy and the improvement of facilities; (ii) institutional strengthening aimed at taking responsibility by local institutions in management, planning and development; (iii) protecting the most vulnerable population targets through many grass-roots initiatives.

In BiH, Italy/IC has been entrusting funds to regional initiatives that are being implemented through the adoption of a participatory approach, such as the *Direct Assistance to Victims of Trafficking*, implemented by IOM, the *e-Leadership Programme in the Western Balkans*, implemented by UNDP, the *Social Development Initiative for South East Europe*, implemented by the World Bank, and the funding of the Youth Commission within the Ministry of Civil Affairs of BiH.

Italy/IC allocated €6.40 million in 2008 and €10.83 million in 2009 to the following sectors: Economic Development and Social Protection, Agriculture and Forestry, Good Governance and Institution Building, Cross-cutting, Health, Conflict Prevention, Education, Infrastructure, Environmental Protection and Local Governance. All of Italy/IC’s allocations are in the form of grants.

In the Agricultural sector, Italy/IC operates through many programmes led by Italian non-governmental organizations (NGOs), International Organizations and Italian regions and local entities. The development projects mainly target the promotion of sustainable agricultural systems, such as integrated and biological agriculture, in order to reduce the environmental impact of agricultural production in BiH and strengthen the potential of small agricultural enterprises. The NGO UCODEP is recognized as the key actor in the development of the agriculture sector in Trebinje. Its approach aims at reducing poverty and encouraging interethnic integration, through increasing the value of BiH’s natural resources.

It is worth highlighting that Italy/IC funds programmes and actions for developing sustainable policies in the social, agriculture and justice sectors. A very good example of this commitment is the formulation of the strategy document “*The BiH Agriculture Sector and Italian Development Cooperation Assistance*”, in collaboration and with the support of local governmental and non-governmental institutions.

The BiH agriculture sector and Italian development cooperation assistance

This represents the strategic document of future perspectives of the Agriculture sector of Bosnia and Herzegovina, taking into consideration government strategies (FBiH and RS) and the strategies of major International Organizations (IFAD, FAO, World Bank, EU). Herein are indicated the main findings and suggested possible development interventions of the Italian Cooperation System.

Each point includes the most important on-going or planned activities, both nationally and internationally funded, in the whole country, in order to improve project interventions and innovations, create positive synergies and increase the impact of the Italian Cooperation System.

The entire document has been widely based on the examination of existing literature, official documents and reports.

The Strategy has been completed under supervision and in collaboration with the international and national staff of the Italian Cooperation Office and with project-implementing organizations operating in Bosnia & Herzegovina.

⁸ Italian Ministry of Foreign Affairs, “La Cooperazione Italiana allo sviluppo nel triennio 2010-2012. Linee guida e indirizzi di programmazione”.

3.1 Commercial exchange – B&H vs. Italy

Italy is one of the top 5 main trade partners with Bosnia and Herzegovina (along with Serbia, Croatia, Slovenia and Germany). The exchange went to almost 1 billion EUR in 2008 and 2009, with a positive trade balance in Italy's favor. According to data from B&H Foreign Chamber, the B&H import from Italy is covered by 68% of export to Italy.

Details exchange between Italy and B&H are visible from the data of Italian Institute for Foreign Trade (ICE) for the years 2007 and 2008. The data (see Annex D) show the major exchange in footwear and textile products, metal and metal products, and machinery and machine parts. The export of agriculture and fishery products from B&H to Italy is still at a lower level than it could be.

ICE has published a list of 35 major Italian investors in Bosnia and Herzegovina. The firms come from various sectors such as footwear, machinery, textile and clothes, banking and finance, food and agriculture, etc. The list can be seen in Annex E.

4. MAP OF RELEVANT COOPERATION STAKEHOLDERS IN THE RURAL DEVELOPMENT SECTOR

The previous analysis of the local context has provided some hints regarding the possible cooperation stakeholders. For the purpose of this report they will be divided into several categories, while there are some differences among them even within the same category. The stakeholders are as follows:

- Local government – Trebinje municipality
- Local NGOs and citizens associations
- Local entrepreneurs
- Upper government level representatives
- Italian partners (authorities and NGOs, associations)
- Mayors from surrounding municipalities
- Association of municipalities of Eastern Herzegovina
- Local communities
- Other international cooperation projects
- Single citizens

Trebinje Municipality is a medium-size municipality in the Republic of Srpska, with the natural position of a regional centre in Eastern Herzegovina. Previous analysis of institutions, politics and economy shows that they operate in the complex system of interactions between upper politics, elected representatives (mayor and municipal assembly), local administration and local economic actors. The most important persons representing the municipality are the mayor, directly elected by citizens in 2008, the president of the municipal assembly (also directly elected), the head of local administration and the head of local housing-communal affairs department. The last two are chosen by the mayor and are key figures for decentralized cooperation between the municipality and Italian partners. In addition, the same level of political authority is seen in the chairman of the local assembly, and interaction of mayor vs. municipal assembly chairman is vital for proper function of local administration. The municipal assembly is the place where all local political parties articulate their interests.

Local NGOs and citizen association of are normally important actors at the local level, but previous research⁹ has shown that they are not so relevant in Bosnia and Herzegovina. The root of civic engagement is related to the arrival of international organizations and donors who created many local NGOs and associations due to the mission of their projects and programmes; local NGOs and associations were mainly implementing activities placed by international organization and donors, without possibility to influence any change in activities or policies. In many cases, the interaction between local NGOs and the administration at the local level was hostile, without any proper coordination. However, the situation is slightly changing over time, and NGOs and associations are becoming partners in various local government projects due to change in situation and perception; this has happened especially after EU funds (Cross-border and IPA component I), where the partnership of all players (local NGOs and associations, and local government) is promoted as a value added, became operational.

Local entrepreneurs in Trebinje are very important actors related to the purpose of the project *Enhancement of local resources for the development of rural tourism in the Regions of Herzegovina and Dubrovnik*, led by Tuscany Region. Although most of them are still very small, and are trying to establish proper cooperation with local administration, some of them grew up to solid size to become proper partners at the local level. These businesses are leading others through the association of wine producers, the association of bee-keepers and honey producers, or other important rural development activities. These “good cases of rural development” are constantly provoking the logic of local inhabitants, who still believe that it is better to be gatekeepers in electric power plant than have one's own farm and run economic activities through rural development.

Upper-government level representatives are sometimes key actors. The minister or its subordinates from various ministries play an important role if they have development funds for the specific purpose. They support or not various initiatives in accordance to their preference. Rural development in Herzegovina is recognized as a valuable initiative by at least two RS and one B&H Ministries¹⁰ – RS Ministry of agriculture, waters and forestry, RS Ministry for general administration and Local Self-Governance and B&H Ministry of Foreign Trade and Economic Relationship (sector economic development and entrepreneurship). Besides, representatives for the RS National Assembly can play a very important role in local development, even bigger than certain mayors or assemblies. This is the consequence of their ability to lobby certain aspects to the central government, including employment and placement of executives (in public institutions, public companies, schools, hospitals, etc.).

Italian partners (authorities and NGOs, associations) are key players for the establishment and widening of cooperation among all players (local administration, local politicians, local NGOs and associations, local businesses, etc.). Since SeeNet's organizational structure is very complex, it is very important to present it properly to local players, especially to municipal executives and associations. The “real value and concrete activities” are expected from Italian partners. Thus, it is very important to explain all implementation activities to local players. Besides, constant presence in the selected territory is a plus, due to the fact that local players evaluate the importance of the action to Italian partners.

Mayors from surrounding municipalities and the association of municipalities of Eastern Herzegovina are players that constantly monitor “neighbor activities”, in order to gain from the same activities.

9 According to the Report on Civil Society Development Level (Center for promotion of civil society, 2009), the most important aspect in further development of civil society relates to improving NGO capacity, in order to integrate them into local communities where they exist. In the same report it can be found that the greatest focus of current NGOs are education and research (13,66%), youth (8,86%), social and humanitarian issues (8,33%), and development of local communities (8,23%).

10 Based on results from interviews with people from those ministries.

Since most of them were also part of SeeNet I, they are expecting to cooperate further within the SeeNet II Programme. Mayors from Eastern Herzegovina have pre-prepared an inter-municipal development hub within the Association of municipalities of Eastern Herzegovina. The presence of this Association could be a future opportunity for SeeNet; however, this association still copes with certain problems associated to lack of funds, lack of joint projects or interference from “upper politics”.

Local communities (*BHS. mjesne zajednice – MZ*) have for decades been most important players for the development of rural areas. Previously, they’ve been a part of local government in the formal sense, having their own legal status and competences. Currently, the Law on local self-governance recognizes them as participatory mechanism for decision-making at the local level, without legal power. Trebinje has 18 local communities, with immense differences among them as far as population, resources and development status are concerned. Local communities are also important with respect to local politics due to possible pressures on the allocation of available budget resources. With respect to SeeNet, the local community Petrovo Polje is involved in the programme through the initiative of inhabitants on planting special beans called “poljak”, that have become a brand within the region.

The first international development project dates from after the war, but real assistance in cooperation with the municipality started in 2004 after the change in municipal leadership. Currently, there are several projects that target the same issue as the SeeNet programme – the issue of local and rural development. However, SeeNet is the only case of decentralized cooperation active in Trebinje. The most important international projects focusing on (rural) development and valorization of local resources are:

- USAID FARMA
- Norwegian BIP (Business Innovation Programme)
- UNDP’s activities on development of tourist potential
- World Bank irrigation project (continuation on IFAD’s activities in eastern Herzegovina)
- Former Spanish MPDL project on rural development (finished)
- OCSE mission (Local first project)

Since most of these target the same stakeholders (e.g. association of wine producers or of beekeepers and honey producers), it will be very challenging to isolate the real effect of one singular programme or project on local level government on a selected territory. However, we hope that interlocutors from local government will be in the position to provide more information on the real effects of each initiative. It is very important to have a coherent and complementary approach to rural development, with some aspects of coordination. However, besides the fact of targeting the same stakeholders, a joint shape of the various international projects is not visible. USAID's Farma is focused on improvement of chain values of individual producers by making associations and increasing their capacities. The Norwegian BIP program is promoting private entrepreneurship in beekeeping, while the UNDP’s activities were focused on the protection of heritage and tourism. The World Bank has been primarily based on the agriculture, while the project most similar to SeeNet was seen in the former Spanish MPDL project on rural development.

Finally, citizens, i.e. inhabitants of Trebinje, represent the important stakeholders. Although some could say that they articulate their interests through associations, political parties or local communities, usually that is not the case in B&H. Data on the RS level¹¹ show that less than 10% of citizens are members of political parties, while their participation in local associations is small and ad-hoc. The participation of citizens in local communities depends on local leaders, but usually this mechanism is under-exploited and occupied by certain groups of people attached to certain local political parties.

11 The Early Warning System quarterly reports (UNDP).

Finally, issues that will arise through SeeNet will have direct effect on the quality of life of citizens and their future perspectives.

4.1 Conflict and synergies among key stakeholders

It is very hard to predict the possible conflicts among stakeholders, but according to general logic, previous patterns of their behavior and local conditions, the matrix of conflicts¹² and synergies according to possibility (small, medium, high) can be constructed.

Matrix of possible conflicts, according to possibility

	Mayor	Political parties	President of Assembly	Local NGOs and associations	Local entrepreneurs	Upp Gov. Repres	Italian SeeNetPartners	Other mayors	Local comm.	Other intl project	Citiz
Mayor		Medium	Medium	Medium	Small	Medium	Small	Small	Medium	Small	Small
Political parties			High	Medium	Small	Medium	Small	Medium	Medium	Small	Small
President of Assembly				Medium	Medium	High	Small	-	Medium	Small	Small
Local NGOs and Associations					Medium	-	Medium	-	Small	Medium	-
Local entrepreneurs						Small	Medium	-	-	Small	Small
Upper Government Representatives Italian							Medium	Medium	-	Small	-
SeeNetPartners								Medium	Small	Medium	Small
Other mayors									-	-	-
Local comm.										-	-
Other international project											Small
Citizens											

Matrix of possible synergies, according to possibility

	Mayor	Political parties	President of Assembly	Local NGOs and associations	Local entrepreneurs	Upp Gov. Repres	Italian SeeNetPartners	Other mayors	Local comm.	Other intl project	Citiz
Mayor		High	High	Small	Medium	High	Medium	Medium	S/M	Medium	Medium
Political parties			High	Medium	Small	Medium	Small	Small	Medium	Small	High
President of Assembly				Small	Medium	High	Small	Medium	Medium	Small	Medium
Local NGOs and Associations					Small	Small	High	-	Medium	M/H	S/M
Local entrepreneurs						Small	Medium	-	-	Medium	-
Upper Government Representatives Italian							S/M	Medium	-	S/M	Small
SeeNetPartners								Medium	Medium	M/H	S/H
Other mayors									-	Medium	-
Local comm.										-	Medium
Other international project											Small
Citizens											

The strong actors are municipal mayor, president of assembly, political parties, upper level government institutions and Italian partners/SeeNet¹³. The weak actors are local NGOs and associations, local

12 The most severe conflict in the past was between the municipal mayor and some local assembly representatives backed by several “politically oriented” NGOs. The culmination of the conflict was in 2009, when several incidences occurred, disturbing the general public.

entrepreneurs, mayors from neighboring municipalities, citizens and representatives from other international projects.

From previous analysis conducted for the purpose of Trebinje's development strategy, it can be seen that there are some conflicts concerning, vision when looking at rural tourism/territorial development. Since more than 80% of total revenues in the municipality come from the energy sector, the majority of stakeholders (including citizens) still does not perceive rural tourism as very important for economic growth. Local population has been saying that *it is better to be a door-keeper at the electricity power plant than a respectable farmer in a village around Trebinje*. Lack of opportunities to generate revenues in rural areas in the past, coupled with vast opportunities during the industrialization period, left severe prejudices within local population.

Trebinje's situation is typical of any other B&H municipality. Political leaders, i.e. mayors and local assembly president, have good connections with certain local NGOs and associations, some local entrepreneurs and international projects. In the past, Trebinje showed a non-cooperative behavior towards the international community, due to nationalistic rhetoric at local level, although international projects had support from the upper level of government.

Local level administration has good relations with all stakeholders, while national administration prefers cooperation with stakeholders with same political background at the local level. A very powerful role in the municipality is played by a councilor in the RS National assembly who has been elected in Trebinje.

All stakeholders are familiar with the necessity to promote rural tourism due to current problems with unemployment and local economy. However, it should be noted that some problems can occur if the regional development agency (REDAH) takes a bigger role within the SeeNet. Since the RS Government placed a ban for the municipalities in the Republic of Srpska to participate in "EU regional development initiatives", the cooperation on projects with regional development agencies in B&H has been diminished.

4.2 Multi-level relations

In the chapter where we analyse other donors activities, we have summarized some current major initiatives regarding interaction of local cooperation activities with national, European Union and other donors' strategies on the rural tourism theme. EU funds (IPA) related to rural development are still out of scope for local actors, due to the current pre-accession status of the country. Some initiatives related to rural tourism, launched under the previous EURED scheme, among which the "Wine route of Herzegovine", are not active anymore due to political backlash from the Republic of Srpska¹⁴

In addition, it has to be born in mind that the project "Enhancement of local resources for the development of rural tourism in the regions of Herzegovina and Dubrovnik", led by the Region Tuscany within the SeeNet Programme, is completely in line with the Strategic Plan of Rural Development of the Republic of Srpska for the period 2009-2015 and its strategic goal "Improvement of living conditions and the introduction of greater diversity in revenue generation of rural economy". The vision of rural development of the Republic of Srpska is based on a few important elements:

13 The strength of SeeNet is the consequence of good perception of the programme by municipal leadership and other stakeholders, in general. The cooperative behaviour without pressures on local administration is judged as the most favourable SeeNet value over other international projects.

14 For more cases, see: http://ec.europa.eu/enlargement/projects-in-focus/selected-projects/culture-and-tourism/tourism/bosnia_wine_route_en.htm.

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

4.3 Cooperation dynamics

The issue of rural development, and hence the issue of the enhancement of local resources for the development of rural tourism in the Regions of Herzegovina and Dubrovnik, are still at the rock bottom. The reasons can be seen in the development dynamics of Bosnia and Herzegovina, where development assistance can be divided into two phases: the reconstruction phase after the war (1996-2001), and the building of a sustainable economy and society (from 2002 onwards), while B&H society went through a few more periods: return of refugees and displaced population, reconstruction (material reconstruction and reconciliation), privatization and democratization, nation/state building and creation of a sustainable economy and society.

It can be said that these phases sometimes have been in line while sometimes in collision among each other. Due to lack of focus and priorities (from both sides, national government and international donors), the issue of rural development was mostly neglected in the previous period. However, the situation is changing toward more focus on topics that SeeNet will deal with in Trebinje – rural development and tourism. However, big EU or other donor funds are still out of reach. Currently, there are two IPA components open for Bosnia and Herzegovina – Transition Assistance & Institution building and Cross Border Cooperation. Due to the fact that Bosnia and Herzegovina is not yet a candidate country, IPA programmes and funds such as Regional Development, Human Resource Development or Rural Development (IPARD) are still not available.

The most interested stakeholders, as to rural tourism development in Trebinje, are seen in the local association of beekeepers and honey producers as well as the local association of wine producers. They do not see alternatives for future development besides tourism development, where they will be able to offer their products to incoming tourists. Further supportive players are seen in the vast number of unemployed citizens, who can see extra value in the valorization of their resources (land and work) through improvement of future tourist offer. It can be said that nobody is explicitly against rural/tourism development but some resistance can occur if local specificities are not taken into account.

5. MAIN FINDINGS FROM THE INTERVIEWS

Interviews were organized in two waves, from 26th of September to 1st of October 2010 and from 17th of October to 20th of October 2010. The interlocutors were interviewed on the ground of their availability, where the average time of one interview was in range of 1,5-2 hours. For a list of interlocutors and minutes from the meetings see Annexes A and B.

Although the SeeNet II programme was launched in June 2010, many interlocutors, mainly from the civil society and upper government level, are not familiar with its content. It should be noted that local stakeholders are only familiar with activities that will be carried out on their territory, such as support through the UCODEP to the local association of beekeepers and honey producers, or capacity building at the local level related to promotion of rural tourism.

Bearing in mind the fact that this report corresponds to the starting point at the beginning of SeeNet II programme, expectations expressed by the interlocutors were based on their views and previous experience from the SeeNet I programme.

When looking at SeeNet II programme, there were no visible opponents to the programme at the local level while there were some different perspectives about how the programme should look like. Some NGO activists think that their organizations should play a much wider role than originally designed as to the implementation of planned activities; this means that they are aware of the importance of the Italian partners but consider that they could involve more local NGOs in the implementation of activities.

In general, almost all stakeholders welcome SeeNet II as a contribution to the establishment of dialogue among civil society (local associations), local government and other local actors. They think that the Tuscany-led project will gather all relevant stakeholders in Trebinje municipality in order to push forward issues of rural tourism through further development of local associations, their offer and valorization of traditional products.

At the same time, there are different perceptions on the SeeNet programme and its contribution to organizing and strengthening a free and independent civil society. Although some interest-based civil society organization (such as the Association of beekeepers or the Association of wine producers) do not have problems with funding, the prevalent picture is that the majority of local NGOs suffer from severe lack of funds. Thus, previous statements that only few NGOs will be included into SeeNet activities, without allocation of funds for them, will not contribute to organization and strengthening of a free and independent civil society, according to some NGO activists.

Field work has confirmed that there are several projects and organizations operating in the municipality of Trebinje regarding the topic – rural development and tourism:

- USAID FARMA
- Norwegian BIP programme
- The RS Ministry of agriculture – Agriculture project implementation unit (APCU), implementing the World bank project on irrigation

Projects operated by other donors (MPDL, UNDP) concluded their activities in the municipality of Trebinje.

Findings from the interviews suggest that all stakeholders believe that SeeNet programme will contribute to improvement of capacities of CSOs regarding the possibility of influencing local context and local policies. Since CSOs, local entrepreneurs and local government are predicted to play a joint role in the strategic planning of rural development in Trebinje, it is to be expected that the influence of CSOs on local context will increase. This is the logic of many other projects, such as the Spanish

MPDL on rural development, USAID FARMA, BIP programme, etc., that are operating in Trebinje. Usually, the objective of cooperation between CSOs and local government is to facilitate permanent partnerships between CSOs and local authorities by building awareness on mutually beneficial cooperation and encouraging a sustainable dialogue.

Currently, all activities concerning planning of local development are seen as activities set within the municipal development strategy – Trebinje development strategy 2008 – 2017. The focus of local administrators is on further rural development, where they see as positive the creation of the new strategic document under the SeeNet programme, that will only be focused on rural development and rural tourism. However, some interlocutors from NGOs and private sector see these activities as overlapping to previous planning activities conducted for the purpose of local development strategy. Anyway, it has been recorded that SeeNet is able to provide some synergetic effects to planning and managing local development.

The current status of some social groups in Trebinje is seen as very problematic. This is especially referred to families where one or two parents have lost their jobs in the last few years. Although the municipality puts much effort to provide a social minimum, this is far from satisfactory to people in need. The support from upper level with regard to social protection at the local level does not exist, due to current legal framework. The Entity only supports social protection of retired people through participation in a portion of their pension. Hence, the quality of life in Trebinje is seen as satisfactory for all those who are employed and receive wages timely.

Some mismatch has been recorded in the expectations of local CSOs (associations) and local government (mayors and local assembly president,) concerning SeeNet. Prevalent expectations of CSOs are:

- To support Herzegovina in becoming a recognized rural tourism destination, by promoting tourist niches in Italy
- To include local CSOs as real partners in the programme
- To improve cooperation of all stakeholders at the local level

The main expectations of local government (mayors and local assembly presidents) are:

- Maintaining and improvement of cooperation
- Improvement of local government capacities regarding rural development
- Joint preparation of projects that will be targeting IPA funds.¹⁵

The upper level government is not familiar at all with the implementation of the SeeNet II programme in the Trebinje area. This does not represent a good start since they could create some obstacles in the future if they are not at least introduced with planned activities in the selected area. The specific problem can occur with respect to the fact that local government units do not have explicitly stated competences for rural development within the current Law on local self-governance in the Republic of Srpska. This means that the strategy document for rural development could serve as a path for support of local initiatives for rural development, but without any legal binding on the part of the upper level to follow it. However, the interlocutors from the RS Ministry of general administration and local government say that the change of current Law on local self-governance in the Republic of Srpska, expected for the end of 2011, will take into account current initiatives and necessity of local communities to deal with rural development.

15 Within the SeeNet I programme, Italian partner UCODEP created a project, jointly applying for EU funds regarding the sanitation of local waste dump in Trebinje. Local government officials are looking forward to similar activities within SeeNet, due to their low capacity to prepare projects according to the EU and PCM methodology.

All interlocutors agree that the development of local infrastructures in the last 15 years has provided equal access to public services to all citizens in Trebinje. However, the return of refugees (Bosniaks) was not realized in a satisfactory way, while local stakeholders consider this as their own personal choice. All property rights of refugees regarding possibility to return are settled while the main problem for this category of population is also the main problem of the majority – unemployment.

The previous SeeNet programme was the first international development activity in the municipality to change the local government's attitude in the direction of a stronger openness and participation regarding local development. Many other projects that followed have improved municipal administration with respect to good governance principles (efficiency and effectiveness, transparency, accountability and participation). Trebinje municipality has a one-stop shop where all administrative services can be got at one place while they are only one step toward the ISO system acceptance. All these innovations are integrated in everyday activities, so that citizens can access to information through the info-point, website, local media, etc. Findings from the interviews confirm that interlocutors expect further improvement of transparency and efficiency of local administration through the implementation of the SeeNet programme.

The process of decentralisation in the Republic of Srpska is announced through the RS Local Government Development Strategy in the period 2009-2015. Activities that will be conducted through SeeNet can have a positive effect on the carrying out of the Strategy since it will strive toward establishment of effective administration at the local level. All interlocutors aware of the initiative agree that the SeeNet programme and its projects are able to push toward better utilisation of local available and unusable resources. By promoting rural tourism, SeeNet can provide opportunities to many that have resources available to join into a coalition that steadily emerges (association of beekeepers/honey producers, association of wine producers, some agriculture cooperatives, etc.).

However, it is not sure how the planned activities related to integration of Herzegovina and the Dubrovnik region will be achieved. The tension between Trebinje and Dubrovnik is still very high, especially after recent exchange of “negative rhetoric” between local politicians. The mayor of Dubrovnik has said that they do not need Trebinje while the mayor of Trebinje has said that there have been enough apologies for those things that had happened in the past. Thus, the situation is very hot and cooperation between two cities is highly questionable as to the achievement of planned activities (routes of wine and taste).

Possible conflicts between Dubrovnik and Trebinje are not the only problems that could emerge during the implementation of the SeeNet programme. Hostile attitudes toward project activities were seen in representatives from Trebinje’s tourist office due to the fact that SeeNet only envisaged capacity building and not concrete financial support to those institutions. The same problems can occur when looking at certain CSOs that will not be directly involved in the project, while some private entrepreneurs (such as the biggest wine producer Vukoje) requested more information and constant communication in the conduction of activities.

Finally, the findings from interviews show that the lack of coordination among various projects and donors is a serious issue and a challenge for the implementation of project activities; this means that there are currently 3-4 initiatives targeting the same issues, which calls for greater coordination among projects/donors. Those projects are:

- THE FARMA led by USAID/SIDA
- Norwegian BIP (Business Innovation Programme)
- World Bank irrigation project
- Enhancement of local resources for the development of rural tourism in the regions of Herzegovina and of Dubrovnik, led by Tuscany Region.

6. CONCLUSION

The phenomenon of depopulation of rural areas has had significant consequences on the municipality of Trebinje, especially after the war in the 1990s. During the socialist times, industrialisation absorbed a vast majority of rural population in the urban part of the municipality. However, crisis in major industries in the municipality during 1990s has had a negative effect on the overall quality of life. At the same time, the agricultural sector, supported by adequate policy, represents a strong basis for development, which could facilitate return of the majority of the population to rural areas. This is what the Municipality and its stakeholders expect from the EU and EU pre-accession funds. Bearing in mind these conditions, the SeeNet programme could provide valuable support to these trends in the municipality of Trebinje.

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

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

Perhaps the most significant result of SeeNet I was that it has encouraged dialogue among local actors, such as governments and various associations involved, starting from paths of active participation and cooperation of local people, encouraging work on the governance of local development processes. This is expected to continue during the implementation of activities within the SeeNet II programme, while more coordination will be needed between SeeNet and other international projects in Trebinje municipality.

Finally, when looking at the SeeNet II goals, it seems that local actors from Trebinje have understood the purpose of the initiative. It can be said that, more or less, all actors consider SeeNet as a means to:

- increase ability to access EU pre-accession funds;
- strengthen partnership among South-Eastern European local authorities;
- promote SEE territories and their offer;
- improve local government with respect to good governance practices.

ANNEXES

Annex A - List of stakeholders interviewed

1. Radovan Maksimovic, The RS Ministry of agriculture (Agriculture project implementation unit in Trebinje) and The RS Association of beekeepers
2. Gojko Grce, Trebinje municipality
3. Stevan Bekan, Trebinje Municipality
4. Radovan Vukoje, VukojeCompany
5. Slobodan Vulesevic, NGO Centar za razvoj Herzegovine
6. Rade Andjelic, Company Andjelic
7. Dobroslav Cuk, Trebinje Municipality
8. Dragan Rajic, OCSE
9. Veselin Savic, Trebinje Municipality
10. Gordana Radovanovic, NGO Italian cultural club “Leonardo”
11. Mira Cuk, Centre for social work
12. Jovo Runjevac, Agro-cooperativa (and local commune) Petrovo Polje
13. Ranko Lucic, Berkovici Municipality
14. Esref Maksumic, Citizens Association for Rural Development and Environmental Protection ECO-LINE (partner of NGO Okusi Herzegovinu)
15. Dragan Milovic, B&H Ministry of foreign trade and economic relations
16. Marina Dimova, UNDP
17. Milanka Sopin, RS Ministry for General Administration and Local Self-Governance
18. Milenko Betegalo, ECO-Line (Vice-president); Association of beekeepers Zelfija (Member of the Board); Association of cheese from bellows producers (Chairman)
19. Tatjana Bulajic, Tourist office Trebinje
20. Rade Kozjak, Association of beekeepers Zalfija
21. Branislav Mikovic, Nevesinje Municipality
22. Daria Antenucci and Boris Vitlacil, UCODEP

Annex B – Reference sources and documents

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- Salaj, B. *Sozialer Zusammenhalt in Bosnien und Herzegowina*, Friedrich Ebert Stiftung, Sarajevo, 2009
- The RS Chamber of Commerce
- The RS Office of Statistics
- The RS Official Gazette
- UNDP Early Warning System Quarterly Reports, UNDP Bosnia and Herzegovina, Sarajevo, 2000-2008
- Zlokapa Z. (editor), *Block by block – its good to build well* (comparative overview on the organization of local government), EDA Banja Luka (2007)

Annex C – Exchange between Italy and B&H (in thousands of EUR)

Sectors	Exports			Imports			Balances			
	2007	2008	Var.%	2007	2008	Var.%	Absolutes		Standardiz. (%)	
	Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec		2007 Jan-Dec	2008 Jan-Dec	2007 Jan-Dec	2008 Jan-Dec
01 - Agriculture, forestry and fishery products	6.591	11.040	67,5	17.086	19.724	15,44	-10.495	-8.684	-44,33	-28,23
02 - Mining industry products	1.902	2.021	6,22	30	79	165,44	1.872	1.941	96,91	92,46
03 - Food, beverage and tobacco	30.504	35.919	17,75	23.216	20.104	-13,41	7.288	15.814	13,57	28,23
04 - Textiles, wearing apparel	30.333	27.193	-10,35	7.294	17.557	140,72	23.040	9.636	61,23	21,53
05 - Textiles and knitwear	18.284	21.157	15,72	25.891	23.251	-10,2	-7.607	-2.094	-17,22	-4,72
06 - Footwear and leather/hides products	93.484	96.555	3,28	121.486	131.398	8,16	-28.002	-34.843	-13,03	-15,29
07 - Wood and cork products (excluding furniture)	2.233	2.498	11,85	25.239	18.970	-24,84	-23.005	-16.471	-83,74	-76,73
08 - Paper and paper products, printing and publishing	16.417	20.155	22,77	1.848	3.919	112,12	14.570	16.236	79,77	67,44
09 - Refined petroleum products	3.684	61.751	1.576,15	473	4.340	818,32	3.211	57.411	77,26	86,87
10 - Chemical and pharmaceutical products	30.043	39.340	30,94	31.162	42.372	35,97	-1.118	-3.032	-1,83	-3,71
11 - Rubber and plastic products	17.093	17.562	2,75	758	907	19,57	16.335	16.656	91,51	90,18
12 - Glass, ceramic and non-metallic construction materials	22.774	23.209	1,91	1.087	894	-17,75	21.688	22.315	90,89	92,58
13 - Metals and metal products	77.867	111.765	43,53	117.279	116.427	-0,73	-39.412	-4.662	-20,2	-2,04
14 - Machines and machine appliances	93.434	91.410	-2,17	17.040	24.955	46,45	76.394	66.455	69,15	57,11
15 - Electrical machines and electrical and precision equipment	21.470	23.234	8,22	2.818	3.613	28,19	18.652	19.621	76,79	73,09
16 - Motor vehicles and parts	31.184	33.632	7,85	2.673	3.366	25,94	28.511	30.266	84,21	81,8
17 - Other means of transport	370	283	-23,55	73	3	-96,23	297	280	67,02	98,07
18 - Furniture	12.505	12.288	-1,74	12.529	13.272	5,94	-24	-985	-0,1	-3,85
19 - Other manufacturing industry products (except furniture)	3.944	5.660	43,49	917	664	-27,66	3.027	4.996	62,26	79,01
20 - Energy products	1	8	704,49	524	168	-67,96	-522	-159	-99,61	-90,63
Total	514.119	636.680	23,84	409.420	445.982	8,93	104.698	190.698	11,34	17,61

Source ISTAT data processed by ICE

Trade of main products (in thousands EUR)

Main Products Trade	Balances									
	Exports			Imports			Absoluts		Standardiz. (%)	
	2007	2008	Var.%	2007	2008	Var.%	2007	2008	2007	2008
	Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
IMPORT LIST										
193 - Manufacture of footwear	61.308	64.482	5,18	118.531	128.385	8,31	-57.223	-63.903	-31,82	-33,13
232 - Manufacture of refined petroleum products	3.684	61.751	1.576,15	-	-	-	3.684	61.751	100	100
295 - Manufacture of other special-purpose machinery	41.492	35.876	-13,54	5.286	7.085	34,04	36.207	28.791	77,4	67,02
271 - Manufacture of basic iron and steel and of ferro-alloys (ecsc)	20.913	32.214	54,04	3.940	8.338	111,64	16.973	23.877	68,29	58,88
191 - Tanning and dressing of leather	30.706	30.358	-1,13	2.025	1.949	-3,76	28.681	28.408	87,62	87,93
292 - Manufacture of other general purpose machinery	20.321	24.732	21,7	7.216	13.390	85,56	13.106	11.342	47,59	29,75
274 - Manufacture of basic precious and non-ferrous metals	7.107	24.690	247,4	74.820	72.938	-2,52	-67.713	-48.248	-82,65	-49,42
287 - Manufacture of other fabricated metal products	17.976	22.639	25,94	17.907	19.025	6,24	69	3.614	0,19	8,67
182 - Manufacture of other wearing apparel and accessories	18.056	20.985	16,23	23.400	21.887	-6,46	-5.344	-902	-12,89	-2,1
341 - Manufacture of motor vehicles	16.109	18.088	12,29	58	63	9,25	16.051	18.025	99,28	99,3
343 - Manufacture of parts and accessories for motor vehicles and their engines	14.690	15.192	3,42	2.608	3.303	26,65	12.083	11.890	69,85	64,29
252 - Manufacture of plastic products	14.189	14.273	0,59	678	734	8,31	13.511	13.539	90,88	90,22
211 - Manufacture of pulp, paper and paperboard	11.221	14.056	25,27	478	2.632	450,99	10.743	11.424	91,83	68,46
294 - Manufacture of machine-tools	15.667	13.611	-13,12	1.890	2.533	34,03	13.778	11.078	78,47	68,62
241 - Manufacture of basic chemicals	10.060	13.363	32,84	29.727	38.405	29,19	-19.667	-25.042	-49,43	-48,37
158 - Manufacture of other food products	11.343	12.809	12,93	56	62	10,12	11.287	12.747	99,01	99,04
281 - Manufacture of structural metal products	10.345	12.463	20,48	16.810	11.616	-30,9	-6.465	847	-23,81	3,52
361 - Manufacture of furniture	12.505	12.288	-1,74	12.529	13.272	5,94	-24	-985	-0,1	-3,85
245 - Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	8.245	11.745	42,46	167	195	16,62	8.078	11.550	96,03	96,73
172 - Textile weaving	13.624	11.686	-14,23	68	106	55,14	13.556	11.580	99	98,2
Total	514.119	636.680	23,84	409.420	445.982	8,93	104.698	190.698	11,34	17,61

	Imports			Exports			Balances			
							Absoluts		Standardiz. (%)	
	2007	2008	Var.%	2007	2008	Var.%	2007	2008	2007	2008
Main Products Trade	Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
EXPORT LIST										
193 - Manufacture of footwear	118.531	128.385	8,31	61.308	64.482	5,18	-57.223	-63.903	-31,82	-33,13
274 - Manufacture of basic precious and non-ferrous metals	74.820	72.938	-2,52	7.107	24.690	247,4	-67.713	-48.248	-82,65	-49,42
241 - Manufacture of basic chemicals	29.727	38.405	29,19	10.060	13.363	32,84	-19.667	-25.042	-49,43	-48,37
182 - Manufacture of other wearing apparel and accessories	23.400	21.887	-6,46	18.056	20.985	16,23	-5.344	-902	-12,89	-2,1
020 - Forestry, logging and related service activities	16.333	19.078	16,81	13	24	78,43	-16.320	-19.055	-99,84	-99,75
287 - Manufacture of other fabricated metal products	17.907	19.025	6,24	17.976	22.639	25,94	69	3.614	0,19	8,67
292 - Manufacture of other general purpose machinery	7.216	13.390	85,56	20.321	24.732	21,7	13.106	11.342	47,59	29,75
361 - Manufacture of furniture	12.529	13.272	5,94	12.505	12.288	-1,74	-24	-985	-0,1	-3,85
201 - Sawmilling and planing of wood, impregnation of wood	18.701	12.851	-31,28	257	241	-6,2	-18.444	-12.610	-97,29	-96,32
281 - Manufacture of structural metal products	16.810	11.616	-30,9	10.345	12.463	20,48	-6.465	847	-23,81	3,52
156 - Manufacture of grain mill products, starches and starch products	11.828	10.756	-9,06	7.176	9.708	35,29	-4.652	-1.048	-24,48	-5,12
171 - Preparation and spinning of textile fibres	105	8.637	8.145,17	1.182	1.573	33,09	1.077	-7.064	83,72	-69,19
271 - Manufacture of basic iron and steel and of ferro-alloys (ecsc)	3.940	8.338	111,64	20.913	32.214	54,04	16.973	23.877	68,29	58,88
177 - Manufacture of knitted and crocheted articles	5.746	7.979	38,86	3.858	3.525	-8,61	-1.888	-4.453	-19,66	-38,71
151 - Production, processing and preserving of meat and meat products	9.133	7.530	-17,55	2.340	3.307	41,33	-6.794	-4.224	-59,22	-38,98
295 - Manufacture of other special purpose machinery	5.286	7.085	34,04	41.492	35.876	-13,54	36.207	28.791	77,4	67,02
231 - Manufacture of coke oven products	473	4.340	818,32	-	-	-	-473	-4.340	-100	-100
343 - Manufacture of parts and accessories for motor vehicles and their engines	2.608	3.303	26,65	14.690	15.192	3,42	12.083	11.890	69,85	64,29
211 - Manufacture of pulp, paper and paperboard	478	2.632	450,99	11.221	14.056	25,27	10.743	11.424	91,83	68,46
203 - Manufacture of builder carpentry and joinery	3.191	2.558	-19,85	325	645	98,5	-2.866	-1.912	-81,51	-59,7
Total	409.420	445.982	8,93	514.119	636.680	23,84	104.698	190.698	11,34	17,61

Source ISTAT data processed by ICE

Annex D - Major Italian investors in Bosnia and Herzegovina (Source: ICE)

1. GRUPPO CRABO , Manzano (UD)	19. C.LOTTI & ASSOCIATI S.p.a.
2. AUTOMATIC SERVICE, Trieste	20. TIEMMESET S.r.l., Manzano
3. METALLEGHE S.p.a., Flero (BS)	21. NUTI DUE S.p.A., Montopolo in Val d'Arno (PI)
4. DI ERRE LEGNO S.r.l., Giovanni al Natisone (UD)	22. SOL S.p.a., Monza
5. DKS LOVERSAN, Gemonio (VA)	23. OLIP ITALIA S.p.a., Cola' di Lasize (VR)
6. EGENA S.r.l. , Ampezzo (UD)	24. PREDIERI METALLI S.p.a., Reggio Emilia
7. EUROPRESS S.p.a, Sarezzo (BS)	25. S.A.I.L.A S.r.l, Tarzo (TV)
8. LIGNA ENER TEC , Monfalcone (TS)	26. San Marco Spa , Marcon, (VE)
9. NORD INOX s.r.l., Treviso	27. SIMECO S.r.l. Engineers & Contractors, Milano
10. (F.I.P.) FABBRICA ITALIANA PALLETS S.p.A,Ghisalba (BG)	28. ITALGRIGLIATI , Pieve di Soligo (TV)
11. IC & PARTNERS GROUP, Udine	29. BIOFARMA S.p.a. , Mereto di Tomba (UD)
12. IMSA IMPEX srl, Gorizia	30. PAHOR GROUP srl, Duino Aurisina (TS)
13. OVIESSE S.p.A , Mestre (VE)	31. VALPAINT s.r.l, Polverigi (AN)
14. INTESA SANPAOLO BANCA, Torino	32. VIAM export import s.r.l., Milano
15. INTERNATIONAL OPORTUNITY s.r.l., Fonzaso (BL)	33. GRUPPO UNICREDITO ITALIANO S.p.a., Verona
16. FIMSI SpA, Coseano (UD)	34. TRISAR Trieste,
17. CORA' DOMENICO & FIGLI S.p.a.,Altavilla Vicentina (VI)	35. TRERE' S.r.l., Asola (Manotva)
18. TRANSDUE S.r.l. , San Pietro al Natisone (UD)	36. TSG , Rosa (VI)

Annex E - Local self-government in Bosnia and Herzegovina: main characteristics and current trends in transformation of local governments

Analysis of relevant institutional/legal status quo in BiH

Bosnia and Herzegovina is a complex state made up of two entities, the Federation of Bosnia and Herzegovina (FB&H) and the Republic of Srpska (RS), with Brcko district as special territorial unit within the country. The RS is a centralized entity with 63 local government units, while the Federation is a decentralized entity with 10 cantons and 80 local government units. Cantons are not just another level of local government, but rather political and territorial units with pronounced state-like features.

The differences among the municipalities in Republic of Srpska are immense, just as are the differences among the municipalities in the Federation of B&H. Municipalities differ in terms of size of territory, population, development, employment rate, number of large and profitable companies, number of pupils, students and citizens with a university degree, etc.

According to 2007 data, the difference between the biggest and the smallest municipality in the Republic of Srpska is 49,07 times if we consider territory, and 6343,7 times if we consider population. At the same time, the difference between the biggest and the smallest municipality in Federation B&H is 115,63 times if we consider territory, and 202,74 times if we consider population.

However, all municipalities within the Republic of Srpska and within the Federation Bosnia and Herzegovina have the same competences. Local self-government legislation¹⁶ does not distinguish among municipalities in terms of their competences, regardless of the size and economic power of the municipality, the degree of urbanization, or any other important feature. Entity laws on local government make a distinction between municipalities and cities, but still accord them the same competences. All competences of local government units can be divided into two categories¹⁷: regulatory and service provision competences. Tables below show local government competences accorded by laws on local self-government units in the Republic of Srpska and the Federation B&H.

Table 1 - Regulatory competences in the RS and the Federation B&H

		The Republic of Srpska		The Federation of Bosnia and Herzegovina	
		Entity level	Local government	Cantonal level	Local government
Regulatory competences	Adopting local government budget, development programme, spatial, urban and regulation plan, as well as other policies related to municipal competences and in accordance to laws		x		x
	Establishment of municipal bodies, organization of services and their coordination		x		x
	Collection, collection control and enforcement of the collecting of the original revenue of the municipality		x		x
	Adopting regulations on taxes, fees, duties and tariffs under the competences of the local government unit		x		x
	Establishing and carrying out inspections surveying the implementation of regulations under the competences of the local government unit		x		x
	Determining policies for managing natural resources in the local government unit and distributing the income from their use	x	x		x
	Determining the policies and fees for the use of public goods		x		x
	Devising and implementing policies of disposal, use and management of construction sites		x		x
	Organizing the communal police		x		x

16 The Law on Local Self-Government in the Republic of Srpska (2004) and the Law on Local Self-Government Principles in the Federation of Bosnia and Herzegovina (2006).

17 In the FB&H, there is one more group that can be called evaluation competences. Evaluation competences are those competences for which local units are explicitly authorized by this law to analyze and assess the work of certain cantonal and entity bodies, organizations and services. The law specifically mentions the following cases: assessing the work of institutions and the quality of services in healthcare, social security, education, culture and sport, as well as securing the financial means for the improvement of their operation and the quality of services in accordance with the needs of the population and the capacities of local self-government units; and also analysing the state of public law and order, personal and property security, and proposing measures to authorized bodies pertaining to these issues.

Table 2– Service provision competences in the RS and the Federation B&H

	The Republic of Srpska		The Federation of Bosnia and Herzegovina		
	Entity level	Local government	Cantonal level	Local government	
Service provision competences	Education – preschool	x	x	x	x
	Education – primary and secondary	x	x	x	
	Education – higher	x		x	
	Public administration	x	x	x	x
	Police	x		x	
	Civil protection		x		x
	Fire fighting	x	x		x
	Civic affairs registry	x	x		
	Healthcare centres	x	x	x	x
	Centres for social work		x	x	x
	Geriatric centres		x		x
	Theatres and galleries	x	x	x	x
	Sport and culture halls		x	x	x
	Water supply		x		x
	Gas supply	x	x	x	x
	Heating		x		x
	Sanitation		x		x
	Waste disposal		x		X
	Local and uncategorised roads and streets		x		x
	Cemeteries		x		x
	Protection of environment		x	x	x
	Public transportation (local)		x		x
	Trade and tourism	x	x	x	x
	Crafts		x		x
	Water management	x		x	
	Employment	x	x	x	x
Local media (newspaper, radio, TV)	x	x	x	x	

The Laws on Local Self-Government in the Republic of Srpska and the Federation B&H explain some municipal competences in detail, while for others they merely invoke other laws pertaining to their fields and determining municipal competences. Almost 100 laws in the Republic of Srpska and the Federation B&H regulate the work of municipal administration.

The duality of local government systems in Bosnia and Herzegovina, coupled with problems in the territorial division in both entities, are partly the consequence of the capacity of local government policy makers. The central policy-making body in the Republic of Srpska is the RS Ministry for administration and local self-government, with a generally weak capability to cope with the vast problems related to local self-governance.¹⁸ The situation is even more problematic in the Federation B&H, where there is no formal structure within the administration responsible for local government issues and policies. Within this entity, local government framework policies are competence of the FB&H Ministry of justice, with every canton having one-two persons within their administrative structure who are responsible for local government (cantonal ministries of justice and/or general administration).

¹⁸ Data gathered through the analysis show that there are almost 5000 employees in local government units in the Republic of Srpska while there are only 4 person within the RS Ministry for administration and local self-governance that is responsible for local government policies.

Political environment in Bosnia and Herzegovina

The local government system in BiH is considerably oriented toward the middle level of state organisation: the entity authorities in the Republika and the cantons in the Federation. Traditionally, the political system in BiH was constructed in a strict and thoroughly centralized fashion, which is still noticeable in present-day governance issues. Although the system was radically decentralized by the Dayton Agreement, centralism has remained rooted at the key points of the governance system. Constitutional reform, which has been stalling for several years now due to political division, has not been able to improve that situation. Municipalities greatly depend on the assistance of upper levels, which is why they subordinate all other inter-administrative relations to their relation with the state. Under such circumstances, inter-municipal cooperation is the exception, not the rule. As a result of this predisposition toward upper government levels, mayors sometimes see devoting their energy to local inter-party and intra-party struggles as a need, thus lowering in priority efforts to strengthen the capacities of their municipality as a whole and improvement of service delivery for citizens. Since recently, however, mayors are elected through direct elections, making the voters' preference less dependent on party ideology and more based on local needs and interests.

Inter-municipal cooperation has no visible obstacles

There are no visible obstacles in the legal system of Bosnia and Herzegovina at the state, entity, cantonal, or municipal level that prohibits, forbids, diminishes, disables or in any way limits the right of the municipalities to cooperate with one other through association. It should be reiterated that Bosnia and Herzegovina has ratified the European Charter on Local Self-Government and that upon ratification the Charter has supremacy over all domestic legal acts. Article 10 of the Charter deals with the issue of cooperation between municipalities and their right to association and therefore allows inter-municipal learning, problem-solving and innovation.

Article 10 –Right of local authorities to associate

- 1 Local authorities shall be entitled, in exercising their powers, to co-operate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest.
- 2 The entitlement of local authorities to belong to an association for the protection and promotion of their common interests and to belong to an international association of local authorities shall be recognised in each State.
- 3 Local authorities shall be entitled, under such conditions as may be provided for by the law, to co-operate with their counterparts in other States.

Furthermore, laws on local government of the two Bosnian and Herzegovina entities elaborate the right of municipalities to cooperate with each other in greater detail. For example, the Law on local government in the Republic of Srpska deals¹⁹ with this issue in chapter VII.

VII-COOPERATION AMONG LOCAL GOVERNMENT UNITS

Article 93

In performing their duties, local government units shall be entitled to cooperate with one another for the purpose of performing the tasks of common interest.

Local government units shall enter into agreements concerning the forms and methods of cooperation referred to in the paragraph 1 of this Article.

19 The Law on Local Self-Government in the Republic of Srpska (RS Official Gazette Nr. 101/04, 42/05, 118/05).

Article 94

Local government units may conjoin to form the Association of Municipalities and Cities of the Republic of Srpska to the effect of promoting and protecting their common interests.

The Association of Municipalities and Cities of the Republic of Srpska referred to in paragraph 1 of this Article may become a member of international associations of local authorities and work together with the relevant associations of local authorities in the Federation of BiH and abroad as provided by law.

Article 95

*Local government units may accede to national or international associations of local authorities **and cooperate with relevant local government units from the Federation of Bosnia and Herzegovina and abroad, as provided by law.***

A similar situation can be found in the Law on local government principles of the Federation of Bosnia and Herzegovina²⁰, in which Chapter XI deals with issues of cooperation. This chapter states:

XI – CO-OPERATION OF UNITS OF LOCAL GOVERNMENT

Article 50

In performing their duties, local government units shall be entitled to cooperate with one another for the purpose of performing the tasks of common interest.

Local government units shall enter into agreements concerning the forms and methods of co-operation referred to in the paragraph 1 of this Article.

Article 51

To the effect of protecting their common interests and promoting and improving local government, cities and municipalities may form associations at the level of Bosnia and Herzegovina and of the Federation of Bosnia and Herzegovina.

The association at the level of the Federation shall be entitled to:

- 1. act as a legal representative of its members before the authorities in the Federation,*
- 2. prepare draft laws and amendments to the draft laws with the aim of improving laws and regulations concerning the work of the units of local government,*
- 3. provide its opinion and proposals in relation to the allocation of public revenues, where the affecting financing of the units of local government,*
- 4. establish contacts and co-operation with similar organizations in the country and abroad, and become a member of international associations,*
- 5. Perform other functions in accordance with the statute of the association.*

The rights referred to in this Article may be exercised only if the association at the level of the Federation of B&H gathers more than two thirds of cities and municipalities in the FB&H.

Who protects the interests of local self-government units?

The Association of Cities and Municipalities of the Federation of Bosnia and Herzegovina is an independent organization whose main goal is the development of local self government. The Association aims to provide professional services to local government and to advocate their common interests at the state and the Federation level; today it represents the interests of 79 local government units, and is partner in the implementation of many international and donor-driven projects regarding local self-government development.

²⁰ The Law on the local government principles of the Federation of Bosnia and Herzegovina (The Official Gazette of the FB&H, Nr. 49/06).

The Association of municipalities and towns of Republic of Srpska was established in Brčko in 1998, as an independent, non-political, non-party association of local authorities aimed at the supporting and promoting of local self-government. Members of Association are municipalities and towns gathered on a voluntary basis in order to exchange experiences, to improve inter-cooperation and to act as one for the realization of joint interests defined in the Association's statute, laws and other legal acts. It consists of 63 members, i.e. all local self-government units in the Republic of Srpska.

Local communities – forgotten instrument of citizen participation

In the FBiH, local communities (*BHS. mjesne zajednice – MZ*) are required by law, while in the RS it is left up to the municipalities to decide whether they need local communities or not. These two legislative solutions reflect a different understanding of local self-governance and a different relation towards local communities. It could be said that the legislator who wishes to develop local democracy and involve citizens in creating local policies will incorporate local communities into the very institutional structure of the municipalities; while for the legislator who sees local self-governance as the immaculate functioning of local authorities without the direct participation of citizens, local communities are not necessarily needed to make the system work. Despite the different legislative solutions, local communities exist in the majority of municipalities, probably because in the previous socialist period they proved to be useful and vital institutions people have become accustomed to, which would make their abolishment highly unpopular.

Local communities perform very useful activities for the municipality. These are primarily activities of mobilizing local population for various purposes, and caring for socially marginalized individuals and groups; in brief, they deal with the organization of what is known today as civil society. Still, as a rule, local communities do not receive appropriate financial and professional assistance from central municipal bodies. Centralism exists at the level of municipality as much as at higher levels of government.

Strategic platform for decentralization finally accepted in one of B&H entities

The Local Self-Governance Development Strategy in BiH represents a key result of the Project-designing Local Self-Governance Development Strategy in BiH by key domestic actors. The Project was financed by the Open Society Fund and Municipality Development Project (SDC and Intercooperation), designed and implemented by EDA Agency from Banja Luka.

Local Self-Governance Development Strategy in BiH is the first comprehensive document that sets a basis for successful local self-governance building and improvement, as well as for the development of local communities. It represents a platform for consolidating a significant number of partial initiatives into a structured unity by enabling their integration and giving them a final meaning through clearly defined goals. At the very center of the development vision is a local self-governance that is seen by the citizens both as their right and their obligation to manage local development and affairs in a responsible and pro-active manner, on the principles of the European Charter of Local Self-Governance, thus achieving a new quality of life, both in their local community and in the whole of BiH.

The Development Strategy was unanimously adopted by the Partner Group for Local Governance Development (comprised of local experts and practitioners and both associations of cities and municipalities of the Federation and the RS) in 2006. The Strategy was approved by major donors, such as USAID, UNDP, SIDA, GTZ, etc.

On the ground of ideas within the Self-Governance Development Strategy in BiH , the Republic of Srpska has placed a new development platform for local self-government within its Strategy for local self-government development in the period 2009-2015. The Strategy has been accepted by the RS National Assembly in July 2009.

Like the whole of society, local self-government in RS undergoes transformation, accepting new development paradigms, completely different and often contradicting the current ones. Market and competitive economy replaced planned and command economy, a multiparty and pluralist political system replaced the one-party order, while social relations as whole are less rigid and more relaxed.

Transformation of local self-government essentially includes transition:

- From the so-called communal system (inherited, socialist form and ideological model in which the municipality is conceptually presented as application of integral self-governance at the local level, practically as the extended hand of state and party), towards the modern European model of local self-government, presented in the European Charter on Self-government, that envisages local authorities to “regulate and manage a considerable share of public affairs, on the basis of their own responsibility and in the interest of local population” starting from the subsidiary principle where public affairs would “in principle, above all, be performed by the authorities closest to citizens” with such rights entrusted to local authorities that should “in principle be total and exclusive...” including the “right to sufficient funding sources that would be at their disposal within the limits of their competencies”
- From depending from republican authorities and funds, towards real autonomy and partnership relations
- From a bureaucratic orientation and an old-fashioned method of work, towards consumer orientation and e-governance
- From closed (ideologically and party-oriented) to open, with increasingly important role of civil society and active participation of citizens in shaping local life
- From relative isolation towards cooperation and integration with other local communities, first in the South-East Europe, later in the European Union.

Transformation is carried out in phases, starting with the normative setting and actual implementing, which is multi-dimensional and multi-conditional with numerous social, political, cultural, economic and other factors. Due to the hidden agenda of such factors, transformation is never carried out as anticipated and standardized.

From the standardization aspect, reform of local self-government in RS started with the adoption of a law on territorial organization and local self-government in 1994, and continued with the passing of a new law on local self-government in 2004. The results were rather modest. It took ten years to discover that all supporting pillars of society and state are in municipalities, and that none of them are stable if the ground they stand on is unstable. In other words, it is proven that there is no successful transformation of the economic system and of central state institutions if the system of local self-government is not reformed and developed accordingly.

The Strategy has 5 strategic goals:

- Effective exercise of original responsibilities with appropriate own financial sources, resources and assets
- Responsible and proactive management of public affairs and local development
- Ensuring availability of better public services to all citizens
- Strengthening direct citizen participation in local self governance

- Development of inter-municipal cooperation and regional networking.

Major active projects regarding improvement of local government capacities

Local first (OCSE)

The Local First initiative is an ongoing project by the OCSE Mission to Bosnia and Herzegovina, in consultation with partners in both civil society and government. The goal of the Local First initiative is to deepen the citizens' engagement with municipalities as a means of ensuring an equitable and accountable allocation of public goods and services.

Objectives

- To promote the development of the citizens' capacity to make demands to municipalities, hold them accountable for their performance, and to take action to benefit their communities.
- To develop municipalities that have the political will and institutional capacity to address the citizens' demands, in an efficient, even-handed and transparent manner.

The Local First initiative consists of seven components:

- Municipal Assembly/Council Support
- Municipal Management and Accountability
- Community Engagement
- Inter-Municipal Learning and Support (implementation of the Common Assessment Methodology – CAF-EIPA)
- Media and Communication
- Youth Access to Employment
- Project Management

Beacon scheme (OCSE)

The BiH Beacon Scheme was launched in August 2005 by the OCSE and the Council of Europe as a means to identify, recognize, and promote innovation and excellence at the municipal level of government. Based on the UK Beacon Scheme, each year a number of themes are selected, and municipalities are invited to provide evidence of how they have achieved excellence in these areas. Successful municipalities receive a small grant to enable them to share their best practices with other municipalities, thereby improving the overall standard of local governance in BiH. In January 2009, the OCSE officially transferred ownership of the Beacon Scheme to domestic institutions. The FBiH Ministry of Justice and the RS Ministry of Administration and Local Self-Government will now form the Awarding Body of the scheme and will provide the majority of the funding, while Brcko District will contribute funding for the ceremonial aspects of the scheme. The FBiH Association of Municipalities and Cities and the RS Association of Towns and Municipalities will be responsible for the day-to-day administration of the scheme.

GAP project (USAID/SIDA)

The Governance Accountability Project, Phase II (GAP) is a \$30 million, five-year program co-financed by the US Agency for International Development (USAID), the Swedish International Development Agency (Sida), and the Embassy of the Kingdom of the Netherlands (EKN). GAP is implemented by Chemonics International and its partners, the Urban Institute, VNG International, SIPU International, and the Civil Society Promotion Centre (CSPC).

The purpose of the program is to provide technical assistance to strengthen democratic local governance in Bosnia and Herzegovina by dramatically and visibly improving the ability of municipalities to serve their citizens and to support a policy and fiscal framework which is conducive to accountable, democratic governance.

To achieve these objectives the project is comprised of two major components: Local Interventions and Policy Interventions. The Policy Interventions component works primarily through the two associations of cities and municipalities to provide technical assistance to parliamentary bodies and ministries at the state, entity, and cantonal levels of government to strengthen intergovernmental communication, promote responsible fiscal and functional decentralization, and improve municipal advocacy.

GTZ

The project “Strengthening Local Government in Bosnia and Herzegovina (the SLS project) is a response to real needs in support to sustainable development at the local level in Bosnia and Herzegovina. In the period from November 2010 to December 2012, the SLS project will be focused on the issues identified on the basis of analysis of committed and expressed needs.

The main ambition of SLS is to improve results in the implementation of local development strategies, linking them with spatial planning and budgeting, through active participation and gender approach, and with the promotion of inter-municipal cooperation.

Participating municipalities in BiH will implement the SLS project with technical support from German Technical Cooperation Agency (GTZ). Political project partners are: the RS Ministry of General Administration and Local Self-Governance and the FB&H Ministry of Justice. Other project partners are: Association of Cities and Municipalities of the Federation of BiH and the Association of Towns and Municipalities of the RS. The project will be implemented in consultation and close cooperation with other institutions and organizations operating in B&H.

UNDP projects (MTS and ILDP)

MTS - Training System for Local Government in BiH

MTS aims to facilitate the development of a competent and professional local administration through the establishment of a sustainable municipal training system, which will help to ensure that training provided by various local and international organizations correspond to the real needs of municipalities and meet established quality standards, common to all training programs and providers throughout the country.

The projects aim will be achieved through the following objectives: 1) Participatory development of entity training strategies in conjunction with a joint approach at the BiH State level; (2) Establishment of an effective training system based on and supportive to the implementation of entity training strategies; (3) Support to established entity-based training facilities in delivering a first cycle of priority training programmes; (4) Strengthening of human resource management and development functions in BiH municipalities, with a focus on strengthening local capacity for training needs assessment and development of training plans; and (5) Strengthening local training providers via established entity training institutions.

The project partners are both entity ministries and associations of cities and municipalities.

ILDP – Integrated Local Development Project

Effective and efficient strategic planning is vital to supporting sustainable development and regeneration, providing infrastructure, creating jobs, all of which will benefit local economies and

quality of life. However, although generally stipulated within the relevant legal framework, local strategic planning in BiH is rather chaotic, with no harmonized approach to the creation of local strategies, and characterized by weak planning capacities of local governments and their local socio-economic partners. Local civil society often does not provide real “check” on development processes and decisions and still has no effective involvement and participation in local planning and development policy-making.

The Integrated Local Development Project comes to tackle these challenges and bring a new understanding, capacities and systematic approach to local development planning in Bosnia and Herzegovina, in line with country development policies and looking to integration in the European Union.

The ILDP aims to modernize and systematize local strategic planning in Bosnia and Herzegovina via:

- The creation and affirmation of a harmonized blueprint for local development planning country-wide;
- Strengthening of local government planning and local development management capacity and accountability and creation of integrated local development strategies;
- Engaging local communities in the local planning process, where special attention is placed on voicing out socially excluded and vulnerable groups.

VNG/SIPU/EDA

Capacity Development for the Entity Associations of Municipalities and Cities (AMCs) in Bosnia and Herzegovina (BiH)

The overall objective of the project is to strengthen democratic processes in BiH and to contribute to BiH’s EU accession process. The main project goals are:

1. To strengthen and further institutionalize the AMCs in BiH, ensuring AMCs’ independence, clear mandates, and accountability to their constituencies – the municipalities and the citizens of BiH;
2. To facilitate the development of strategic documents and services, enhancing the AMCs’ capacities to act as democratic, legitimate, transparent, effective and sustainable institutions that are service providers to their members, and strengthening the influence of municipalities on higher levels of government;
3. To help the AMCs bridge the current gap of in-house expertise, and achieve a higher level of organizational and functional development, with inspiration from AMCs in other transitional countries

The project is implemented by the Consortium (VNG International, SIPU International and EDA) and funded by Swedish International Development Agency (SIDA).

Local democratic governance in Istria County

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Assignment done under the CeSPI guidance

First Report

SeeNet Programme

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



November 2010

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1. THE LOCAL CONTEXT

1.1 Population and territory

The peninsula of Istria is located in the north-eastern part of the Adriatic Sea with a surface area of 3.476 km². It is divided among three states: Croatia, Slovenia and Italy. The largest part – 3.130 km² – belongs to Croatia, of which 90% is part of Istria County (4,98% of the total surface of the Republic of Croatia). The total number of inhabitants living in the Istria County is 214.156 (4,83% inhabitants of the Republic of Croatia), while average population density is 73 inhabitants/km².

Picture 1 - Map of Istria



Istria County was established by the Law on the Territory of Counties, Towns, and Municipalities in the Republic of Croatia as one of 20 Croatian counties, and has been administratively divided into 41 territorial local self-government units, 10 cities and 31 municipalities. The county assembly is composed of 41 representatives, organized as follows: Istria Democratic Assembly (IDS) 20, Social Democratic Party of Croatia (SDP) 5, Croatian Democratic Union (HDZ) 5, Istria Democratic Forum (IDF) 4, Croatian Party of Pensioners (HSU) 4, and HNS, HSLs and Greens 3. Local elections were held in May 2010, including for the first time direct elections of city mayors and county prefects. The elections were held in an orderly manner with an increased turnout. The Istria County and the Assembly of Istria County are based in Pazin (9.227 inhabitants) and the County Government is based in Pula (58.594 inhabitants).

Istria County budget for 2010 was 34 mil. Euros, while for the year 2011 the amount of 36,5 mil. Euros is planned.

1.2. Local government

Croatian administration consists of the central government and of local units. The higher level of local government comprises 21 counties, including the City of Zagreb. The lower level of local government comprises 430 municipalities and 126 cities.

The division of responsibilities, the territorial organization and the matters related to the local unit budgets are regulated by various legislation acts, e.g. the Budget Act, the Act on the Financing of Units of Local and Regional Self-governments, the Local and Regional Self-government Act, the County, Municipality and City Areas Act, the City of Zagreb Act, the Act on the Areas of Special State Concern, the Hill and Mountain Areas Act, and the Islands Act.

The financing system of local and regional units (counties, municipalities and cities) in the Republic of Croatia is largely based on sharing tax revenues (in particular, the personal income tax revenues) between the central government and the local and regional units (LRUs). At the moment, the personal income tax and the real estate transfer tax are shared between the central government and LRUs. The personal income tax is the main source of revenue for most of the LRUs.

according to the percentages of distribution of personal income tax between the central government and counties, in 2009 counties received 15.5% of the total personal income tax collected, the cities and municipalities 55%, 17.5% went to the Equalization Fund, and 12% was allocated to the government¹.

Apart from the personal income tax share, cities and municipalities also receive 60% of the tax on real estate transfer in their respective territories for the financing of their basic functions.

Within the sphere of competence of their self-government, cities and municipalities carry out operations of local importance that directly affect the needs of the citizens, and that have not been assigned by constitution or law to the state bodies. This kind of determination of their sphere of influence is very close to the spirit of the general clause² and corresponds to the principle of subsidiarity. The following operations are determined as obligatory:

- housing and arrangement of settlements;
- zoning and town planning;
- utilities of communal economy;
- children care;
- welfare;
- primary health care;
- pre-elementary and elementary schooling;
- culture, physical education and sports;
- consumer protection;
- protection and improvement of natural environment;

¹ For local government units that took on the financing of the decentralized functions, since 2001 central government has been provided a larger share of income tax. The size of local units' shares in income tax are determined according to the extent of provision of decentralized functions (primary and secondary education, welfare and health care and fire protection) that given units undertake.

² "General clauses or standards are legal rules which are not precisely formulated, terms and concepts which in fact do not even have a clear core. They are often applied in varying degrees in various legal systems to a rather wide range of contract cases when certain issues arise issues such as abuse of rights, unfairness, good faith, fairness of duty or loyalty or honesty, duty of care, and other such contract terms not lending themselves readily to clear or permanent definition." from "General Clauses and Standards In European Contract Law. Comparative Law, EC Law and Contract Law Codification", Grundmann S.; Mazeau D., 2005.

- firefighting and civilian protection.

In their self-governmental sphere of influence, the counties carry out operations of regional importance, particularly in the domains of:

- education;
- health care;
- zoning and town planning;
- economic development;
- transports and transportation infrastructure;
- planning and development of the education network;
- health care, social and cultural establishments.

If they provide the necessary financial resources, units of local self-government can also carry out operations that are in the jurisdiction of the county.

Each local unit has its own local budget or plan of revenue and expenditure. Concurrently, all the budgets of local units are managed at the national level as a single local unit's budget.

On the ground of guidelines from the Government, the Ministry of Finance compiles instructions for drawing up local budgets and submits them to the local units by the end of June. The administration body examines the proposals, reconciles the financial plans with revenue estimates, makes a draft budget for the following year and projections for the next two years, and submits them to the executive body (a municipality mayor/county prefect) no later than 15 October. The executive body approves the budget proposal and the projections and submits them to the representative body no later than 15 November. The representative body adopts the budget for the following year and the projections for the next two years by the end of the current year and within the time limits enabling the implementation of the budget as of 1st January. The municipality mayor/county prefect submits the budget to the Ministry of Finance within fifteen days from its entering into force.

Local budget users are institutions established by a local unit, which are mainly financed from the local budget, their budget revenue and expenditure being constituent parts of the local budget, they include, for example, primary and secondary schools and kindergartens. Besides the local budget users, there are also the extra-budgetary users of local budgets. These are legal persons where the local units exert a decisive influence on the management, and which are partly funded from the budget and partly by the revenues from own operations; their revenues and expenditures are not constituent parts of local budgets, but are only included in the local units' consolidated budget. Detailed explanations and the lists of local budget users and the extra-budgetary users of local budgets are published annually in May or June for the following year.

DIFFERENCES IN REVENUES IN ISTRIA

Revenues from tourism are misbalanced, on comparing coastal and inland Istria. Tourism Boards have only revenues from residence tax, related to overnight stays in their area; 25% of those funds are given to the National Tourism Board and 10% to the Regional one, while the remaining 65% is left to the Tourism Board and the community it serves (and where it needs to be re-invested in further development of tourism). There is not one single mechanism to transfer funds from the very rich coastal Tourism Boards, to a Tourism Board in the inland of Istria just a few kilometres away.

The differences in revenues are very high: Rovinj Tourism Board makes more money in a day than the Tourist Board of Žminj or until recently of Pazin in a year: the level and criteria of overall tourism offer therefore cannot be balanced. The source to this is in the Law on residence tax, as well as in the

Law on Tourism Boards, which narrows down the possibilities: Boards are not allowed to have any profit from service providing, nor from sales. This means that they cannot charge anything for guidance, excursions and souvenirs nor do anything that enables Tourism Boards of inner Istria to survive or develop. In addition, there are no agencies for these activities in inner Istria, so that the visitors, i.e. tourists, remain derogated.

Istrian Tourism Board seems to have ceased active support to inland Istria; today it invests minor funds on some events. After all, its council is composed of those who make more overnight stays in their own (hotel) facilities, which means that tourism policy is being defined by mass tourism operators.

The paradox is also in the effort of some to keep the tourists within their own tourism facilities and lure them to spend there, while organizing performances of folklore groups on their hotel terraces. Tourism workers from the coast are usually not properly acquainted with the Istrian inland – they even travel there seldom. Inland residents look suspiciously to the coastal population, and this is a way to perpetuate old – and to create new – forms of antagonisms between the coast and the inland of Istria, definitely not being a good foundation neither for the culture, nor for the tourism of Istria.

The Department for education, culture and sports of the Region of Istria is trying to mediate this imbalance, by recognizing and supporting projects in the cultural field being proposed by individuals, institutions and associations from the Istrian inland, but as funds in question are relatively small, the aforementioned problems can hardly be compensated for.

1.3. Economy and employment

Demographic history of Istria shows great fluctuations in population. In the period 1948-2001, population increased by only 11.3%, compared with Croatian increase of 26.6%. 145.894 inhabitants, that is 70,7% of the whole population living in Istria, live in the (10) cities; while 60 450 inhabitants (29,3%) live in the 31 municipalities. Rural areas are marked by extremely low population density, 33 inh/km², while the average population density of urban area is 254 inh/km². Of the total 647 villages in the county, 52 of them belong to the urban areas, and 595 to rural areas; the county can therefore be called a predominantly rural region.

Within Istria County the rapid growth of some urban areas has caused further disruption and differences between towns and countryside; this is especially emphasized in the relationship between coastal towns and inland Istria. Such cases are evident in the richer and more developed coastal area compared with their less developed and poorer rural inland; in Istria County, towns such as Pula, Porec, Rovinj, Pazin have a significant impact on the economy in terms of markets, services, local transport, higher education, research and entrepreneurship, and have failed to adequately encourage balanced development of other areas. Generally, there is a lack of consensus on priority needs and shared understanding of a consistent direction of development policy. However, experience with the joint development of the Regional Operational Programme – ROP serves as a good model for better coordination of local agencies and the public government; it is important to take advantage of previous positive experience and to continue development activities in this direction.

Since 1992, as a basic principle for accessing structural funds, the EC is developing a specific method of rural development known as the Leader approach; through this approach, the EC finances various activities. The Leader approach is the foundation of cooperation through the so-called Local Action Groups (LAG)³ – a form of local private partnership comprising representatives from local and regional

³ LAGs decide the direction and content of the local rural development strategy, and make decisions on the different projects to be financed. The rural actors that are most active in local initiatives are: professional organizations and unions (representing farmers, non-farming professionals and micro-enterprises), trade associations, citizens, residents and their

authorities, private sector and civil society. Six LAGs have been determined, based on the natural and economic conditions and socio-economic characteristics of cities and municipalities in Istria: Buje, Buzet, Pazin, Poreč, Pula and Rovinj.

Although the County is relatively developed if compared with the rest of Croatia, significant differences in development can be observed among its cities and municipalities. All self-government units are recorded as below-average unemployment rate, with 30% of units recorded with unemployment rates below 5%.

Istria County is one of the more entrepreneurial and economically better developed regions in Croatia. With 214 thousands of inhabitants, amounting to 4.83% of the population of Croatia, and almost 7,200 registered business entities, Istria County accounts for 9.16% of the total number of Croatian entrepreneurs (Economic Profile of Istarska County in 2006 and 2007). It also accounts for a substantial part of Croatian foreign trade: making 10.01% of value of total Croatian exports and 5.25% of the value of total Croatian imports.

Farms, crafts and SMEs are the main entities involved in the production in Istria. Economic activity is present in all sectors of the economy, from agriculture and forestry to transport and communication. However, the focal points are the manufacturing industry with 33% and trade with 29%, followed by the hotel industry with 10%, construction with 8,3% and real estate and business services with 6,4%.

As far as tourism and hospitality are concerned, in 2008 Istria achieved 17,965,984 overnights, that is 2% more than the previous year, with nearly the same number of visitors who were in both years around 2.7 million. In the first half of 2009 the County of Istria was visited by 885 356 tourists, and 4.45 million the nights were the recorded. In the same period last year, tourist numbers decreased by 6%, while the number of overnight stays decreased too by 3%; local tourists are the majority of arrivals, as well as of overnight stays.

On 31st December 2009, 20.783 legal entities were registered in its territory, 7,7% of total registered legal entities in Croatia; of this number, 58% goes to trade companies, 26% to enterprises and cooperatives and 16% to constitutional bodies of associations and organizations. Moreover, there were also 8282 subjects in trades and free-lance jobs.

Table 1 - Basic data for Istria County

Description	Istria County	Croatia
Area (km2)	2.813	56.594
Population (natural change in 2008)	214.156	4.434 508
Persons in employment in 2009	84.550	1.505.011
Unemployment rate (%) in 2009	8,4	15,1

Business environment in 2007		
Demographics, migration and NGOs	Istria County	Croatian average
Share of age group 0-25 in total population (%)	28,88	30,62
Share of age group 25-64 in total population (%)	55,11	53,31
Net migration – share in total population (%)	36,37	10,03
Active members of NGOs (per 1000 population)	92,70	69,97
Education	Istria County	Croatian average
Preschool education / Population 0-4 years (%)	50,65	37,71
Lower secondary education (last four years of basic education) / Population 25-64 (%)	6,76	5,17

local organizations, local political representatives, environmental associations, cultural and community service providers, including the media, women's associations, young people.

Upper secondary education / Population 25-64 (%)	20,76	20,80
Tertiary education, undergraduate and postgraduate (master degree) / Population 25-64 (%)	9,81	10,67
Basic infrastructure and public sector	Istria County	Croatian average
Economic policy centralization	2,20	2,68
Quality of railways (index 1-7)	1,73	3,26
Total quantity of generated waste per capita (kg)	3.500,95	1.627,24
Used waste/total waste (%)	0,32	5,86
Neutrality of government decisions (index 1-7)	2,98	3,34
Effectiveness of anti-monopoly policy (index 1-7)	3,39	3,70
Quality of the legal framework (index 1-7)	3,05	3,44
Survey-based shadow economy estimate (index 1-7)	3,20	3,41
Property taxes per capita (000 euro)	68,59	25,76
Share of social assistance in the budget of local and regional self-government units (%)	3,88	6,34
Number of days for land registration in the County centre	1,00	54,38
Investment in environmental protection per capita (euro)	87,70	85,17
Current expenditure for environmental protection per capita (euro)	112,30	93,02
Number of pending land cases per capita (per 100.000 population)	99,70	3.052,96
Local roads – density (length per 100km ²)	26,20	18,33
Number of judges and advisors of the county courts per capita (per 100.000 population)	11,81	10,22
Business infrastructure	Istria County	Croatian average
Registered personal vehicles per capita (per 100 inhabitants)	46,33	32,38
Registered cargo and working vehicles per capita (per 100 inhabitants)	5,07	3,59
Availability of venture capital (index 1-7)	2,77	2,43
Competition on local market (index 1-7)	5,30	5,06
Quality of local suppliers (index 1-7)	4,73	4,37
Water and drainage prices (euro/m ³)	3	1,99
Import competition barriers (index 1-7)	4,5	4,64

Business sector in 2007		
Private investments and entrepreneurial dynamics	Istria County	Croatian average
Housing construction per capita (m ² per 1000 inhabitants)	623,87	368
Number of SMEs per capita (per 1000 inhabitants)	118,26	110
Technological development of SMEs (index 1-7)	4,23	4
Innovation capacity (index 1-7)	4,11	4
Total investment by seat of investors per capita (000 euro)	3,92	3,57
Entrepreneurial development level	Istria County	Croatian average
Crafts and freelance professions per capita (per 1000 inhabitants)	39,58	22
Active legal persons per capita (per 1000 inhabitants)	38,23	22
Active trade companies per capita (per 1000 inhabitants)	31	17
Active legal persons in processing industry (index 1-7)	3,83	3
Total income of SMEs per capita (000 euro)	12,62	9,76
GVA per employee in industry (000 euro)	35,51	23,52
Share of industry in GVA (%)	30,47	24
Employed in SMEs per 100 inhabitants	16,31	13
Active companies and cooperatives (per 1000 inhabitants)	1,78	2
Economic indicators	Istria County	Croatian average
Employed persons per 100 inhabitants	43,29	36
Share of totally unemployed persons with upper secondary education on total unemployed (%)	4,51	3

Share of persons older than 50, on total unemployed (%)	35,11	25
Unemployed persons 25-64 (%)	5,55	12
Tourist overnights per capita	80,18	12
Export per capita (000 euro)	3,46	1,65
GDP per capita (000 euro)	9,12	6,74
Corporate Income Tax in euro per capita	80,23	74,82
Gross salaries per employee (000 euro)	6,85	6,87
Personal Income Tax in euro per capita	269	256,12
Export performance (index 1-7)	3,64	3

Source: Croatian Bureau of Statistics (DZS), Croatian Employment Service (HZZ), Regional competitiveness index Croatia 2007.

1.4. Social dimension

Members of national minorities, who have declared their ethnic minority status in the 2001 census, consists of more than 15% of the total population of the Istria county. Around 11% didn't enter a national membership, of which slightly more than 4% identified themselves in terms of regional affiliation, as "Istrians". Only the Italian national minority is entitled to equal representation in the representative body of county government since its takes part in the total population of the county with more than 5%. At the county level, ten associations and five national minorities' institutions currently operate on behalf of the needs of national minorities. The County of Istria, along with the administrative support administrative department, councils, associations and national minorities institutions provide co-financing of material expenses and support programme activities.

The total amount of 29.966.379,98 Euros from the national public budget is provided for projects and programmes for providers of social services in the Republic of Croatia in 2008 and includes 2521 projects or programmes, where there are large discrepancies between the total number of funded projects according to funding sources and average amount per project by source of funding. The largest number of projects (1470) is funded by the county and the city; the lowest average amount per project is 6.852,56 Euros.

From the Istria County budget, the total amount for the main categories of social services is around 800.000 Euros while the share of services funded for persons with disabilities and elder people is half of the total amount. Most common services for persons with disabilities are the 41.13%, while the share of the most advanced services (in relation to the same services in other counties), in terms of precise distribution according to user category and of services for older people is 18.15%. To these follows the share of funding for services to families in the Istria County (15.28%), the largest compared to other counties; further down in the list are services for the prevention of and rehabilitation from drug addiction (8.72%), and services for children and young people (6.78%), with slightly larger amounts than services for the poor (human services) (4.64%), and for the protection and prevention domestic violence (2.15%). The services for the protection and promotion of human rights amount at 1.12%, followed by health care and preventive health services (0.92%),⁴ while the least goes to studies that contribute to development of services and creation of social policy (0.63%), and to education service providers (0.50%).

County commissions have been established with the task of monitoring the implementation of the Gender Equality Act at the local and regional levels; awareness-raising activities on gender equality

⁴ A major part of the Croatian health system is financed according to a national health insurance model. The funds are collected via contributions from employees' salaries that are paid by employers, from farmers' contributions, and from transfers from the central government budget or county budget for certain categories of the population. The agreement and payment of the mandatory health insurance is conducted through the Croatian Institute for Health Insurance (CIHI).

have continued in different areas. However, effective implementation of the National Policy for the Promotion of Gender Equality is not entirely ensured; preparations in this field are well advanced.

1.5 Environmental dimension

There has been a systematic monitoring of the quality of air, waters and sea in the Istrian County area since the early 1980s.

The quality of the sea in the area of the Istrian County has been continuously monitored since 1988. Since 1996, the quality has been monitored in accordance with the provisions from the Regulation on Standards of Sea Quality on Beaches ("Official Gazette" of the Republic of Croatia no. 33/96). The geographic position and climate of the Istrian County, its 469,5 km-long indented coast as well as a significant surface of the coastal sea determine Istria's orientation towards the development of tourist activities related with the sea, which naturally calls for monitoring the sea quality on the beaches. The analysed results are useful for the coastal local authorities in defining a priority repair programme, especially concerning the sewage system, aiming at protecting bathers' health.

The programme is carried out by the Istrian County Public Health Institute based in Pula, which carries out the sampling at defined points through the Health Ecology Service, Department for Environmental Protection and Improvement. The County authorities deal with the abovementioned issues once a year and adopt the Conclusion on the Sea Quality on the Beaches.

Blue Flag is the name of the project for preserving the sea and the coast, which has been implemented in Europe since 1987 and which includes beaches and marinas. This prestigious symbol is awarded solely to the beaches and marinas meeting the requirements set according to certain criteria, their common feature being that they monitor the quality of the sea and the coast regularly and educate and inform the public on the protection of environment.

The Istrian County Public Health Institute, through the Department of Environmental Protection and Improvement, has been monitoring the quality of air in the area of the Istrian County since 1982. Until 1997 the air pollution monitoring was carried out by means of classical stations, but then the first automatic station was installed in the area of the Istrian County and the Republic of Croatia; the station was installed by the City of Pula, as a part of the repair programme in the Fižela locality. Since 2002 the automatic stations around the Plomin power plant have become a part of the county network; the results from the measurement stations are collected directly and are examined daily.

The Istrian peninsula is the biggest unit with its own specific hydrogeological and hydrological characteristics with no strong correlation with its hinterland. Running waters and underground waters represent significant water resources of Istria. Monitoring the quality of surface water flows of Dragonja, Mirna, Raša, Boljuncica and Pazincica has been systematically carried out since 1980, while the Butoniga accumulation has been monitored since 1990.

Monitoring the quality of source waters and wells included in the water supply or else potentially used for water supply has been carried out since 1983, aiming at obtaining the best possible indicators of the quality of waters at sources and wells. The Istrian County has financed the monitoring programme as a part of the programme of Hrvatske Vode (Croatian Waters) since 1997; the programme has been implemented by the Istrian County Public Health Institute.

A traditional ecological action, Let my Istria Shine, begins on the first day of spring and ends on the first day of summer; it has been devised and realized by the Istrian County Tourist Board in collaboration with its offices all over Istria. It includes numerous activities which have a common goal – to maintain ecological balance in Istria, taking special care of the cleanliness of beaches and tourist

villages. Finally, by motivating a large number of school children to participate, it aims at educating the youngest generations on the importance of preserving their heritage.

So far the action has included cleaning of wild waste dumps, getting familiar with Istrian protected landscapes and endemic species, regulating tourist access areas, discovering miniature parks of nature, finding the biggest tree in Istria and Istrian lookouts; every year the action is accompanied by making school art works on the subject of ecology.

2. COOPERATION SCENARIO

Istria County is a member of various international organizations, initiatives and networks some of the most important are: Assembly of European Regions (AER), Conference of Peripheral Maritime Regions (CRPM), Institute of the Regions of Europe (IRE), Adriatic Euroregion (founded in Pula – Istria County), Associations of Local Democracy Agencies (ALDA), Assembly of European Wine Regions (AREV), Council of European Municipalities and Regions (CCRE), Association of European Border Regions (AEBR), Wateregio, MMFN-Mediterranean Model Forest Network, etc.

The Department for International cooperation and European Integration is in charge for international cooperation at the county level. It coordinates and monitors the work of other administrative bodies on the preparation and implementation of projects, runs and monitors the process of implementation of projects co-financed by EU funds and the state authority.

In the recent years, Istria County became very actively involved in almost all international programmes. It applies to various calls for proposals and tenders in the field of nature conservation, environmental protection, rural development, tourism promotion, and generally proposals aimed at strengthening the competitiveness of the entire region; it has so far participated in over 100 different projects financed by various EU programmes, or implemented on the basis of cooperation with foreign partner regions. The following are major programmes that have so far been available for participation of the public sector of Istria, including those that are available in the pre-accession period since 2003:

- EU regional policy funding programme – INTERREG IIIA, IIIB and IIIC
- CARDS 2003 – for the local development of border regions
- Instrument for Pre-Accession Assistance (IPA)
- Regional Environmental Reconstruction programme – under CARDS
- Pre-accession funds (ISPA, PHARE, SAPARD)
- Projects under Act 84 of 2001 of the Republic of Italy
- CEI - Central European Initiative.

Beside EU initiatives, Istria County also participated in United Nations Environment Programme - Mediterranean Action Plan (MAP) which covers all countries bordering the Adriatic.

Under the EU IPA programme, Istria participated in two IPA components – Cross-border cooperation and rural development. Moreover, within the Cross-border cooperation, it specifically participated in two programmes – Adriatic CBC and Slovenia-Croatia CBC. In IPA Adriatic, it participates in more

than 10 projects,⁵ while in Slovenia - Croatia CBC also more than 10 project proposals have been presented.

Besides that, Istria County has developed a strong international cooperation with:

- Somogy (Hungary, Cooperation Accord 29 April 1998)
- Carinthia (Austria, Letter of Intent 21 April 1998)
- Hargita (Romania, Statement on the Future Cooperation Accord 10 May 2000)
- Vojvodina (Serbia and Montenegro, 2001)
- The Zenica-Doboj Canton (Bosnia and Herzegovina, 2004)
- County Kerry (Ireland, 2004)
- Yunnan Province (China, 2004)
- Trencin (Slovakia, 2004)

Furthermore, Istria County actively participates in the process of adaptation and Croatian accession to the European Union, with three important goals in the field of international cooperation and European integration. These are⁶:

- Implementation of projects financed by the European programme
- Strengthening the absorptive capacity of the public sector to use EU funds
- Information on the Euro-integration processes, adapting EU programmes and projects

Projects financed from the EU and other international sources are important for: the realization of activities and projects of high significance for Istria County, the financial resources that they bring, new knowledge and experience, established partnerships and strengthening of administrative capacity and preparation for EU accession when available higher funds from the EU sources.

In this sense, due to the large number of projects implemented by Istria County and county organizations, which are partially financed from the county budget and are funded with a 100% share (IDA- Istrian Development Agency, AZRRI – Agency for rural development of Istria, County Public Institutions for nature protection – Natura Histrica, etc.), by cities and municipalities, other scientific institutions, NGOs and the economy as a whole, there is a need for systematic recording and monitoring of the work and results of accepted projects financed by the EU and other international sources. Therefore, the County developed a county project database where all projects that have been implemented or are currently being conducted from the programme sources listed above are included, and where participating partners are legal entities with headquarters in Istria County. These projects can be seen on the official website of Istria: www.istra-istra.hr.

3. RELATIONSHIPS WITH ITALY

Relatively open borders with Italy existed in the period of the former Yugoslavia. However, cross-border links between Istria and Italy started to create and strengthen since 1965, with stronger opening of the state towards Western countries. In such circumstances, the growing attractiveness of Trieste as a main shopping and business centre of the Istria peninsula becomes apparent. However, over the

⁵ It is still not clear which projects directly tackle the environment/culture theme in Istria County.

⁶ More on www.istra-istra.hr.

following decades additional attraction elements of neighbouring Italian regions of were present; above all, the regions of Friuli Venezia Giulia and of Veneto. The Regional Law 15/1994 of Veneto Region provides funds for the recovery, conservation and valorization of cultural heritage of Venetian origin present in Istria and Dalmatia.

Since the 1990s, the Cross-border cooperation programme, which also includes the Slovenian coast has been influencing and strengthening interregional affairs. After the construction of highways in neighbouring areas of Italy and Slovenia, Istria has become much more accessible. With the development of cross-border connections, Istria's landscape became more attractive, and its tourism orientation has become a comparative advantage, particularly in relation to the densely populated Trieste-Venice strip, and the narrowly confined space of Slovenian coast.

Istria's strongest links were with the neighbouring region of Friuli Venezia Giulia. The structure of cross-border flows is complex and occurs reciprocally. On the ground of information from various sources (published survey results, information from newspapers, interviews) can be said that the structure of cross-border flows from the region of Friuli Venezia Giulia was mostly represented by weekend and seasonal tourism, followed by capital goods and a variety of impacts associated with the polarizing role of Trieste. In the opposite direction, shopping was firstly represented, and then flows in relation to employment, trade and certain services.

Besides that, Istria created very strong political relations with many Italian regions that have developed even stronger cooperation, resulting in gained knowledge, information and experience. The most important of the many documents of cooperation with Italian regions are:

- Region of Toscana - Statement on Friendship, signed: 6 October 1994.
- Region of Liguria - Letter of intent
- Region of Veneto - Statement of intention, signed: 21 February 1995.
- Autonomous region of Friuli Venezia Giulia - Protocol on Cooperation between Autonomous Region F-VG and Istria was signed: 22 February 1999.
- Region of Puglia - Letter of intent signed in April 2009.

Cooperation with Italy is based on economic relations and connections which have been necessary for attracting foreign investment, establishing export market channels and supporting Istria's tourism promotion capacity. Furthermore, cooperation contributes to the acquisition of experience in programmes of interregional and cross-border cooperation and the use of resources from European funds. This was particularly evident in the years where Croatia, as a candidate country for EU membership, opens many possibilities of using financial resources in agriculture, rural development, transport infrastructure, environmental protection and strengthening of economic capacities. Therefore, priorities of Istria County have been put on further development of international cooperation in the Adriatic Sea and South East Europe.

The Adriatic Euroregion was founded on June 30, 2006 in Pula, Region of Istria, Croatia. It represents a model of co-operation that includes trans-national and inter-regional co-operation between regions of the Adriatic coastline. The Adriatic Euroregion is the institutional framework for jointly defining and solving important issues in the Adriatic area. It consists of 23 members - Regional and local governments from Italy, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro and Albania.

The aims of the AE are the following:

- Forming an area of peace, stability and co-operation
- Protection of the cultural heritage
- Protection of the environment

- Sustainable economic development in particular of tourism, fishery and agriculture
- Solution of transport and other infrastructure issues
- Creation a common framework for the better absorption and appropriate use of European funds in concert with common needs, the end being support for all of the Adriatic states to enter into the European Union.

The first concrete example of collaboration between the members of the AE was a joint project called ADRIEUROP (Adriatic Euroregion Operational Programme), successfully candidated on the INTERREG IIIA initiative – for Adriatic cross-border cooperation. The total amount of the project was 1.200.000,00 EUR. The project Adri.Eur.O.P. aimed to offer operational support (in technical-administrative terms) to the political process for the establishment of an institutional body of the AE, created in order to promote sustainable development in territories of the Adriatic regions. The goal of the project was to realize the activities necessary for the start-up of the Adriatic Euroregion in the short term.

Moreover, the Adriatic Euroregion Assembly in October 2009 determined the need to create the Adriatic Strategy with the purpose of defining a coherent regional development policy of this area, reducing existing social and economic differences and opening possibilities of development in different member regions. The Strategy should establish the development objectives and define the instruments aimed at building and strengthening the development potential in the Adriatic area.

The basic strategic goals that will be elaborated in detail in the Adriatic strategy are the following:

- Integrated approach to planning and management of land and sea area, environmental protection, use of natural resources and sustainable development of the Adriatic area,
- Strengthening the institutional, cultural, economic and transport connections in the Adriatic area,
- Establishing a framework for a coordinated and effective cooperation in the Adriatic area in the preparation and implementation of projects financed by the European Union funds,
- Strengthening competitiveness based on knowledge, high technology and innovations through a systematical development of human resources,
- Vocational training on European matters for local and regional public officials from the Eastern Adriatic territories.

4. MAP OF RELEVANT COOPERATION STAKEHOLDERS

4.1 Key stakeholders

Key cooperation stakeholders relevant for the SeeNet project theme – valorization of cultural, environmental and historical heritage in the Istria County – include:

- Local authorities - Local and regional governments units (LRGUs)
- Institutions in the sector of culture
- Institutions in the nature protection sector
- Local NGOs and associations of citizens related to the project theme

- Local entrepreneurs – hotel owners, restaurant owners, accommodation providers, wine producers, traditional crafts producers
- Local communities

Table 2. Key cooperation stakeholders in the sector of cultural, environmental and historical heritage in Istria

Local authorities	
Brtonigla Municipality	Brtonigla
City of Pazin	Pazin
City of Rovinj	Rovinj
Grožnjan Municipality	Grožnjan
Cultural heritage	
Archaeological museum of Istria	Pula
Istrian History museum	Pula
Theatre Ulysses	Brijuni
Museum Lapidarium	Novigrad
Natural History Museum	Rijeka
Institute Ruđer Bošković, centre for marine research	Rovinj
Maritime and History Museum of the Croatian Littoral	Rijeka
Pazin city museum	Pazin
Etnographic museum of Istria	Pazin
Rovinj Heritage Muesems	Rovinj
Open University of Rovinj	Rovinj
Center for historical research in Rovinj	Rovinj
Ecomuseum “The Batana House”	Rovinj
Protected areas	
County public Institution for management of protected areas “Natura Histrica”	Rovinj
Public Institution “Nature Park Učka”	Lovran
NGO	
Green Istria	Pula
Sovinjak	Buzet
Eko-organisation Pineta	Labin
Organisation for ecology and culture	Bale
ALDA - Agencija lokalne demokracije	Brtonigla
PUT	Labin
Monte paradise	Pula
Eco-liburnia	Rijeka
Eco Center Caput Insulae	Rijeka
Association of the Batana House	Rovinj
Agroassociation	Rovinj
Association “Put”	Labin
Local Democratic Agency	Brtonigla

Source: Researchers investigation

Natural protected areas in Croatia are managed by the public institutions. The basic goal of their activity is the management of protected areas, in the sense of protection, maintenance and promotion, ensuring the unhindered unfolding of natural processes, and sustainable use of natural resources. Public institutions of national natural parks are established by virtue of a Regulation of the Government of the Republic of Croatia. Public institutes for the management of other protected areas are established by local or regional self-government units. Protected areas in Istria County are managed by two public

institutions⁷; the first one "Natura Histrica", is responsible for the management of protected areas at the county level, and second, "Nature park Učka", for the management of Učka which is famous for its endemic Učka's Bellflower (*Campanula tomassiniana*).

Crucial points regarding of SeeNet's project theme have cultural institutions as important actors for linking cultural and natural heritage on the territory; on the other hand, they are creators of cultural policy in joint cooperation with local and regional units. Thirteen cultural institutions relevant for the SeeNet project theme have been identified.

Non-governmental organizations in Istria County are in a stage of intensive growth and increasing involvement in issues such as environmental protection and nature conservation. In this early project stage 13 NGOs have been identified which are covering cultural, environmental and historical heritage issues.

4.2 Mutual interactions among key stakeholders

In the territory of Istria, the Public Institution for nature protection "Natura Histrica" is very well known; they cooperate with local and regional units on a daily basis in joint development activities and projects. These activities are not only oriented to the regional level, but also to the international level. With the local self-government units and Slovenian authorities they recently developed a few joint cross-border projects, and applied for their funding within the scope of IPA CBC SLO-CRO.

In Istria there are cultural and historical sites of interest such as archaeological sites and localities, cultural-historical and ethnological sites, ethnographic and intangible cultural heritage (traditional activities and customs), traditional architecture, architectural heritage and cultivated landscapes. However, the vulnerability of the architectural heritage is visible in the neglect and decay of the buildings and in the disorder and devastation of some areas or parts. During the survey on key stakeholders, cultural institutions are identified as important actors for joining cultural and natural heritage. Some of them have already recognized this opportunity by connecting these two components in the form of tourist activities, such as:

- Archaeological Museum of Istria,
- Exhibition in the Art pavilion "Juraj Sporer Opatija - "In the bosom of the mountains "(PI "Priroda", Natural History Museum Rijeka),
- Exhibition "The Nature of Karst Dinaric fields" (Croatian Natural History Museum),
- "Ancient Pag lake" (Croatian Natural History Museum),
- Revitalization and eco-tourist use of Croatian castles of Frankopan and Zrinski (Eco Liburnia, Rijeka).

Moreover, the tourist offer partially combines the elements of cultural and natural heritage. The initiatives include the development of eco-ethnic villages, gastronomy (Breeding Istria Boškarin), promotion of traditional crafts, designing traditional houses for tourist purposes (Renewal of Kažun – Istrian stone hut), festivals, fairs of old crafts, folklore, etc.

However, cultural and historical heritage is insufficiently linked and employed in tourism. A precondition for this is a better cooperation between the tourist boards and institutions for nature protection and cultural heritage. It also is evident that old traditional arts and crafts are slowly disappearing.

⁷ Protected natural resources in Croatia are managed by public institutions (PI). PI for the management of national parks and nature parks are established by the Croatian Government, while PI for the management of other protected areas are established by the regional government.

NGOs are playing an active role as far as the cultural and historical heritage in the Istria County is concerned. Not all of them are equally active, but it is obvious that the level of awareness is raising and more people are getting involved into their work. NGOs have indeed become major promoters and beneficiaries of EU funds, and therefore one of the key actors in regional development processes.

They are interested in raising awareness about nature conservation/environmental protection, hold relevant experience in cooperation on protected areas and want to be more involved in educational activities. Therefore, they can contribute to the SeeNet project by supporting the implementation of some project components.

CURRENT STATE OF HERITAGE

Mass tourism is present in Istria's coastal sites (Rabac, Pula, Rovinj, Poreč, Umag, Novigrad) and its standard forms are quite unified among themselves. Not only do hotels and hotel groups look alike, but also what is offered to tourists is always of the same kind; Istrian history is missing.

Many monumental objects are in very bad shape; this seems characteristic for Croatian inland as a whole; many are being damaged even more by visits, which are not being beneficial at all. Thanks to the support of the Department for culture, education and sports of the Region of Istria, the Ministry for culture and the Department for protection of cultural heritage, a large number of monuments has been preserved, but there are a lot in need for quick intervention. Moreover, there are missing basic information *in situ* about them, and interpretations of specific cultural goods and their wider conceptual context particularly.

Folklore as a category of intangible cultural heritage barely communicates with tourists at all. On the one hand, there are guest performances of folklore groups at hotels terraces in the coastline, what is a sad attempt of communication, sentenced in advance to partiality or failure. On the other, there are local “fešta” and folklore festivals. They were the first to abandon traditional contents, and, with their globalized contents, they are of no particular interest to tourists, if these get to find out about them at all. Folklore festivals are organized by enthusiasts and kept alive due to local communities and the Department for culture, education and sport of the Region of Istria. However, they are organized in an archaic and static manner, so that they barely communicate to few interested groups. When such an event is organized in an Istrian town, there is lack of brochures in foreign languages, which would explain to tourists what kind of folklore they are seeing. Dance, playing on musical instruments, traditional crafts, nor any other traditional skill or knowledge of Istria are transformed into workshops, so no one who occasionally visits Istria has the chance to learn or get more information about them.

Events presenting theatre, film, dance and music make the offer richer and more dynamic, firstly for Istrians and domestic tourists during summer months, and that is very important. Apart from individual concerts of famous performers in Pula and other coastal towns, a visit of foreign tourists to events is not significant. Anyway, there is lack of available statistics on such kind of attendance.

INSTITUTIONS IN THE DOMAIN OF CULTURE

Most of town museums in Istria say little about the towns they represent; in Pazin town museum, one does not find much about the town's past or about its eminent citizens, and the same happens in the museums of Buzet or Umag. In two regional museums, Historical (in Pula) and Ethnographic (in Pazin), a very classic content presentation method predominates, that cannot wait to be modernized. Many Istrian museums are well behind standards existing in Europe by criteria of presentation and communication of museum contents with the visitors (with the noble exception of the museum of Batana in Rovinj, the Lapidarium in Novigrad and occasional exhibitions in other museums).

Exhibitions are often not translated to foreign languages. Engagement of tourists in workshops and other museum programs is minimal or does not exist at all.

Few institutions of culture have participated in programmes connected with cultural tourism outside museums. The Ethnographic Museum of Istria had set up small exhibitions and organized events in unusual places oriented toward visitors (Istrian donkey farm in Raša, during local festival in Gračišće, on souvenir fair in Svetvinčenat, etc.).

There are neither visitor centres, nor programmes of living history, nor other forms of heritage communication. During summer, the People's open school occasionally organizes concerts, theatre plays and other kinds of show, which up to a certain level influences the development of cultural tourism.

UNMARKED AND UNREACHABLE PLACES AND SITES OF INTEREST

Some of the coastal towns and places have adapted some monuments for tourist access and have equipped them with information, and partially with interpretation. This refers to Arena in Pula, Euphrasius basilica and bishopric in Poreč, Novigrad's lapidarium and some other monuments. While coastal sites can be complemented on any kind of information (though still often limited), in the Istrian inland these basic data are usually completely missing. Only recently has the Tourism board of Central Istria (founded in 2007 with the precise purpose to advocate interests of the central part of the peninsula) has decided to gradually place information tables at fortified towns and castles of central Istria, along with placing road signs for interesting destinations.

If a visitor wishes to go from Pula to Beram and visit the famous frescoes, and does not have a car, s/he will encounter immense obstacles in public transportation. If s/he, anguished, finds somehow her/his way to Beram, in the town (if s/he had read so or someone has told her/him) s/he must find Aunt Maria or the vicar, who are in possession of the key to the little church of *St. Mary on Škrilinah*, where the frescoes are; the visitor will not be able to buy even a postcard, not to mention a brochure or a souvenir. In a word, the visit to this extremely important monumental object of symbolic importance for Istria has not changed since Austro-Hungarian times, when travellers also looked around Beram for Aunt Marias to unlock the church for them. While it then seemed like a touch of exotic, today it is simply a lack of basic standards about cultural heritage. This situation illustrates vast majority of central Istria's cultural heritage components. This problem is expressed even more when knowing that many visitors travel around Istria on their own, since there is a lack of conceptualized inland itineraries.

LACK OF NETWORKS AND COOPERATION

By talking to some of the agritourism owners, one can find out that main selectors of menu are often tourist guides and agencies (that choose where to take the bus full of tourists to lunch). They "know" in advance what guests like and expect, so ask the owners not to make up "expensive" menus with some of the local specialties, but rather something like steak and chips. Their coming depends upon by such menu, and this is the additional reason why many services reduced their former interesting local offer to simple ready-made cheap meals.

The lack of coordination is actually visible at all levels and cross sections: tourism employees do not have the data about cultural institutions, while the latter do not know whether to prepare tourist programmes, or what kind of programmes. The cultural advisor in Istria Tourist Board, working part-time in that institution, focuses on local gastronomy, without working on other categories of culture, so that many important issues and needs remain unattended and out of sight.

When the Ethnological Museum of Istria conceived the weaving workshops, it hired one single remaining active weaver in Istria, master of craft and skill (this being a component of intangible heritage), and he has constructed a new *krosna* (weaving braider) for the museum as well, so that other interested people could learn how to weave; the Museum employees thought that weaved objects could serve as a decoration for agritourism facilities, as a genuine and authentic Istrian weaving product. However, there are no institutions or individuals able to link cultural institutions (Ethnologic Museum of Istria) and interested beneficiaries. Therefore, this project has ended, after the Museum exhausted its possibilities for project dissemination. Similar to this were the initiatives at the Souvenir Fair in Svetvinčenat, representing an important infrastructure composed of many former *meštri* and their knowledge and skills. Tourists are longing for these products, while they criticize the lack of appropriate souvenirs. Still, there was no one to connect these mostly older people with a marketing agency enabling them to sell the souvenirs, providing advice on production and interpretation of products, and cooperating with experts who supply the products with information. That fair has almost disappeared, and so another important potential resource has been lost.

Popular workshops within the tourist offer have currently nothing to do with Istria. Although there should be workshops in weaving, painting, *kažuni* constructing, local dancing, gastronomy, ceramics – none of them was programmed. These workshops are important to make local traditions continue, to let disappearing knowledge and skill (as well as intangible cultural heritage) pass on, and to provide multiple benefits to both local heritage and tourism – but no one has connected it all in one concrete programme.

VILLAGE TOURISM

In recent years, the so-called village tourism has developed within the domain of rural tourism. At the beginning, the term agritourism was used for almost all service providers who were offering overnight stays and food in the village, but today agritourism sites are only the places offering food from their own production. Apart from agritourism, the category of village tourism includes cellars where one can taste the wine, rural “bed & breakfast”, or houses for rest and recreation. The law recognizes only “village households” in the sense of agritourism, while overnight stays and breakfast services, however they may reflect local culture, are treated as mere renting. The overall process of opening an agritourism is extremely bureaucratic and in some way, by means of its inappropriate regulations, it forces rural households to become classic catering facilities, or even restaurants with large accommodation capacity. Not even the last Regulation book on providing catering service in rural households (2008) enables simplicity of service providing. Although in Istria on the regional level, many like to be proud of developed village tourism, for several years this has actually been losing on quality, and, in field of agritourism particularly, is becoming an industry of its own.

Some areas do not just offer a beautified picture of an Istrian village, but often an ambience that seems to be taken from French magazines for summer house decoration, following the general idea of “rustic ambient”. Many with confused ideas on elite tourism, or instructed by the agencies, build pools next to old houses, which is doubtful in most cases. In the end, it can destroy the very elements of local cultural heritage tourist came for in the first place. Some richer European countries and regions (Trentino-Alto Adige) are providing grants to those wanting to reconstruct or rebuild their own house in the spirit of traditional architecture and use them for agritourism. However, in Istria there are more inspiring examples that are not necessarily “authentic” for their architecture, yet are for their host-guests relation, their food, or for some other quality.

This seems like one of most opportune directions cultural tourism can take at this moment, and it offers the possibility of several programmes that have not been developed yet (local skills trainings, guests

participation in field or stable works, wild asparagus, olive or grape forage, participation in wine or olive oil production, etc.). The Agency for rural development needs to be more actively involved in further development of village tourism.

4.3 Multi-level governance

The SeeNet project has been built on previous initiatives and projects, and on findings and recommendations of previous studies targeting the development of cultural tourism in the Istria region, as well as the promotion of tourism activities in a rural/traditional environment. Regionally, activities are in line with the priorities and measures of the Regional Operational Programmes (ROPs) of Istria County and the Strategic programme of rural development of Istria County (2008-2013). Nationally, the SeeNet project is connected to the Croatian tourism Development Strategy by 2010, the Strategic Marketing Plan of Croatian Tourism 2008-2012 and the Development strategy of cultural tourism, which aim to create all preconditions to ensure that Croatia develop sustainable tourism.

The Croatian government has listed international cultural co-operation among its priorities. The Directorate for International Cultural Cooperation at the Ministry of Culture includes three departments: Department for International Cultural Cooperation, Department for UNESCO, and Cultural Contact Point (CCP) Department. After the *Law on Cultural Councils* was adopted in 2004, the government established the Cultural Council for International Relations and European Integration.

The government is continuing with the policy of signing bilateral agreements and programmes of cultural cooperation; so far, 42 bilateral agreements and 24 bilateral programmes have been signed. The government has listed, as one of its priorities, the strengthening of cultural cooperation within the region of South Eastern Europe. Croatia held the presidency of the Council of Ministers of Culture of South-East Europe in 2007-2008.

The Ministry of Culture (at the national level) and larger cities (at the local level) are major funders of international cultural cooperation projects and initiatives. The Ministry of Culture cooperates with the Ministry of Foreign Affairs and European Integration and its Department for International Cultural Cooperation, which is responsible for coordination of the work of cultural attachés. As Croatia does not have publicly mandated cultural agencies or institutes for cultural co-operation abroad, Croatian embassies are the most important focal points for the promotion of Croatian culture. Cultural agencies and institutes (such as Austrian Cultural Forum, British Council, French Cultural Centre, Goethe Institute, Cultural Centre of the Islamic Republic of Iran, and Italian Institute for Culture) support cultural cooperation between their respective countries and Croatia according to their mandate.

Much effort is being invested in support for cross-border co-operation projects, both by the Ministry of Culture and the Ministry of Science, Education and Sports. Initiatives are usually carried out by NGOs which apply for government funding. Co-operation programmes include joint education programmes, co-operation in promoting common heritage, student camps, etc..

Following the war and subsequent stabilization processes in South-East Europe, Croatia initiated symbolic support and co-operation projects (mainly focussing on transfer of knowledge and exchange of experiences) in the region of South-East Europe.

RECENT INITIATIVES IN ISTRIA

The founding of the Tourist Board of Central Istria marked the end of Pazin Tourist Board. The Tourism Board of Central Istria gathers communities that do not have Tourism boards of their own. It shall insist on having a common tourism system and will represent the interests of Istrian inland. The funds from the taxes will be returned to local communities, for tourism programmes purposes,

(initially) mostly the ones providing basic information on the area. In the short term, the plan is to place tourist signalization in brown color, according to the usual pictograms, and parallel larger information tables in every Istrian town of interest. The tables will contain basic data on the location, being, apart from “preserved traditional way of life”, most important identified values of Istrian inland, which this Tourism Board wishes to translate into visual identity. In this Board, culture is equated with tourism and vice versa, considering that the main reason for tourists visiting the inland is the culture itself. They want to provide simple and accessible information to visitors. Such initiatives provide a hope for cultural tourism of higher quality, what with lack of networking and cooperation and non supportive legal framework has limited possibilities.

At the level of local community, the need for branding of places has been strongly outlined, i.e. identifying a characteristic “product” to create an “image” around. In this way, Buzet became the city of truffles, Tinjan of *prosciutto*, Labin of painters, etc., what keeps being profiled or imposed with varying success. It can certainly be practically applied and has its positive impact. However, all places emphasizing one part of its (cultural) identity should use that “brand” as a specific magnet, and then enable visitors to understand that for example Beram, although it is the “town of frescoes”, has also a very important necropolis from the bronze age, important glagolitic scribes, etc.. Only if the whole story is told, can visitors understand the complex mechanisms determining local culture. Those working on cultural tourism at the regional level should be aware about brands creation, so brands, regardless of their inherently partial nature, can mutually communicate and supplement each other.

In this context, some of the local administrations are agile in their profiling efforts to become destinations of interest (Tinjan, Gračišće), while some do not even develop the existing cultural and service infrastructure (Pazin). Days of *prosciutto* in Tinjan, of olive oil in Vodnjan, of truffles in Livade and Motovun and similar events have started to attract visitors from closer surroundings, but also from as far as Rijeka and Zagreb, as wine roads have done several years ago. They have a role on the local level, which is exceptionally important.

ISTRIAN MASTER PLAN OF TOURISM

Istrian master plan of tourism is created to accomplish diversity of offers for different guests, extend the season to nine months per year, raise the quality of life for local population, preserve local culture, preserve a clean environment, open possibilities for larger consumption of guests and develop quality tourism with average higher than three or four stars. Therefore, it is quality and not quantity that holds primary position. Moreover, the idea was to avoid new, uncontrolled construction, elemental development and mass tourism.

Authors of the Master plan, associates of THR from Barcelona, have divided Istria into 8 clusters, one being Inland Istria. For different places within this cluster (Motovun, Gračišće, Pićan, Žminj, Lanišće, Lupoglav, Oprtalj, Pazin, Sv.Petar u Šumi, Svetvinčenat, Tinjan, Višnjan, Vižinada, Cerovlje, Grožnjan, Karojba, Buzet) they tried to identify attractions, resources, key success factors, obstacles, etc..Inland Istria's central identity resides in preserved traditional life, allowing tourists to “enjoy Istrian culture, gastronomy and nature”.

Cultural and rural tourism are considered as exceptionally important elements of Istrian tourist offer, as elaborated in detail in analysis, proposals and plans. This plan recognizes connecting cultural destinations into itineraries as one of the priorities of offer organization.

ISTRIAN CULTURAL STRATEGY

The Istrian Cultural Strategy defines priorities and key directions for activities of Istria County in the field of culture over a five-year period (starting with 2010). The Strategy was outlined by a group of cultural workers who assessed the situation in existing activities and the needs in the field of culture, and upon this basis defined the priorities, key directions of activities and distribution of basic resources of Istria County.

There are several dominant theme areas in which the objectives of cultural development may be grouped: support of artistic production, valorization of culture, networking and institutionalization, establishment of new institutions or institutionalized ways of behavior (relations) in the field of culture.

The Strategy largely depends on the cooperation of Istria County with municipalities and towns on the territory of Istria County, but also with the Ministry of Culture and all other administrative bodies. In implementing the Strategy, Istria County will firstly have the financial and organizational instruments of cultural policy at its disposal. This is why it will be extremely important to coordinate the activities of Istria County and the activities of municipalities and towns, either through a permanent coordination body or through an *ad hoc* coordination body.

Along with the objectives are expected results and indicators that have an important role in the evaluation of the cultural strategy. Namely, the indicators are very specifically defined in order to indicate the measure up to which the objectives have been realized, that is to indicate the level of success of the implementation. Quantification indicators were chosen as indicators of the realization of objectives, and these are related to simple growth (e.g. cultural productions) or to more complex measurement of inter-subjective acceptability (e.g. artists' participation in relevant exhibitions) that will serve as a term of quality reference.

4.4 Cooperation dynamics

Since its independence, Croatia has been a member of the Council of Europe, and it participates in its numerous activities and projects. Croatia is also in the process of negotiations for full membership of the European Union. It has fulfilled all its obligations that refer to culture and cultural heritage, and Chapter 26 on education and culture was provisionally closed in December 2006.

EU financial assistance (CARDS and the pre-accession instruments – mainly PHARE) was used for projects with a cultural component and carried out by local organisations. These projects were primarily oriented towards cultural heritage and cultural tourism (such as CRAFTATTRACT, Tourist Cultural Centre-TCIC, Pannonian palette, etc.).

In June 2007, the Memorandum of Understanding with the European Communities was signed, which made Croatia a full member of the EU Culture 2007-2013 programme. The Ministry of Culture published by-laws, introducing rules for co-financing of Croatian participants in the Culture 2007-2013 programme, with the aim to stimulate applications in the first period of the Croatian participation in the Programme. In addition, the Cultural Contact Point (CCP) Department has been established and hosted by the Ministry of Culture. In 2008, the Memorandum of Understanding with the European Communities on the Croatian participation in the MEDIA 2007 Programme has been signed and Croatia has established a Media Desk within the Croatian Audiovisual Centre (see chapter 2.2).

Croatia is an active member of UNESCO and participates in a number of projects initiated and supported by this organisation. The UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions has been ratified by the Croatian Parliament on 12 May 2006 (Official journal reference: NN-MU 5/2006) and the instrument of ratification was submitted to UNESCO on 31 August 2006. The Ministry of Culture is responsible for implementing and monitoring

the Convention, together with the National Commission for UNESCO. At the first Conference of the Parties of the Convention in June 2007, Croatia was elected among 24 members of the Intergovernmental Committee, for the period of four years. The Intergovernmental Committee has the main responsibility of promoting the objectives of this Convention and encouraging and monitoring its implementation.

The Ministry of Culture actively participates in the work of the International Network for Cultural Policies (INCP).

Istria was the first Croatian County to open a representative office in the political and administrative seat of EU – Brussels, as an indication of the future needs of Istrian economy, citizens, civil society and public administration. The Office was opened in June 2005 in collaboration with the Italian region of Friuli Venezia Giulia. From its office in Brussels, the County:

- monitors the work of EU institutions,
- develops cooperation with other regional offices, provides information on events and programmes of the EU,
- reviews the possibilities of EU financing programmes and projects,
- promotes the interests of Istria in Belgium,
- promotes cultural values of Istria
- presents the possibility of investing in the Istrian economy
- promotes tourism in Istria
- promotes bilateral co-operation with the Belgian regions
- helps county delegations in their visits to Brussels
- promotes relations with the Mission of Croatia to the EU as well as other embassies in Belgium,
- provides assistance to interested natural or legal persons who wish to establish cooperation with Istria County
- organizes training and education seminars
- perform other tasks as requested by the body of Istria

5. MAIN FINDINGS FROM THE INTERVIEWS

Interviews have been conducted with representatives of all SeeNet partners⁸ in the Istria County. Since the project hasn't yet started in Istria, the interview has focused on the following topics:

1. Level of cooperation of each SeeNet project partner with relevant stakeholders in RH, Italy and EU
2. Recent project partners
3. Project partners involvement in SeeNet
4. Convergences/divergences between the key actors in the SeeNet project

⁸ Due to the fact that the SeeNet project has not started yet, interviews were held with project partners, since project stakeholders have not been officially identified and introduced with future project activities and the project itself. In the next round of interviews a much higher number of interviewed persons is foreseen.

5. Stakeholders interaction and cooperation dynamics within the SeeNet project
6. Expectation from SeeNet

1. Level of cooperation of each SeeNet project partner with relevant stakeholders in RH, Italy and EU in the field of environmental, cultural and historical heritage

Project partners within the Istria Region have been very proactive in building strong relationships with stakeholders at the local, regional and national level. All of them expressed their satisfaction about cooperating with Istria County, Public Institution for nature protection “Natura Histrica”, State Institute for nature protection in Zagreb, which have developed actions and projects in a joint manner and have a year-long history of cooperation for years. Besides the national partners, each of the project partners has a good connection with Italy, so that they have been twinned with Italian cities.

MUNICIPALITY OF BRTONIGLA

The Municipality of Brtonigla has a long-lasting cooperation with its twin towns Greve in Chianti (Italy) and Ravenna (Italy). Besides, they have built a firm relationship with the Region Veneto by joint fostering of Venetian tradition in Istria. Brtonigla is the only municipality enrolled in the Italian association "Città del vino" (Wine Cities) and the Association of Europe Recevin. According to the registry of the Institute for Oenology and viticulture there are five wine growers and producers that bottle and seal their own original production. Moreover, the Municipality has strong relations with Brtonigla's Local Democratic Agency.

THE CITY OF PAZIN has a long-lasting cooperation with its twin town Fiorenzola (Italy). They have established a solid cooperation with relevant assertions present in cultural sector and with youth associations. They also have firm relationships with the Open University in Pazin and Pazin City Museum. With the Agency for rural development in Istria AZRRI they work on the promotion of traditional dishes cooked in the traditional and original way.

THE CITY OF ROVINJ carries out a long-lasting cooperation with its twin towns Adria (Italy) from 1982, Camaiore (Provincia di Lucca - Italy) from 1990, and Leonberg (Germany) from 1990. In the framework of the Phare programme, the City of Rovinj participates with the NGO Put from Labin in the project “The trees have beating hearts”, which involving primary schools and kindergartens in the township area.

The Budget of the City of Rovinj in 2008 secured 1,1 million Euros (6,29% of total budget) for a programme of public needs in culture. From this money, the work of the city's cultural institutions (City Rovinj Museum, Open University of Rovinj and City Library) has been funded and monitored, as well as the programmes of institutions and cultural associations where to organize various cultural and entertainment events throughout the year.

In November 2009, in the Settlement ZAVRŠJE in the Municipality Grožnjan, Istria County has implemented R.E.D.D. H.I.L.L., a project co-financed from the EU within the cross-border “New programme for neighbourhood”, Adriatic Interreg IIA/PHARE, financed out of Phare 2006 programme. Project activities consisted of the reconstruction of a former school building, located at the entrance to Završje. Investment included internal and external works worth 213.000 Euros. The renovated building now serves as a modern Polivalenta Center, which will carry out various activities, from those of a tourist info point to organisation of seminars and conferences. In addition, through the project thirty tourist info-panels have been set on the site, about architectural and cultural landmarks

and local traditions. Within the project, four workshops were held on: the development and implementation of a sustainable territorial strategy, the protection and valorization of cultural heritage for tourism purposes, an innovative methodology of territorial marketing, active citizenship and their involvement in defining territorial strategies.

2. Recent project partners

MUNICIPALITY OF BRTONIGLA

The Municipality, with its Tourism Board, attended the event Calice di Stelle as main guest of the evening with the Istrian Malvasia, which was organized by the Association of Wine (Città del Vino), in August 2010 in San Gimignano (Siena) in Tuscany.

Within the IPA CBC SLO-CRO call, they applied for funding with two projects in June 2010. The first one is developed in cooperation with the City of Kopar and its Tourist Board of Brtonigla, related to their wine museum and its promotion; the second project was developed in cooperation with City of Poreč, Technical University from Rijeka, Business Incubator Primorska (Slovenia), City of Izola (Slovenia) and City of Piran (Slovenia), and is related to renewable energy sources.

The Municipality received financial support from the Ministry of Culture, Istria County and the Fund for environmental protection and energy efficiency, for the reconstruction of the old mill and the construction of a wine museum in 2009.

CITY OF PAZIN

Organisation of the manifestation “Pazin Gastro 2010” that promotes the culture of cooking dishes in a traditional and modern way from the original domestic Istrian foodstuff.

Cooperation of the City of Pazin with Association “Federico II - Eventi” from Bari (Italy) on the exchange of cultural production projects

With Italian Community Pazin, the City of Pazin is planning to apply with LAG “Antico Frignano e Appennino Reggiano” from the City of Pavullo (Istria) for the project “Roads of Montecuccoli”. the project intends to reconstruct the old family castle in the village of Montecuccoli near Pavullo, and foster its tourist valorization. Through the programmes of international cooperation, it can organize events and share the valorization of family heritage in all Montecuccoli sites, historically connected to this family. The project will try to fit into the category of “sustainable development of historic fortress” which is the set criteria for at least two European funds.

CITY OF ROVINJ

- The project Sete Sois Sete Luas (Seven Sun Seven Moons), with support from the central team, wlocated in Lisbon (Portugal) and Pontedera (Italy), was organized in cooperation with Istria County, City of Rovinj and its Tourist Board, and Edi Maružin. The festival is experiencing its 18th edition, and this year it has been held in 25 cities of Brazil, Cape Verde, France, Greece, Israel, Italy, Morocco, Portugal, Spain and Croatia, represented solely by Rovinj.
- The 15th Forum on Maritime Heritage of the Mediterranean was held in September 2009 in Rovinj. Forum was jointly organized by Ecomuseum “The house of Batana”, the project “Croatian Ethnographic Heritage in the Context of cultural Policies”, Department of Ethnology and Cultural Anthropology of the University of Zagreb, and in collaboration with the AMMM.

- Within the IPA CBC SLO-CRO call, in June 2010 they applied for funding the project that they developed in cooperation with the Maritime Museum in Rijeka and Primorsko-goranska County. The project is called “Mala Barka” and promotes the preservation of traditional values.
- With Public Institution for nature protection “Natura Histrica”, Forest Faculty, Istria County, and City of Pula, action was taken for the revitalisation of the Park Forest “Puna Corrente”, located in the City of Rovinj.

ZAVRŠJE

- R.E.D.D. H.I.L.L. project (Rural and Economic Development of a Disadvantaged Historical Istrian Locality) where the main project promoter was Istria County with Municipality Grožnjan, Tourism Board of Municipality Grožnjan, Italian Region: Veneto, Abruzzo and Puglia as project partners, while associates were Italian Community and Local Democracy Agency of Brtonigla.
- Development of the Study on the Konarini Family which has an historical meaning for Završje.

3. *Involvement of project partners in SeeNet*

SeeNet partners in the Istria region are equally involved into the SeeNet project. They are involved in all projects activities, which until now included organization of a dozen meetings with the representatives of the Veneto Region.

4. *Convergences/divergences among the key actors*

Cooperation among partners from the Croatian side of the region of Istria is very satisfying; this is also fostered by their higher common dissatisfaction with the management of the whole SeeNet project by the Region Veneto. Representatives from Croatian partners warned several times the management team in the Veneto region that project activities should be accelerated, and that the final project budget needs to be adopted as soon as possible. The main problems arose when the project budget was cut several times and the budget rules were changed. Moreover, the management team in Region Veneto has changed during this time, causing some serious delays in the starting of project activities.

Accordingly, on 25th October SeeNet partners received the budget proposal, that needs to be signed by each partner by the end of October.

Given that the project was officially supposed to begin in June 2010, activities planned for the previous period will be financed in retrograde order. These activities included participation in the Pazin manifestation “Days of Jules Verne” and in the “Evenings of the Fishermen tradition” in Rovinj.

5. *Cooperation dynamics and stakeholders interaction*

The project is trying to keep a schedule with its project time-frame. Therefore, from the 2nd to the 5th November a 4 days study tour in the Veneto region was organized. The study tour aims at showing some best practices and models to the participants; this was applied in the Veneto region in regard to sustainable tourism, valorization of the territory and promotion of typical products. The tour envisages visits on the field and meetings with institutional representatives involved in tourism management and policies. Participants in the study tour are equally spread across stakeholders within SeeNet region in Istria. Each SeeNet partner has proposed 6 persons from their area, concerned to the development of cultural tourism. Altogether 32 people will be joining the study tour from Croatian side.

Moreover, during December 2010, a five days training will be organized in Croatia on the following topics:

- Territorial marketing, event marketing
- Web marketing strategies: how to optimize your online presence
- Responsible tourism
- Cultural tourism
- Sport tourism and eco-tourism
- Food and wine tourism
- The use of trademarks and logos for tourism valorization, experiences of the Veneto Region

For the first half of the next calendar year 2011 another study tour to Italy has been planned. Details and plans concerning this trip need to be discussed yet.

6. Expectations

In terms of expectation, SeeNet partners agree that they need to accomplish those activities and plans that have been defined during the project preparation phase.

The main goal of BRTONIGLA MUNICIPALITY is the valorization of typical local products, especially wine. Brtonigla is a known and recognized oenological destination, which produces more than 10% of total wine production in Istria, and thanks to its geographical location is ideally favored for growing grapes. It has therefore already started with the construction of the Museum of wine and rural creativity, whose scope includes the equipping of municipal wine shops, and an info-centre for activities that will be implemented under the SeeNet project. Promotional activities are planned for the creation of a common cultural and tourist brand. A summer event – Festival of Istrian Malvasia: “rich flavour, tradition and fun” –, will further encourage SeeNet partners to jointly promote their products at the local, regional, national and international level. The Festival will combine the public and private sectors in the areas involved, and restaurants and local producers of SeeNet partners will be provided of additional advertising of their own city, local cultural-tourist contents and products, which will significantly favour the tourist and economic development of Brtonigla municipality, but also of other territories within the SeeNet project's scope.

Through participation in the SeeNet project, the CITY OF PAZIN will support the cultural tourism event “Manifestation Jules Verne”, and make it recognizable to general public and visitors. In addition, it will establish close cooperation with partners in the project, and provide opportunities for presentation of the overall tourist offer of all cities and municipalities involved. Through education programmes and exchange of experiences it will strengthen institutional capacity, and create a ground for more qualitative work on developing and promoting their own cultural-tourism products. By equipping a special showroom in the historic centre of the City of Pazin, it will complement the story of Pazin and Pazinštine. Visitors will get a chance to taste typical products of this area, with the possibility of buying them, which will further strengthen the promotion of rural households, manufacturers, their production, and producers of traditional souvenirs.

The SeeNet project aims to encourage additional concern regarding the preservation of traditional values of the CITY OF ROVINJ and create new cultural-tourist content, so that visitors can enjoy the preserved historical core of Rovinj and at the same time get familiar with Rovinj's old craft skills, on which the town has been built. In addition, the project will strengthen conservation activities, especially historical heritage, promotion of local cultural, historical and traditional values. It will establish cultural cooperation in the region and internationally, and together with the partners it will promote new

tourism products and exchange experiences on how to design and implement presentations of the programme at the local and regional level. Rovinj's traditional manifestation "Evenings of the Fishermen tradition" will be improved too, and partly financed by the SeeNet programme.

For many years Istria County aimed at the reconstruction of the old typical localities in Istria. One of the places where several international projects have been implemented is ZAVRŠJE, located in the municipality of Grožnjan. Through SeeNet a network is created among the partners, who will create a joint tourism product and jointly present it in the tourist market. Emphasis will be given on training of local actors for preparation of grounds for further activities and joint promotion, in the initial phase of a project that will later develop a communication plan. The Manifestation "Contarini Family day" will be improved too, and partly financed by the SeeNet programme.

6. CONCLUSION

Although in the Istrian region the SeeNet project has faced some difficulties in the preparatory phase, it is shown that project activities are continuing according to the time-frame. The project itself has an important role in the creation of a joint cultural-tourist product, which will be of great importance not only for the region, but also for the national context and its international promotion. Therefore, SeeNet in Istria contributes to further development of cultural tourism in the country, as well as to the promotion of tourism activities in a rural/traditional environment. The improvement of tourist infrastructures and services, as well as an awareness campaign, will lower the rate of unemployment and will provide a network between the cultural and the tourist sectors in Croatia.

ANNEXES

List of stakeholders interviewed

1. Tea Rakar – Consultant, Municipality of Brtonigla
2. Mata Paus Brunjak – Consultant, City of Pazin
3. Martina Čekić Hek, Chief of Department of finance, economy and development
4. Emanuela Štokovac – Consultant, Municipality of Grožnjan

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Local democratic governance in Peja/Peć Municipality and Rugova Valley

by Adrian Zeqiri (ECMI Kosovo)
Assignment done under the CeSPI guidance

First report

SeeNet Programme

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



November 2010

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Poor or Non-existent Economic Data. For years, Kosovo has been suffering from a constant lack of reliable / accurate economic data and this is what continuously reveals a false picture of the general economic conditions, especially concerning the tourism sector. This is why there are sections in this report for which qualitative and/or quantitative data is not available.

1. THE LOCAL CONTEXT

Kosovo lies in the central part of the Balkan Peninsula and it consists of a territory of 10,887 sq. km. It borders Montenegro to the north-west, Serbia to the north-east, Macedonia to the south and Albania to the south-west. From a tourism point of view, Kosovo is divided into five regions: Central Region of Prishtina; Region of Bjeshkët e Nëmuna Mountains; Region of Sharri Mountains; Region of Anamorava and Region of Mitrovica & Shala e Bajgorës Mountains. Peja/Peć is located in the Region of Bjeshkët e Nëmuna Mountains, otherwise known as Albanian Alps.

Economic, Political and Social Issues

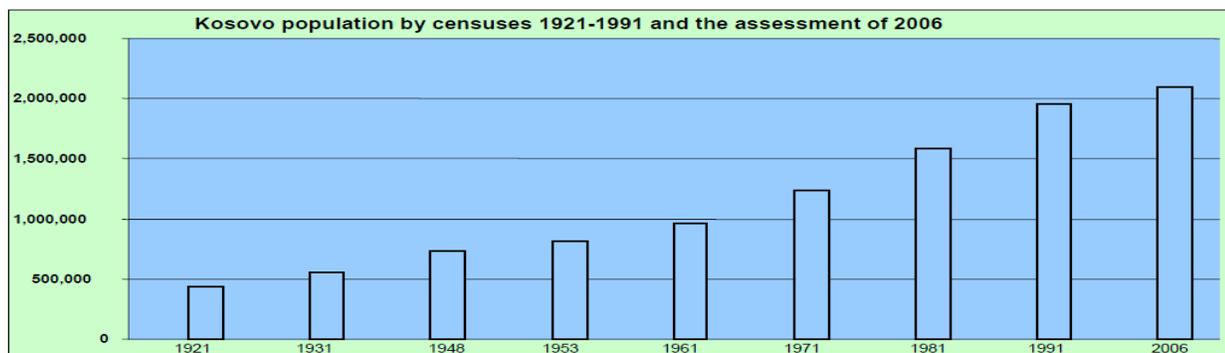
Two years after the declaration of independence, the socio-economic situation in the country does not show many changes. On one hand, Kosovo has achieved significant results during this period, when it comes to the successful membership in the World Bank and the International Monetary Fund, as well as the recognition of the Republic of Kosovo by 71 countries. On the other hand, however, there is still a lot to be done in restructuring the economy from an old Yugoslavian structure to a more market-oriented economy.

A detailed list of EU member states that recognized the Republic of Kosovo is enclosed under ANNEX C. However, some important players such as Spain, Greece and Slovakia, that have not yet recognized the independence, are missing in this extensive list. In addition to these “non-recognitions”, Kosovo is facing direct technical problems with Serbia regarding its status, and economic development issues. The Serbia’s negligence of Kosovo’s presence in any international or regional business conference and the disregard of the Central European Free Trade Agreement (CEFTA)¹ parties (in particular, Macedonia and Bosnia-Herzegovina), cause big problems to the economic situation of Kosovo. Moreover, Kosovo has a bad reputation abroad as concerns its safety, causing a lot of challenges, especially to the tourism sector. However, today Kosovo is a safe place to travel, with a lot of tourism opportunities.

¹ The Central European Free Trade Agreement (CEFTA) is a trade agreement between non-EU countries in Central and South-Eastern Europe. As of May 1, 2007, the parties of the CEFTA agreement are: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo. Former parties are Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. Their CEFTA membership ended when they joined the EU.

Population

The following chart illustrates the development of Kosovo's population since 1921. The chart shows that Kosovo has been experiencing a trend of constant population increase in absolute numbers.



Source: Statistical Office of Kosovo²

Kosovo is characterised by a very young population, with a general population average age of 26 years. The following table illustrates the structure of Kosovo's population by average age.

Average ages for Kosovo population

General population average	26 years old
Young population average	20 years old
Elderly population average	70 years old

Source: Statistical Office of Kosovo

Household Expenditures

The following table represents the results of the Kosovo Mosaic Study conducted in 2009³. The data represent the household's expenses for different municipalities, making it possible to compare the different levels of well-being in the municipalities. The average monthly household expenditure for all municipalities is 352 Euros.

² The Statistical Office of Kosovo is a professional office operating since 1948 throughout all historic phases of Kosovo. The Statistical Office of Kosovo restarted its work in August 1999 as an independent and professional office in the Ministry of Public Services frame. The SOK is financed by the Kosovo's Consolidated Budget and by donors for various projects. Web-site: www.ks-gov.net/esk.

³ USAID&UNDP Kosovo "Kosovo Mosaic: Public Services and Local Authorities in Focus". October 2009, available at <http://www.kosovo.undp.org/repository/docs/english%20green.pdf>.

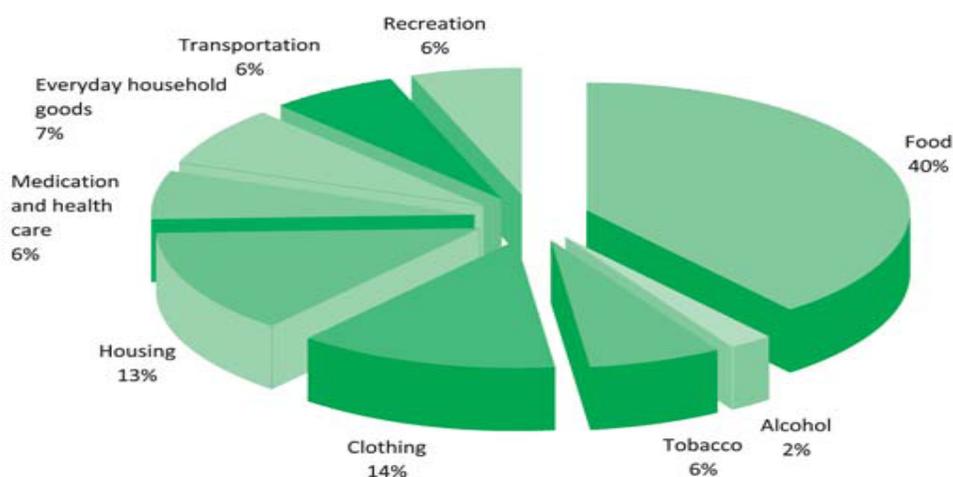
Average monthly household expenditure

Municipality	Average monthly expenditure (in EUR)	Municipality	Average monthly expenditure (in EUR)
Dečan/Dečani	331	Mitrovice/Mitrovica	342
Dragash/Dragaš	163	Novoberde/Novo Brdo	363
Ferizaj/Uroševac	335	Obiliq/Obilić	242
Fushe Kosove/Kosovo Polje	425	Peja/Peć	378
Gjakove/Đjakovica	490	Podujeve/Podujevo	415
Gjilan/Gnjilane	359	Prishtine/Priština	416
Glogovc/Glogovac	378	Prizren/Prizren	443
Hani i Elezit/Đeneral Janković	292	Rahovec/Orahovac	410
Istog/Istok	301	Shterpce/Štrpce	397
Junik/Junik	367	Shtime/Štimlje	200
Kacanik/Kaçanik	259	Skenderaj/Srbica	197
Kamenice/Kamenica	292	Suhareke/Suva Reka	227
Kline/Klina	322	Viti/Vitina	349
Leposaviq/Leposavić	410	Vushtrri/Vučitrn	324
Lipjan/Lipljan	153	Zubin Potok/Zubin Potok	406
Malisheve/Mališevo	411	Zvecan/Zvečan	1027
Mamushe/Mamuša	198		

Source: Kosovo Mosaic Study 2009

As concerns the structure of household expenditure, most of the income is being spent on food (40%), clothing, housing, alcohol and tobacco (see chart below).

Household expenditures by category

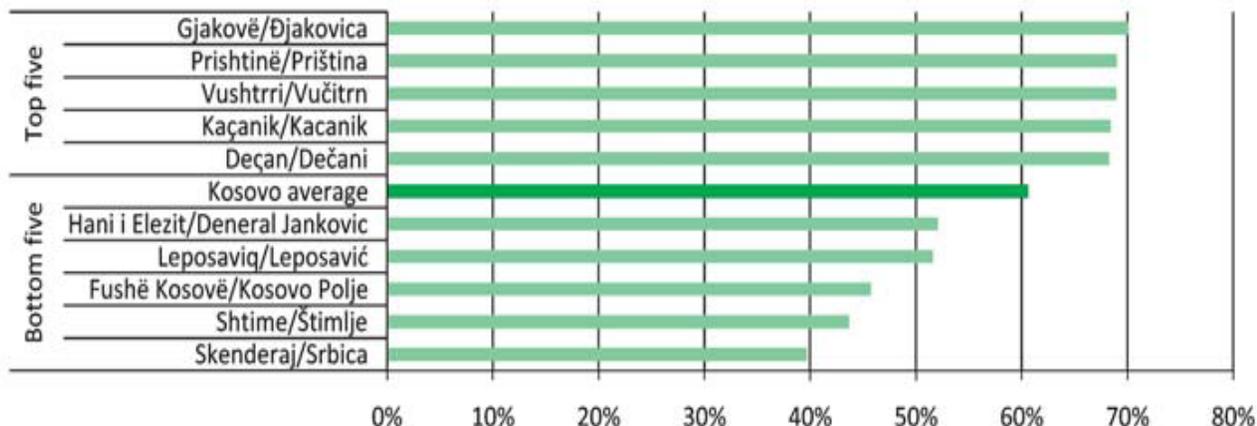


Source: Kosovo Mosaic Study 2009

Household well-being

Another indicator used in the Kosovo Mosaic Study was the household well-being, which measures the possession of household utilities and appliances and puts it in relation with other households, thereby enabling a comparative analysis of wellbeing. The following figure shows the five municipalities with the highest and the lowest level of household well-being, as a percentage of the well-being of the household that declared to be in possession of all items.

Top & bottom five municipalities by Household Wellbeing Indicator



Source: Kosovo Mosaic Study 2009

While this table does not include figures for the Municipality of Peja/Peć, it can be assumed that the municipality ranks above average considering the other indicators analysed in the Kosovo Mosaic Study 2009 – the percentage of households with a computer and internet connection – where Peja/Peć ranks among top five with over 60% for both categories.

Privatisation

Assuming all privatisation commitments (tender proceeds, liquidation sales and investments) in Kosovo are honoured, more than half a billion euro has been raised through the privatisation program. A survey of 103 enterprises privatised in Kosovo found that only 66 of them remained active. Out of the 66 active ones, nearly 60% were engaged in secondary production, 21% were in the service sector and the remaining 19% were in the trade sector.

Business ownership & SME sector

The UNDP Kosovo Mosaic study of 2009 showed that 19% of respondents said they owned a private business, compared to 15% in 2006. In various municipalities, the results indicated that a very small number of residents owned a business. Such municipalities are located mainly in the central and southern regions of Kosovo, including Skenderaj/Srbica, Dragash/Dragaš, Junik/Junik, Novoberde/Novo Brdo and Hani i Elezit/General Janković. Business ownership rates in these municipalities ranged from 2% to 6%. Residents in Kline/Klina, Kacanik/Kaçanik, Zvecan/Zvečan, Ferizaj/Uroševac and Mitrovica/Mitrovica were most frequently self-employed, with the majority of them owning a business. In Kline/Klina, every second respondent owned a business – a major increase since 2006, when only 8% of respondents ran their own business. The increase in business ownership is a result of the changes in Kosovo during these three years, including the declaration of independence and the continued improvement of the business and economic environment, followed by a wide confidence of citizens all over Kosovo in doing business locally. Also, new businesses were set up by returnees and former diaspora subjects, which account for the huge increase of business ownership especially in smaller municipalities such as Kline/Klina where the number of inhabitants is small.

The region of Peja/Peć is located in the western part of Kosovo and it borders the Republic of Montenegro. Peja/Peć region currently has 180,000 inhabitants, with 100,000 inhabitants living in the city itself. In its western part, the region includes several inhabited areas located on the Plains of Dukagjini, and it also contains routes to the Rugova Mountains, below which the town of Peja/Peć is located. A general characteristic of the position of Peja/Peć is that it lies in the north-western part of the fertile Plains of Dukagjini. The town of Peja/Peć is surrounded by Albanian Alps and lies along the Lumbardhi which flows throughout the town of Peja/Peć to the rocky Valley of Rugova, further flowing into the White Drin River, which springs at the Zhlep Mountains, in the Radavc village.

Municipality of Peja/Peć

Mr. Ali Berisha is the current Mayor, representing the Alliance for Future of Kosova (AAK) party. The AAK, the Democratic League of Kosova (LDK) and the Political Movement ORA make up the ruling coalition. Two Bosniak and Egyptian representatives were elected to the Municipal Assembly. The Local Community Office and the Committee on Communities, chaired by the Bosniak representative Mr. Rustem Nurkovic, represent the community affairs. Mr. Rustem Nurkovic is also the Vice Chairperson of the Municipal Assembly for Communities. At the same time there is a parallel Serb municipal structure, governed by its own mayor and municipal assembly elected by the May 11, 2008 elections, which were declared illegal by the UN.

Demographics

Percentage of Population

	Albanians	Serbs	Roma	Ashkali	Egyptians	Bosniaks	Turks	Other
1991*	79.4%	5.9%	2.7%	-	-	5.2%	-	6.8%
2008	89 %	1 %	2 %	-	3 %	4 %	-	1 %

Source: ECMI Kosovo

The 1991 census results are considered unreliable due to a boycott by the Albanian population. After the 1999 conflict many Serbs moved away from the municipality and have not returned since. Today, communities (Serbian, Bosnian, Turkish, Roma, Ashkali and Egyptians) are mainly concentrated in the city of Peja/Peć and in the villages of Bellopolje/BeloPolje, Cige/Siga, Brestovik, Goraždevac/Gorazhdevc (Serbs), Livosa, Vitomirica/Vitomiricë (Bosniaks).

Returns⁵ & IDPs⁶ in the Municipality

Returns Since 1999

Community	Serbs	Roma	Ashkali	Bosniaks	Gorani
Number of people according to the estimates from the Municipality	713	284	449 (incl. Egyptians)	334	

⁵ IDPs, IIDPs (persons displaced from Kosovo within Kosovo) or Refugees who have returned to their place of origin in the period mentioned.

⁶ Persons who are displaced within their country and to whom UNHCR extends protection and/or assistance. It also includes persons who are in an IDP-like situation.

Number of people according to UNHCR	746	316	504 (incl. Egyptians)	411	10
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Source: ECMI Kosovo – The EthnoPolitical Map of Kosovo, www.ecmi-map.com

Returns in 2007

Community	Serbs	Roma	Ashkali	Bosniaks	Gorani
Number of people according to the estimates from the Municipality	48	34	99 (incl. Egyptians)	31	
Number of people according to UNHCR	48	34	9 (incl. Egyptians)	31	6

Source: ECMI Kosovo – The EthnoPolitical Map of Kosovo, www.ecmi-map.com

Number of IDPs living in this Municipality

Community	Serbs	Roma	Ashkali	Egyptian	Bosniaks
Number of people	1742	2297	3447	504	4411

Source: ECMI Kosovo – The EthnoPolitical Map of Kosovo, www.ecmi-map.com

The most important problems hampering the return process are the high unemployment rate and occupied property. There were no incidents registered with regard to returnees.

Economic sectors in Peja/Peć

The Peja/Peć economy mainly consists of industrial facilities, agriculture, accommodation, industrial wood, handicrafts and other crafts. Trade and handicrafts were the leading branches of the Peja/Peć economy, together with the development of agriculture from which the residents gained additional benefits such as vineyards, meadows and gardens. On April 2008, the municipality of Peja/Peć had 4,317 registered private businesses, with 80% of them concentrated in trade. The city of Peja/Peć has the Kosovo's main market when it comes to developing trade with Montenegro, Albania, Macedonia, Turkey and some other countries. Another impetus for the economic development of the Peja/Peć region was the establishment of a large number of SMEs. Since SMEs are an essential factor affecting the growth of national income and reducing unemployment, the establishment of more SMEs and new businesses and the expansion of the existing ones was strongly supported by all stakeholders' local and international institutions. One of the main problems faced by private enterprises is the lack of financial resources. However, with the establishment of a large number of SMEs, a number of small banking institutions and other non-bank institutions was established, which enabled the development of a financial market. Even though these institutions are present, there are still unfavourable lending conditions, ranging from short-term credit limits to high interest rates and short periods of rest (grace periods).

Peja/Peć region used to have large State Owned Enterprises which were privatized during the privatization process since the end of the war. Some of the main enterprises privatized are the following: the wood and leather factory, the former vehicle factory which was transformed to a huge trade centre as part of private enterprise ELKOS Group, Peja Brewery factory, the trade center "Shtepia

e Madhe” transformed to a trade clothes centres and pastry shops, “Hotel Metohija” renamed to “Hotel Dukagjini” which is still under construction.

Cultural Heritage

Peja/Peć is one of the oldest inhabited places in Kosovo. It is mentioned by the Illyrians and it was the most important city of ancient Dardania. In this location a number of archaeological objects have been discovered, showing that this has been an administrative municipal centre for the whole valley of Dukagjini. All the traditional cultural values inherited from the ancient period (architecture, sculptures, habits and Dardan laws), the Byzantine and also the Middle Ages and finally from the Ottoman Empire have filled it constantly with new buildings. The Turkish arrival brought a lot of elements of the Ottoman and Islamic culture into the spiritual and cultural life of this place. Here are some of the cultural-historical objects:

- *Bajrakli (Carshi) Xhamia* - is one of the most important architectures of sacral objects from the period of the Ottoman Empire, the second half of the XV century. “*Çarshi Mosque*” is part of the monuments with old famous Ottoman architecture and is one of the mosques with the highest cupola in Peja/Peć. According to the available data, it is proven that Fatih built this mosque during the period when Peja/Peć was a centre of the Sanxhak.
- *The Haxhi Beu Hamam* public steam baths, which date from the late 15th century, were probably one of the first constructions of their type in region. The construction techniques are Ottoman.
- *Regional Museum in Peja/Peć* – located in Tahir Bej’s Inn, represents an old urban house dating from the second part of 18th century. It is one of the most beautiful buildings of its kind with asymmetric plan.
- *The Kulla e Pashës (Haxhi Zeka)*, on the wall of which you can see the unique works of the artisans of that period like the lion or the star of David etc. It has a special architecture characterizing the XVIII and XX century style with two floors, built with stone and with huge windows and loop-holes developed with a lot of dedication from the artisans.
- *The Kulla e Gockajve* from the XIX century, where currently the Regional Institute for the Protection of Cultural and Historical Monuments is located.
- *The Peja/Peć tower* which serves as a proof of the special architecture used in construction and of the expertise of the local population in craving stones.
- *The Catholic Church “Shën Katarina”* was built on the foundations of an old church of Albanian catholic creed. The church is a basilica with three naves, built between the two world wars.
- “*Çarshia e Pejës*” was established at the end of 15th century, and served as the town’s trade centre where artisan production and sales of goods and agricultural products were concentrated. The urban structural disposition of the old Marketplace of Peja/Peć consists of four basic units as integral part of an entire urban architectonic system, named by local population as: “Çarshia e Gjatë” (Long Street), “Çarshia e vogël” (Little Street) and “Çarshia e Shatërvanit”(Fountain Street).
- *Mulliri i Haxhi Zekës (Mill of Haxhi Zeka)* is the first mill in Kosovo and in the region which had an upgraded technology brought from Austria. The industrial economy started to develop with this mill and for this reason it is an interesting place to visit.
- *Patriarchate of Peja/Peć* The original Church of the Patriarchate of Peja/Peć was built in the 12th century. The Patriarchate is one of the most important monuments of the late Middle Age period in Europe. The four edifices of the site reflect the high points of the Byzantine-Romanesque ecclesiastical culture that developed in the Balkans between 13th and 17th centuries with its distinct style of wall painting. The Patriarchate of Peja/Peć Monastery is a group of four domed churches on the outskirts of Peja/Peć featuring series of wall paintings.

- *The Kurshunli Mosque* built by Merre Hysein Pasha, in the first half of the 17th century, reflects local construction methods, which are also used in building of the Kulla's. It is considered locally as a monument closely linked with the history of Peja/Peć.
- *Deçani Monastery* built between 1327 and 1335, represents an exceptional synthesis of Byzantine and Western medieval traditions. The Monastery and particularly its paintings also exercised an important influence on the development of art and architecture during the Ottoman period. It is one of the complexes of buildings of the Monastery which was declared a UNESCO World Heritage Site in 2004.

Natural Heritage / Rugova Valley

Peja/Peć city with its old history, culture, and tradition is also known for its natural potential. The natural park, as declared by the government, covering the Rugova region (part of Accursed Mountains) or more precisely the marvelous and beautiful Rugova Valley, is located only 2 km from the city centre. The Valley is divided in two parts by “Lumbardhi” River (56 km long), and offers good possibilities for different mountain activities: exploring caves, rock climbing, enjoying barbecue on weekends with friends, trekking, hiking, educational excursions, skiing and ski-tours with snowshoes, learning local culture and tradition. Rugova valley consists of 13 villages, hereby including: Drelaj, Small Shypeq, Large Shypeq, Malaj, Pepaj, Rreke e Allages, Boge, Koshotan, Shkrel, Kuqishte, Lutov and Stankaj. The right part of the mountains is more inhabited and more frequented in summer period. People's income in this region mostly comes from farming and tourism activities offered by small family businesses such as accommodation structures and restaurants. The percentage of males living in this valley is higher than that of females. Three years ago this region inaugurated the first water factory named “Rugova Water”, which employed approximately 50 people from the valley, whereas recently another investment has been made in a factory of dairy products.

The infrastructure in Rugova Valley is not in very good condition. The road that approaches the Rugova gorge, approximately 14 km distant from the city, is still unpaved: it is difficult to access, through it, the touristic resorts in Boge (approximately 20 km distant from the city). The current market is composed of local and international tourists, including tourists from Italy, USA, Germany, France, Bulgaria, UK, and recently Netherlands. Statistics on the amount of beds used per year or the total number of tourists visiting Rugova valley for tourism activities are not available yet, whereas some estimated figures from the private sector indicate that this region hosts more than 7,000 tourists during one year.

2. COOPERATION SCENARIO

Since 1999, Kosovo welcomed an enormous international presence with a lot of investments in the social, political and economical development. The close cooperation with the European Union and the United States, without excluding also the cooperation at state levels, resulted in millions of Euros invested through a lot of donor development programs.

USAID

Kosovo is now an independent country working towards European integration. New government institutions and the foundations of a judicial system have been set up with major assistance from

USAID and other donors. Now USAID moved from establishing economic ministries and independent agencies towards enhancing the ability of these public organisations to manage the overall economy. To date, USAID works on: establishing core functions of the Ministry of Finance and Economy; introducing modern budget and treasury processes; establishing a tax administration that has collected over €1 billion in taxes to date; creating a core legal framework for a functioning market economy; helping to establish a Central Bank and a rapidly growing banking sector with 6 licensed banks; assisting in the privatization of 90% of socially-owned enterprises; and implementing a Property Tax which contributes to about 30% of municipal own-source revenues. Since 1999, USAID has worked to develop the private sector with the aim of increasing sales and employment for the long-term growth of local enterprises; reducing reliance on imports; and developing an improved business operating environment. Over the last four years, USAID's initiatives contributed to the creation of 6,676 new full-time jobs, increases in the value of sales of €141 million, capital investment of €41 million, and financing of €22 million⁷.

USAID's recent investments, particularly in the tourism sector, were realized through the Kosovo Private Enterprise Program (KPEP), which was launched in 2008. KPEP's strategy for the tourism sector is to promote tourism experience within the international community in Kosovo (internal tourists), and to help local providers to improve the quality and variety of services. KPEP supports the development of the tourism sector in Kosovo with a focus on product development, marketing and sales, and the promotion of packaged day and weekend tours developed by local experience providers under the slogan "Experience Kosovo", targeted primarily at the thousands of expatriates who live and work in Kosovo. Main KPEP activities in tourism so far are the following: launching the traditional "Kosovo Travel Day Fair" in April 2009 for the first time, and in 2010 under the slogan "Stay the Weekend – Experience Kosovo", the promotion of Kosovo tourism destinations in Albania during July 2009 and 2010, the organization of the first ever "Peja/Peć Street Fair" in September 2009 and 2010, the production of the first "Catalogue of Tourism Offers" with 32 offers developed by 20 experience providers, the launch of the Kosovo tourism portal www.kosovoguide.com, the first of its kind, the National Geographic tourism supplement about Balkan's best destinations including Kosovo, the Easy Jet Magazine article on Kosovo tourism, the organization of the first FAM trip with a high level Turkish tourism delegation, including the Izmir's Chamber of Commerce Vice president and other businessmen from Izmir region, and finally the Wine Tourism Strategy for Rahoveci region project.

Swiss Cooperation

Switzerland's cooperation programme in Kosovo began with its participation in an OSCE verification mission. During the 1998–1999 armed conflict, it set up an extensive humanitarian aid programme. Since the year 2000, humanitarian actions and programmes to assist the return of persons displaced by the war were soon complemented by reconstruction and assistance measures, and by projects to foster livelihoods, to promote culture and to aid development. A medium-term cooperation programme (2004-2006) and a strategic orientation (2007-2008) served to steer Switzerland's course of action in Kosovo up until it declared its independence on February 17, 2008. Subsequently, based on the priorities of the Government of Kosovo and on Switzerland's policy for the Balkans, a new cooperation strategy SDC/SECO 2009-2012 was published. The 2009–2012 Swiss Cooperation Programme focuses on the following priorities:

Economy and employment: development of the private sector, rehabilitation of horticulture, vocational training and jobs for youth, advice on quality standards, along with structural and institutional reforms to support economic growth and employment;

⁷ USAID Kosovo: http://www.usaid.gov/kosovo/eng/kosovo_introduction.html.

Rule of law and democracy: local governance and decentralization, minority rights, modernization of institutions, settlement of disputes on property-right claims, and strengthening of civil society.

Public infrastructure: hydraulic and electric infrastructures in the south-eastern part of Kosovo, sustainable management of water resources.

Migration, in conjunction with the Federal Office for Migration: migration partnership between Switzerland and Kosovo, strengthening of Kosovo's migration authorities, social services for sections of the population under considerable pressure to migrate, Swiss-Kosovo relations with the diaspora and the Roma, Ashkali and Egyptian minorities.

The key principles in which Swiss cooperation with Kosovo is embedded are those of equal opportunity for men and women, inclusion of all communities into the projects, good governance and regional cooperation⁸. There were some intentions to invest in tourism activities, but they were withdrawn.

The European Commission Liaison Office In Kosovo (ECLO)

The new Instrument for Pre-accession Assistance (IPA) came into force on January 1, 2007, bringing all pre-accession support into one single, focussed instrument. The Council regulation establishing IPA was adopted on July 17, 2006, replacing the 2000-2006 pre-accession financial instruments PHARE, ISPA, SAPARD, the Turkish pre-accession instrument, and the financial instrument for the Western Balkans, CARDS. IPA covers the countries with candidate status (currently Croatia, the former Yugoslav Republic of Macedonia, Turkey) and potential candidate status (Albania, Bosnia and Herzegovina, Montenegro, Serbia including Kosovo according to UNSCR 1244).

IPA has five components: the transition assistance and institution building (which principally involves institution building measures with accompanying investment); cross-border cooperation; regional development; human resources development; and rural development. The latter three are for candidate countries and are designed to mirror structural funds, thus necessitating the relevant management structures to be in place. Potential candidates can benefit from similar measures implemented through the component for transition assistance and institution building. IPA component I entails national and multi-beneficiary projects. It comes under the responsibility of the Directorate-General for Enlargement (DG ELARG), which is also jointly responsible for component II - cross-border cooperation with DG REGIO. DG Enlargement is also responsible for the overall co-ordination of pre-accession assistance.

The financial allocation (in million €) for Kosovo for the period 2007-2012

	2007	2008	2009	2010	2011	2012	Total
	68.3	184.7	106.1	67.3	68.7	70.0	565.1
Implemented by ECLO	62.0	147.7	106.1				
Implemented by ELARG	6.3	37					

The IPA programme in Kosovo is managed by the European Commission Liaison Office.⁹

⁸ Swiss Cooperation Kosovo: <http://www.swiss-cooperation.admin.ch/kosovo/>.

⁹ The EC Liaison Office in Kosovo: <http://www.delprn.ec.europa.eu/?cid=2,94>.

Joint Project - European Union (EU)/Council of Europe (COE): Support to the Promotion of Cultural Diversity (PCDK) Project

The newest project of the European Union in cooperation with the Council of Europe contains the following four components:

Reconstruction Implementation Commission (RIC): for the rehabilitation of selected monuments and the implementation of new cultural heritage management tools, inspired by the RIC mechanism;

Institutional Capacity Building: to further reinforce the capacity of the major stakeholders, who will manage the cultural heritage, within the Kosovo institutions?

Educational Development: to increase the awareness among the Kosovo population, especially young people, about the importance of cultural heritage as a shared heritage;

Regional Economic Development: to foster sustainable local economic development and improve living conditions for local communities in the pilot region of Peja/Peć.

The project intends to encourage a wide-range public debate on the promotion of cultural heritage and cultural diversity at all levels of society in Kosovo. The implementation of the activities has a community-based approach of simultaneous outreach to the various layers of society. From grassroots levels, involving communities and the general public, through NGOs, selected municipalities, regional institutes for the protection of monuments and the relevant Kosovo authorities.¹⁰

Bergamo per il Kosovo

Bergamo for Kosovo (BGxKS) is an association made up of several organisations working in collaboration with the local authorities (Municipal and Provincial Council) of Bergamo in Italy, which was active in Kosovo since its foundation in 1999 until 2006. It was founded in response to the humanitarian crisis that engulfed Kosovo since the war. The organisation's goal was to provide humanitarian aid, as well as to facilitate conflict resolution, communication between local communities and the return of minorities. The project was founded by international groups and enjoyed the support of the Italian NGO "North-South" as a guarantor of legal and administrative assistance. During their six years of presence on the field BGxKS focussed on operational work, based on the direct involvement of project beneficiaries. The project's activities were mainly conducted by volunteers from Bergamo.

EMERGENCY (1999) and COMMUNITY PROJECTS (2001-2004): During the war in Kosovo, BGxKS worked with refugees, running a refugee camp in Albania. After the conflict ended, BGxKS began a program of humanitarian aid and reconstruction of houses directed to vulnerable groups in the valley of Radavac. From October 2001 till 2005, BGxKS was associated with UNMIK, UNHCR and KFOR in the preparation of a proposed return of the Serb population in Siga and Brestovik in the valley of Radavac. BGxKS has been involved because of its keen knowledge of the area, the confidence they receive from the Albanian side and its experience in similar projects in Bosnia. While working for the reconstruction, BGxKS began a project aimed at strengthening the relations between Bergamo and its institutions and the city of Peja/Peć, as well as the villages of the valley Radavac. The project set for Kosovo (IPIK) included summer camps for three consecutive years, managed by youth groups that helped to establish stronger relations with local youth. BGxKS also coordinated a training course for trade unions in Peja/Peć and organised professional courses in the food industry devoted to young farmers and courses for women. In 2002, a training camp was organized in collaboration with the Italian Alpine Club (CAI)-Section Bergamo, for 20 climbers and Kosovo cavers, run by Italian instructors, continuing this way on organizing different training sessions with young generations in the region till year 2003. From February 2004 to September 2005, BGxKS was officially hired as a partner

¹⁰ Council of Europe Kosovo: http://www.coe.int/t/dg4/cultureheritage/cooperation/kosovo/default_en.asp.

of IOM in the Voluntary Return of Internally Displaced Persons in the villages of Kosovo CIGE / Siga, Brestovik, Levoshë / Ljevoša, in the municipalities of Peja/Peć. During November 2005 till late 2006, BGxKS was hired by the city of Peja/Peć to provide assistance during the winter, to support the reinstatement, and to encourage freedom of movement in the villages of KosovoSerbian Belopojë / Belo polije.¹¹

UN-HABITAT in Kosovo

Since the end of the war in Kosovo in 1999, UN-HABITAT has been promoting good governance, security of tenure, sustainable human settlement developments, and inclusive spatial planning in Kosovo and broader region. UN-HABITAT's interventions were focused on the establishment of institutions to deal with property and planning issues, such as the Housing and Property Directorate, the Kosovo Cadastre Agency, the Institute for Spatial Planning within the Ministry of Environment and Spatial Planning. Other interventions were directed on building capacities for efficient management of local governments, through capacity building programmes and on the job assistance: LoGo (Local Government Programme), and Municipal Support Programme (MSP 2000-2001), Urban Planning and Management Programme (UPMP, 2001-2003), the Governance and Development Planning Programme (GDPP, 2003-2006), Municipal Spatial Planning Support Programme (MuSPP, 2005-2008) and the ongoing MuSPP2 (2008-2011). The programmes were funded respectively by the Government of the Netherlands (MSP, UPMP, GDPP) and the Swedish Government through Sida (MuSPP and MuSPP2). Through these combined interventions, a new planning system has been developed, anchored and institutionalised. Building sustainable capacity for inclusive planning is a prerequisite for accession to the European Union in terms of contributing to EU's main objective of achieving peace and stability and the fight against poverty and social exclusion. UN-HABITAT has engaged with various countries in the South east European region on urbanisation policy advice and technical cooperation in the past years.¹² UN-HABITAT recently started a new project regarding the development of tourism maps, specifically of hiking and other activities trails.

GTZ

GTZ advises and supports Kosovo in achieving political stability and democracy based on the rule of law. It promotes economic development, higher educational standards, a more efficient and decentralised public administration and a more reliable water supply.

German–Kosovo cooperation focuses on the following areas:

- **Sustainable economic development:** Economic development and employment promotion (promotion of small and medium-sized enterprises), support to the food sector
- **Public administration, democracy and civil society:** Promotion of land management/cadastre, promotion of municipal services, and, as of 2009, fiscal decentralisation and legal reform
- **Education:** Vocational training, basic education, youth promotion
- **Infrastructure:** Water

The integration of Kosovo into initiatives and networks for the entire region is another priority area. BMZ's (Federal Ministry for Economic Cooperation and Development) Open Regional Funds (ORF) support this approach through projects for consultancy on foreign trade and legal aspects, energy efficiency and community development. An example of the successful cooperation between Germany

¹¹ Bergamo Per Il Kosovo: <http://ipik.altervista.org/bgxks.htm>.

¹² UN HABITAT Kosovo:

<http://www.unhabitat-kosovo.org/?cid=2,2&PHPSESSID=a22a527589cd07747c8a69a82923007d>.

and Kosovo is the project on the Establishment and Consolidation of Structures of Youth Work, which has been under way since 2000. The project promotes understanding between the state and civil society. By supporting youth centres, youth policies and youth employment, bridges are built between the state and citizens across ethnic divides. Good, effective youth work safeguards the social and multi-ethnic stability of Kosovo in the future. The challenges facing development include questions on the status of Kosovo (independent since June 2008) as well as the requisite conditions for broad-based development. Because of the urgent need for action, the German Government will continue to engage with the same intensity in the aforementioned priority areas and help establish a democratic, multi-ethnic society.¹³

GTZ supported in the past the collection of packages in Dukagjini Region, performed consulting activities on regional tourism development there, and supported the production of marketing material (recently a tourism map for Albanian Alps, covering also that region).

LDA Kosovo, promoted BY ALDA LDA Kosovo, a bridge towards Europe

A bridge towards Europe is an important instrument to ensure a smooth and stable transition towards democracy and European integration, with an emphasis on promoting tolerant and trust-based relationships within local communities. The signature of a pre agreement, in August 2010, for the opening of the new LDA Kosovo (the Local Democracy Agency) promoted by ALDA (the Association of Local Democracy Agency) supported by the Council of Europe, will be an important instrument to foster the process of dialogue between majority and minority for the benefit of all communities. Meaningful is the role of ALDA and the launch of the new LDA Kosovo in the framework of the ruling recently delivered by the International Court of Justice on the 2008 declaration of independence of Kosovo. “ALDA recognizes the UN's highest court ruling” – recently stated Mr. Per Vinther, President of ALDA – “and will put its work in the medium term perspective of European integration of all the countries of the region and the support of the equal rights of all minorities”. The municipality of Peja/Peć was among the partners that signed the agreement for the opening of the LDA Kosovo, next to the municipality of Yalova (Turkey) and the Association of Municipalities of Kosovo – AMK (Kosovo); as far as the NGOs are concerned, also *Tavolo Trentino con il Kosovo / Province of Trento*, the temporary lead partner of LDA Kosovo, *Reggio Terzo Mondo* (active in Kosovo and Italy), AIBI, *Amici dei bambini* (active in Kosovo and Italy) and *Alfa Formation* (France) participated. As far as the Region Istria (Croatia) is concerned, the signature is planned to follow straight away, whereas Canton of Neuchatel (Switzerland) is evaluating to become a signature partner.

3. RELATIONSHIPS WITH ITALY

Kosovo's relationship with Italy has always been rated very high. Present in Kosovo since 1999 through NATO troops, Italy recently sent 600 soldiers to serve as peacekeepers in EULEX - an EU Police, Civilian and Law Mission in Kosovo. Currently there are around 130 Italian companies operating in Kosovo, working in various fields such as industry, manufacturing, construction, transport,

¹³ GTZ Kosovo: <http://www.gtz.de/en/weltweit/europa-kaukasus-zentralasien/1588.htm>.

trade and services. Statistical data show that in July 2010, 29.2% of Kosovo's total exports went to Italy, while imports from Italy accounted for 5.5%.¹⁴

Other specific relations with Italy- Agreement signed for Mountain Tourism Development

Recently, within SeeNet, the Municipality of Peja/Peć signed an agreement for cooperation in the tourism sector, specifically in the Mountain tourism, with the Autonomous Province of Trento. Both parties showed their commitment that they will dedicate capital investments for the development of Mountain tourism in the region of Peja/Peć, which would include winter equipment, mountain biking, tourism signs, Human Resources development (training of new mountain tour guides and cultural tour guides). This agreement was concluded with an intermediary, the Cooperation Services with Balkans Committee, which entrusted the work to *Tavolo Trentino per il Kosovo* based on their long experience (10 years) in Kosovo. According to this agreement, the Municipality of Peja/Peć put aside more than 100,000 Euros for capital investments. Also, based on the agreement, the implementation of these projects will be delegated to the local NGO Rugova Experience.

10 years in Kosovo of "Tavolo Trentino per il Kosovo"

Tavolo Trentino per il Kosovo has been active in Kosovo for 10 years assisting the Municipality of Peja/Peć with different economic development projects and society development. In tourism, its activity started in 2003/2004 with the establishment of NGO Rugova Experience, the first tour operator in the region, a joined project of *NGO Peja Spiders (Marimangat e Pejes)* and *Tavolo Trentino per il Kosovo*. At that time, the members of this organization organised trainings and study visits, mostly in Italy, for the development of alternative tourism¹⁵. The participants of these study tours, which were mainly based on practice skills, are now managing the NGO Rugova Experience and are working as tour guides as well. Other activities supported by *Tavolo Trentino per il Kosovo* include investments in marketing materials for NGO Rugova Experience and the project for developing signs for the mountain trails in Rugova valley to be used for hiking and other mountain activities.

4. MAP OF RELEVANT COOPERATION STAKEHOLDERS

The previous analysis of the local context provided some basic information regarding the possible "cooperation stakeholders". For the purpose of this report they will be divided into several categories. While there are some differences among them even within the same category, they are listed as follows:

- Local government – Municipality Peja/Peć
- Central government level representatives
- Local NGOs and associations of citizens

¹⁴ The Statistical Office of Kosovo: Web-site: www.ks-gov.net/esk.

¹⁵ Alternative tourism combines tourist products or individual tourist services, different from the mass tourism by means of supply, organization and human resources involved. These include rural tourism, ecotourism, adventure (biking, horseback riding, snowshoeing, ski mountaineering, rafting, diving, caving, climbing) and thematic tourism – connected with the cultural and historical heritage, the esoteric, religion, wine, traditional cuisine, ethnography and traditional music and handicrafts.

- Local entrepreneurs
- Italian partners (authorities and NGOs, associations)
- Mayors from surrounding municipalities
- Local communities
- Other international cooperation projects/donors
- Citizens

If we map the relevant cooperation stakeholders in the tourism sector in this part of Kosovo, we will see that there are a lot of actors who are developing different projects and who are active in many areas. These stakeholders consist of Public Sector/Local Institutions, International Donors, Private Sector and families (households). The strongest stakeholder in the tourism sector is the Municipality of Peja/Peć, followed by international donors, including Trentino Con Il Kosovo, USAID, and GTZ, as well as the Hotel Dukagjini as the strongest and largest organisation in the tourism sector and the NGO Rugova Experience who was the first to be engaged with tourism projects by the municipality. The weakest stakeholders are the small NGOs operating in the region such as NGO JETA or the farmer associations, as well as families who offer B&B in the Rugova Valley. The Municipality of Peja/Peć foresees the involvement and development of these small stakeholders, however, as big projects are awarded to the municipality, the influence of the central government will become higher and higher.

4.1. Key stakeholders

LOCAL AND CENTRAL GOVERNMENT INSTITUTIONS

There is a specific line of institutional structure in Kosovo that deals with tourism development in Kosovo. In addition to the Ministry of Trade and Industry and the Municipality of Peja/Peć, there are the Municipality of Deçani, and to a lesser extent that of Istok. The Ministry of Culture is also involved in the tourism development, especially with historical and religious sites in the region.

- **Ministry of Trade and Industry:** Within the Ministry operates the Department of Tourism, which consists of three divisions: the Division of Tourism, the Catering Division and Crafts. The Department of Tourism works intensively in five directions. First of all, providing legal, institutional, and other conditions for normal business in the tourism industry. Second, classification, licensing and categorization of tourist activities. Third, setting the vision and strategy for tourism development, and promoting environmental and urban regulation that is relevant for the tourism development. Fourth, promotion and development of tourism infrastructure and superstructure. Fifth, monitoring trends of tourism development nationally and internationally, and cooperating with local and international tourism associations. The Department of Tourism in Kosovo developed a simple national tourism strategy during 2004-2005 period, which was never implemented for unknown reasons so far. This strategy recently has been updated and projected for the 2010-2020 period, but still not approved by the Government. The strategy's vision sees tourism as an essential and vibrant growth sector that will contribute to improve the long-term economic and social development of Kosovo and a mission to develop sustainable tourism economy through a partnership of public sector, private sector and civil society to expand employment, entrepreneurial opportunity, social benefits, industry profits and state revenue. The goal of this strategy is to reach 10-12 % of Kosovo's GDP by 2020, through the contribution of tourism & hospitality industry. This is an approximate estimate by the Ministry of Trade and Industry/Department of Tourism based on the high level of contribution of the services sector (mainly tourism companies) to the overall GDP. If we specifically consider investments in tourism sector, practically the Kosovo Government did not invest anything except for the investments in the restoration of Kulla's (traditional house) done by the Ministry of Culture and Sports.

- The Municipality of Peja/Peć: The Municipality of Peja/Peć is among the municipalities with the largest potential for tourism development, and also it has a Department of Tourism within its Economic Development Directorate. The Municipality's capital projects, among others, include the establishment and management of the tourism Information Office, which promotes tourism capacities of the region, and the Tourism Street Fair (already traditional in the Municipality of Peja/Peć). The Municipality's plans for the future development of the region have prioritized two major sectors: Agriculture and Tourism.

In 2005, with the support of the Institute for tourism development of Firenze, Italy, Peja/Peć Municipality developed a draft strategy for tourism development in Rugova Region, part of which regarding rural tourism (agricultural) is already finalised. This project was financed by the SEENET program and supervised by UCODEP. The main plans under the municipality's strategy for the development of Rugova valley are investments in infrastructure (road construction and street signs).

The current Tourism Development Strategy for the Rugova Region, finalized to the development of rural & agricultural tourism, can serve directly as the basis for cooperation between the SEENET program and the Municipality. The Municipal Development Plan foresees the development of space for construction in Rugova valley, based on a consistent spatial planning system. This plan can be found at www.peja-komuna.org. As for the vision of tourism development in the municipality of Peja/Peć, this is already clear – just by glancing at the slogan for the identification of the municipality "City of Green and Peja/Peć Vital", which translate into a vision of tourism development based on rural and environmental tourism.

INTERNATIONAL DONORS

Additionally there are a number of larger international donors that support the development of mountain tourism and mountain-based business in the Region, most notably the USAID, GTZ, and the Italian Cooperation system through the SEENET Programme. The detailed descriptions of these organizations were mentioned above.

NGOs

- Association of Mountains Spider Peja: Peja Spiders or in Albanian "Marimangat e Pejës" is the only mountain climbing club in Kosovo. This association was established in 2002, at the initiative of Mauro Barisone, an Italian alpinist. The association has 46 members, who perform rock climbing and deal mainly with the development of sports and mountain-related activities. For three consecutive years, the association organized training sessions for youngsters on mountain activities. It has also compiled numerous offers on mountain tourism and rock-climbing. This association has also established close cooperation with the Municipality of Peja/Peć and that of Trentino Provincial Government. The most important project implemented by Peja Spiders in cooperation with *Tavolo Trentino per il Kosovo* and the Municipality of Peja/Peć, is the establishment of Peja/Peć Tourism Office and the trainings of mountain guides in the region of Rugova Valley combined with the study visit in Italy - National Parks Management and Leadership Training.

- NGO Era: Era is a local environmental organisation operating in Peja/Peć, established in 2003. Its goal is to promote environmental awareness-raising among youngsters. It does this by preserving and promoting natural and cultural heritage of this region through environmental and educational programmes. Era has organized a series of environmental education programmes for youngsters, taking place outside, in the nature, also by taking groups of children to Rugova Valley to learn about

monitoring of wildlife, biodiversity and other specific topics. Era sees Rugova Valley as a national natural park which does the promotion/increase of environmental consciousness, responsibility and awareness. They provide quality environmental education, outdoor and awareness activities addressed to increasing participation in nature exploration and ecotourism; protecting, conserving and promoting the region's natural and cultural heritage, and landscape and biological diversity; stimulating positive cross-border cooperation with neighbours; increasing participation of civil society through civic learning opportunities, volunteerism and projects; initiating and strengthening trans-boundary integrated mountain sustainable development; improving the livelihoods of local communities.

- Rugova Experience: Rugova Experience is a tourism oriented NGO, active in the region of Peja/Peć, and supported by Italian NGO *Trentino con il Kossovo*. The main objective is to promote the territory and improve the living conditions of the local population through the development of a responsible tourism in the region. They believe that tourism can be a great stimulant for economic development, but should never exceed the natural capacities of an area and should involve the local community. During the four years of active work in the tourism industry, they created a strong brand name, especially in the Albanian Alps and Rugova region. Based on the facts and the positive trends that this sector has recently achieved in the country, receiving active support from the different stakeholders such as NGO “Trentino con il Kossovo”, GTZ and USAID, they are keen that this business will grow smoothly towards steady sustainability. It's worth mentioning that Rugova Experience will be the first main technical partner based on a pre- bilateral agreement between the municipality of Peja/Peć and SEENET program. This means that Rugova Experience will be responsible for the implementation of developed programs incorporating also other partners like *Marimangat e Pejes* and ERA.

- CARE International Kosovo: Another interesting stakeholder, relevant to the SEENET programme, is the work of CARE International in Kosovo. CARE, together with its implementing partners, International Centre for Community and Enterprise Development (ICCED) Pristina (Kosovo), and Epi Center-Skopje (Macedonia), implements the REGS project for the development of rural municipalities in Kosovo and Macedonia, supporting the preparation of a local strategy for the development of rural tourism based on modern trends in the improvement of rural tourism at the regional and European level. The purpose of the development of this type of tourism is to increase the income for families and the community in general, in order to prevent migration of the youth from Novobrd to other parts of Kosovo. Rural tourism will have a great impact on the increase of income of communities (villages). The strategy is a document for medium-and long-term development of municipal plans and for local economic development whose aim is to attract investments from external and internal donors. CARE International and ICCED have worked in the form of democratic participation and decision-making communities, by establishing a focus group comprised of 12 members, where participants have provided all information and ideas for the development of rural tourism in the territory of the municipality. CARE International has also cooperated closely with this group since all of them come from different sectors and they have enabled the establishment of the Vision for rural tourism in the municipality. CARE International and ICCED have also worked very closely with the director of the Municipal Directorates for Planning, Development, Reconstruction and Public Services and together with them managed to provide a lot of information on the municipal profile. At the same time, during training events and workshops, together with the members of the focus group, they managed by using the SWOT analysis to better analyse Strengths, Weaknesses, Opportunities and Threats as well as to establish the vision in strategic fields for the development of

rural tourism, the plan of activities, the implementation timeline as well as prospect partners or donors.¹⁶

HOTELS, ACCOMMODATION FACILITIES AND FOOD& BEVERAGE PRODUCTS

There are a number of hotels and accommodation facilities from the region, with traditional foods and offers. There are other hotel establishments which offer accommodations in the villages of Boge and other villages from the Rugova Valley. Additionally a large number of products are offered by private households, focusing mainly on traditional food and beverage products from Rugova valley. Examples of these products are honey, milk, cheese, breads, filled papers and prickles and rakia. With the help of GTZ and USAID, a local company “Koperativa Rugova” collects from the region mountain fruits, like blueberries, brown berries, mushrooms, tea herbs etc, and sells them to local markets. These are mostly household businesses that have no real access to larger markets in Kosovo, but usually sell their products in the Peja/Peć village market, every Saturday, or have costumers that regularly order at their facilities and through organized collection points. No accommodation association has been established so far.

ARTISAN COMPANIES

There are many, mostly small producers, artisan traditional products of the region, ornaments, clothing and different artefacts that have been the backbone of Kosovo traditional Albanian cultural heritage in clothing and ornaments.

4.2. Mutual interactions among key stakeholders

This point is very important since there should be a Donor Coordination strategy which would overcome the overlapping of the same projects by multiple players/donors. Pre-organized meetings with each of other donors who invested before in mountain tourism around this region, would be a right step forward. For example, when USAID KPEP started in 2008, one of the main components included also donor coordination because there were some overlaps regarding the scope of implementation with GTZ. As you have seen in the description above regarding what each donor did in Kosovo and how they see the economic development in the future, they don't specifically touch the SEENET program theme in the Municipality of Peja/Peć (mountain tourism) even though their economic plans always include some tourism activities.

The cooperation between the Municipality of Peja/Peć and other relevant stakeholders is at a very satisfying level. The examples of successful cooperation include the evaluation of the national tourism products back in 2005, initiated by the Ministry of Trade/Department of Tourism (Central Government) and supported by GTZ in cooperation with local tourism experts, the Kosovo Tourism Association KOTAS, local NGOs and associations of citizens and local entrepreneurs; the establishment of the local NGO Rugova Experience in cooperation with Trentino Con il Kosovo, as well as of the first tourism office (at the municipality level) in Kosovo and the organisation of the first Tourism Street Fair (2009 and 2010) for the Dukagjini region, supported by USAID/Kosovo Private Enterprise Program.

However, some of the local NGOs and especially the inhabitants of the Rugova valley are critical towards the Municipality and the central Government regarding tourism infrastructure issues, notably concerning the lack of paved roads and problems with electricity supply. Local NGOs and private enterprises share the Municipality's vision of tourism development in this region, which focuses mainly on rural and mountain tourism. However, some international donors like USAID, EU and GTZ would

¹⁶ Source: <http://careks.org/NB-Rural-Tourism.pdf>.

like to extend the tourism development concept further to include cultural heritage and diversity, involving cross-border projects and using tourism as a tool to overcome some political issues that are preventing improvements of the Kosovo’s image.

4.3. Multi-level governance

Local institutions are doing a good job when it comes to cooperation with local private enterprises as described above (“mutual interactions among key stakeholders” section). Generally, the Peja/Peć Municipality has proved to be supportive to people who want to set up a business within the tourism industry. On the other hand, the national institutions have not provided a comprehensive Tourism Strategy which would specify and institutionalise the development of the collaboration between the Municipality and the private sector. There is a draft strategy put in place by the Government, notably the Department of Tourism under the Ministry of Trade and Industry, which includes approaches of multi-level governance when it comes to mountain tourism development, but according to the information from the central Government the draft of the strategy has not been approved yet.

A multi-level governance dynamics is very much present when it comes to the implementation of large projects which are financed by international donors going through the organization at the municipality level. In these cases, it is important that the responsibilities of the municipality and of the other implementing partners are well defined in advance.

It is hard to predict the possible conflicts among key stakeholders but according to general logic, previous patterns of their behavior, and local conditions, a matrix of conflicts and synergies can be constructed.

Matrix of possible conflicts according to their intensity (low, average, and high)

	Mayor	Political parties	Presid. of Assembly	Local NGOs & associat.	Local entrepreneurs	Upp Gov. Repres	Italian partners	Other mayors	Local comm.	Other intl project	Citizens
Mayor		High	High	Average	Low	Average	Low	Low	Low	Low	Low
Political parties			High	Average	Average	Average	Low	Average	Low	Low	Low
President of Assem.				Low	Low	Average	Low	Low	Low	Low	Low
Local NGOs and associations					High	Low	Low	-	Low	Low	Low
Local entrepren.						Average	Average	-	Low	Low	Average
Upper Gov. Rep.							Low	Low	Low	Low	Low
Italian partners								Low	Low	Low	Low
Other mayors									-	-	-
Local community										Low	Low
Other internati. project											Low
Citizens											

4.4. Cooperation dynamics

Due to the lack of close coordination of activities between the local and central Government, the development of Mountain Tourism has been for a long neglected. However, the situation started to improve after Kosovo passed the re-construction phase and ensured stability, with the community starting to pay more attention to rural and mountain tourism relevant to the SEENET theme. A result of

this increased awareness was the initiative of Care International, which initiated the first project on rural tourism development in Novo Berdo by establishing a very successful system with families who can offer B&B and other attractions through trained guides. This type of initiatives would be of interest to the SEENET program for a more in-depth analysis.

The main focus of international projects during the period 2000-2004 was mainly on the return of refugees and displaced population, reconstruction (material reconstruction and reconciliation), privatization and democratization. Meanwhile, after 2004 and especially from 2006 this focus changed towards building infrastructure and creating sustainable economy and society, hereby including tourism development projects as well. Some concrete examples, as mentioned above, are the help of GTZ on the establishment of the Tourism Department under the Ministry of Trade and Industry in 2004, and then the establishment of the first tourism association called HOTTOURS (now KOTAS) which worked together with the Tourism Department to develop the tourism products of Albanian Alps and Sharri Mountains. Later, other international donors engage in tourism like Trentino con il Kosovo, USAID, Care International and EU. Their operation includes also the development of Mountain tourism through trainings on Alpine Tourism (hiking, biking, rock climbing etc).

The tourism development and the protection of mountain environment are important with respect to the European enlargement process; the following gives an emphasis of how the Council of Europe sees this issue. The various mountain ranges in Europe play an important life-giving role for the entire continent and can directly influence the impact of climate changes. At the same time, local and regional authorities need to maintain territorial cohesion and surmount the often difficult mountain conditions to ensure citizens can exercise their right to live and work in the mountains, enjoy living standards comparable to more favourable conditions in rural and urban regions while preserving their environment. Awareness needs to be raised on the fragility of mountains' ecosystems which are globally important, notably as the major source of the Earth's freshwater. In Europe, mountains provide a direct life-support base for over a third of the population as well as essential goods and ecosystem services to the rest of the population. Many of Europe's most impoverished people live in mountain regions; consequently there is a need to ensure the ecological health and economic and social improvement of these regions in a sustainable manner not only for the sake of mountain inhabitants and people living in lowland areas, but also to safeguard this natural resource.¹⁷

5. MAIN FINDINGS FROM THE INTERVIEWS

Kosovo Alternative Tourism Association

Kosovo Alternative Tourism Association (KATA) is a recently established non-profit tourism association, aiming at the development of the tourism sector in Kosovo. KATA's main objective convenes together with a strong commitment to the development of rural, cultural and mountain tourism, to coordinate activities between tour operators, travel agencies and hotels, the conservation of cultural heritage, the susceptibility of foreign direct investments regarding the tourism sector, the organization of different activities including tourism fairs, tourism conferences, and trainings. KATA currently is composed of 35 members, mainly hotels, travel agencies, tour operators, transport companies, individual tourism experts, and other institutions. It is worth mentioning the organization of

¹⁷ Source: www.coe.int

the Tourism Fair, in cooperation with the Municipality of Peja/Peć, in which 80 tourism companies, including hotels, restaurants, and tour operators in Peja/Peć and its surroundings have participated. Alternative tourism combines tourist products or individual tourist services, different from the mass tourism by means of supply, organization and the human resource involved. These include rural, ecotourism, adventure (biking, horseback riding, snowshoeing, ski mountaineering, rafting, diving, caving, climbing), thematic tourism – connected with the cultural and historical heritage, the esoteric, religion, wine, traditional cuisine, ethnography and traditional music and handicrafts. Some of the main KATA's members are the following: NGO Rugova Experience, Horse Riding Association Galloper, NGO Marimangat e Pejës, NGO Arteza. Explorer Kosova, Kosovo Tourism Group, Hotel Princi i Arberit, Hotel Mena, Hotel Victory, Hotel Golden, Restaurant Rings, Restaurant The Ranch, Tourism Agencies: Albina Reisen, VIP travel, Dita etc.

Kosovo Tourism Association (KOTAS)

KOTAS is the successor organisation of HOTOURS and was established in 2006. Its main purpose is to promote the tourism and hospitality sector and the cooperation with relevant associations in other countries, to establish contacts to key stakeholders of the national and international tourism industry and to organise and conduct trainings and education programs, as well as marketing activities and lobbying. The KOTAS is a not-for-profit, non-governmental association, founded by the free will of its members, for the purpose of supporting the development of mutually beneficial tourism and its related sectors, programs and initiatives implemented at all levels in Kosovo. The mission of KOTAS is defined by the following goals:

- support and promote the development of Kosovo's Tourism Sectors;
- sponsor and promote measures that will foster growth in Kosovo's tourism industry and its sectors, inside and outside of Kosovo;
- provide a forum for Kosovo and foreign businesses, investors, and organizations/ agencies, supporting tourism and its sectors development, to identify, discuss and pursue matters of mutual interest;
- facilitate the exchange of information and ideas among all direct and indirect tourism and related businesses and businesspeople operating in Kosovo;
- represent and express the views of the membership of the KOTAS to public and private institutions both in Kosovo and abroad;
- establish and maintain cordial and productive relationships with other non-political tourism development organizations in South-eastern Europe, particularly those located in countries bordering Kosovo;
- actively support initiatives and institutions, both public and private, aimed at constructive solutions to the problems challenging Kosovo's economic development; and
- develop programs that will enhance the credibility and strengthen the image of the KOTAS among Kosovo's chief trading partners, particularly those within the European Union and United States.

KOTAS is a member of BAHA (Balkan Alliance of Hotel Associations).

NGO SHIPPL

NGO SHIPPL began operating in 2000 and its focus is mainly on the traditional handicraft sector. It consists of 1730 members -household families, usually women, who carry out their activities through workshops in Peja/Peć, Deçan/Deçane and Gjakova/ Đakovica. Their main target is the Hospitality sector, covering hotels/motels and restaurants, but they also work with retail markets. Their activities

were continuously supported by donors such as USAID with Tourism Fairs and GTZ with marketing plans.

TPD Consulting Company

The TPD Consulting Company is one of the rare companies focusing on planning and development of services and hospitality. TPD Consulting offers the full package of consulting services and cooperates closely with the local communities, organizations, municipalities, and central government institutions in order to promote tourism development programmes that are environmentally sound and economically feasible. The main problem they see for the tourism development in Kosovo is the lack of institutional recognition of the importance in tourism development and its linkage with economic development.

Kosovo Tourism Group

Kosovo Tourism Group was established in early 2009 as a private company and is composed of a team in tourism sector. It offers Kosovo tour packages, including city tours, horseback riding, hiking, trekking, mountain biking, skiing, camping, history tours, and sightseeing. They also offer tailor-made tour packages fitting tourist requests and wishes. Its owner, Mr. Baki Hoti, said that the company offers special tailor-made tour packages for Rugova valley as well. The lack of qualified people and the image of Kosovo internationally is the main obstacle for tourism development in Kosovo, says Mr. Hoti.

Hotel Dukaxhini

Recently privatised by the Dukaxhini Company, Hotel Dukagjini is the largest and best hotel in the Region. Although situated in the city centre, it is an important hub for all larger tourism activities surrounding the Rogova Valley. It hosts a number of important events, like Peja/Peć Tourism Street fair, one of the largest touristic events in Peja/Peć Region. It also offers accommodation for all different tourists visiting Peja/Peć and Rugova Valley.

Villa Kodra (En. Villa Hill)

Began operating in 2007 and is owned by Driton Nekaj. This villa consists of six bungalows for accommodation of tourists. Each bungalow contains two bedrooms, a bathroom and a kitchen. Currently Villa Kodra does not possess a restaurant, but plans to expand its business in the near future with a restaurant and two more stone houses. The bungalows are located in village Boge, and usually people that stay there, engage in mountain climbing and hiking in the surrounding villages.

Villa Mulliri (En. Mill)

Located in Drelaj, 20km from the town of Peja/Peć, and its owner is Gani Shala. This villa contains ten rooms to accommodate tourists, as well as six separate small houses. It also possesses the restaurant, which offers traditional and other food, depending on customers' preferences.

Villa "Guri i Kuq" (En. Red Rock)

This villa has begun operating in 2005, and its owner is Selim Dreshaj. This villa is located in Kuqishte village in Rugova and it consists of a restaurant and six two-floor small houses. Each of them contains three rooms for accommodation. It is also worth mentioning that this villa also contains the traditional

cuisine and almost all products are local productions of Rugova (e.g. pogaçe bread, homemade fat cream, lamb meet, etc.)

Rudi Group Complex

The Rudi Group recreational centre is located in the middle of the Boge village. It consists of the restaurant and wooden terrace. Its main building consists of eight bedrooms, of double- and four-bed size. Concerning its cuisine, this centre offers a rich menu of local and foreign cuisine.

Motel "Berati"

It is situated in the skiing centre of the Boge village, and is owned by Mehmet Mekaj. Besides skiing races and trainings, this motel also offers vacation conditions throughout the year. This resort consists of family rooms, bedrooms for various age groups, hostels, with transport and parking provided, as well as the store containing various items. Additionally, the owner operates a subsidiary business facility in Boge (Berati Ass) which collects different mountain fruits from local villages and sells them into Kosovo markets.

Motel "Dardani Sky"

This motel began operating around 2002, and is owned by Agim Pupovci. It contains a total of six bedrooms, a living room, a kitchen, and the restaurant. It is also worth mentioning that the restaurant offers traditional food and that for now the motel works during the winter season only.

Motel "Gurra"

Situated in Boge village in Rugova. It began operating in 2003, and it is owned by Jeton Demaj. This motel consists of a total of eight rooms to accommodate tourists, and also a restaurant that offers traditional food.

Motel "Rugova Camp"

It is situated in the thirteenth kilometre of the Rugova Valley, respectively in the Great Shtupeq village, and is owned by Halil Lajqi. In addition to accommodation, it also consists of a hostel, a swimming pool containing fresh fish too, children playground, a restaurant and a summer terrace.

Shefqet Balla

Mr. Balla is an independent writer, who has written two books on Kosovo, "Guide of Kosovo", which contains detailed information on tourism and cultural sites in Kosovo, with a map and an historical overview. In addition, he has written "Kosova top 10", a shorter brochure on the ten most attractive tourism sites in Kosovo. His perception for tourism in Kosovo is based on a short story which he describes very pertinently, but his believes still are that Kosovo is visited only by the kinds of tourists who come to in this region for business issues.

Summary of opinions from the interviews

Most of the interviewees are quite optimistic about the development of tourism sector in Kosovo. They see it as an opportunity for job creation and regional integration which will make Kosovo more attractive for international markets. On the other hand, ordinary people in Kosovo generally doubt that

tourism can be developed in this region, considering the fact that Kosovo lacks advanced infrastructure and does not have access to sea. As Mr. Ylber Rudi, the owner of Rudi Group (accommodation services in Rugova) put it: “It’s hard to have a sustainable mountain tourism development, when it comes to competing with regional countries. We, in Rugova Valley, don’t have the right infrastructure to do so. If a tourist coming from Europe or regional countries does a pleasant road up to Rugova Valley and here faces unpaved roads which take you hours to reach the destination how come we can compete then”. This is a direct relevant hint for international donors, in this case for SEENET, when it comes to increasing awareness of the community for the benefits of tourism sector and the importance that this sector has for the current economic situation in Kosovo.

Local institutions believe that they are doing enough just by formally proclaiming certain regions of Kosovo, including the Albanian Alps, as “National Parks”. They expect more engagement by international donors with different projects in this matter. An official member of the Tourism Department said that tourism was not listed among local institutions’ top priorities. However, now that the Law on Tourism has been approved and some major issues solved (such as the establishment of institutions and the membership in the International Monetary Fund), the Tourism Department will soon start at full pace with tourism development.

When international donors initiate new projects for economic development, they usually coordinate the work that was done before from other donors. During our meetings with the international donors regarding this report it became clear that they all consider this sector as crucial for economic development, employment increase, Kosovo integration to Western Balkans, and regional tours, especially for cross-border projects. Mr. Elmar Kunz, a GTZ Tourism Consultant, said that most of the internationals, when they come for the first time to Kosovo, they are usually amazed by the natural beauty of Rugova Region and the Albanian Alps, the hospitality of people here and the tasteful traditional food (which is 100% eco).

6. CONCLUSIONS

Now that a lot of work has been done so far in the re-construction phase and in building stability and peace, through different training, technical, and on field programs, it is the time to go down to business and start a very organized system regarding Tourism Development. Even though the National Tourism Strategy (2010-2020) is not approved yet and the law on tourism is still not fully implemented, we believe that still this strategy, when it comes to forecast development of mountain tourism, can be a sound basis for many stakeholders to become aware about tourism as one of the future key sectors in Kosovo. Special focus has been put on public private dialogue, cooperation, and partnership.

The tourism sector, and most notably the alternative tourism, is considered to be one of the main flagships for the economic sustainability in Kosovo. Only two decades ago, Kosovo used to be the main producer of agricultural products within the former Yugoslavia, particularly grape cultivation and production of wine and beer. Currently, Kosovo has a lot of potential for developing a tourism sector, as confirmed by all international donors above analyzed and by the development of a strategy on tourism by the local government. However, Kosovo is facing a lot of problems linked to the development of its tourism, from the environmental pollution to the issue of waste/trash disposal. This has been confirmed by Rotary International from Chicago during its field trip to Kosovo in 2007. It has

been observed that environmental pollution (trash on the roads or polluted rivers) represents one of the biggest impediments to tourism development.

As for the SEENET theme of addressing the environmental pollution problem, main stakeholders that could be involved are the Municipality of Peja/Peć and the Central Government (Department of Tourism).

As for the SEENET program on developing mountain tourism (particularly, for local villagers to be more involved in the tourism as supplier of B&B, traditional food, and other activities) another important stakeholder could be the municipality of NovoBerdo (including Care International).

Other important stakeholders to consider are the Ministry of Trade and Industry (Department of Tourism) and the Ministry of Environment, when it comes to putting forward fundamental changes regarding mountain tourism.

As for tourism infrastructure in Kosovo, the Municipality of Peja/Peć is the most advanced municipality and a driving force that can ensure the implementation of the projects and also provide the resources to fund them. Peja/Peć is also the leader of the seven municipalities of the Dukagjini region, based on the Memorandum of Understanding for Tourism Development, signed in September 2010. The most relevant vision of those municipalities are that the region of Dukagjini, and most notably the Rugova Valley, has potential for mountain tourism (including rural tourism development) which can be combined with different cultural tourism trips, such as the Peja/Peć city, in particular Gjakova/ Đjakova city.

Currently, the majors of these two municipalities belong to the same political party, Alliance of Future Kosova (AAK) and share the same vision about tourism development (mountain and cultural tourism). This is not the case of the two opposition parties, Democratic Party of Kosova (PDK) and Democratic League of Kosova (LDK), which see the improvements of infrastructure as the first priority. All this created certain disagreements on the policies to be implemented between the two level of governance - the Ministry of Trade and Industry / Department of Tourism (led by LDK) and the municipality of Peja/Peć (led by AAK).

Currently, this ministry is without a minister as Kosovo declared early parliamentary elections to be held on December 12, 2010.

ANNEXES

A. List of stakeholders interviewed

Contact details of the different actors which were interviewed during the process:

1. Ministry of Trade and Industry- Njazi Shalla, Director of the Department of Tourisms
2. The Municipality of Peja - Vyrtyt Morina, Chief of Touristic Information
3. USAID (KPEP) – Fisnik Dragusha, STTA Local Tourism Consultant
4. Association of Mountains "Spider Peja" Haki Iekaj
5. Kosovo Alternative Tourism Association – Baki Hoti, Director
6. Rugova Experience – Agron Kaliqani
7. NGO Era – Fatos Lajci, Director
8. NGO "SH.IPPL" - Adrijana Begolli, Project Manager
9. DPT Consulting - Zek Çeku, Director
10. Kosovo Tourism Group - Ardijana Mulaj-Project Manager
11. Hotel Dukaxhini – Sokol Luta, CEO
12. Villa Kodra (*En. Villa Hill*) - Driton Nekaj, Director
13. Villa Mulliri (*En. Mill*) - Gani Shala, Director
14. Villa "Guri i Kuq" (*En. Red Rock*) - Selim Dreshaj, Director
15. Rudi Group Complex - : Ylber Rudi, Director, 16. Motel "Berati" - Mehmet Mekaj, Director
17. Motel "Dardani Sky" - Agim Pupovci, Director
18. Motel "Gurra" - Jeton Demaj, Director
19. Motel "Rugova Camp" Halil Lajqi, Director
20. Shefqet Balla - independent writer
21. Syzana Baja, Ex-Rugova Experience Staff and Trentino per il Kosovo Consultant

B. Reference sources and documents

The Statistical Office of Kosovo www.ks-gov.net/esk

USAID&UNDP Kosovo "Kosovo Mosaic: Public Services and Local Authorities in Focus".

<http://www.kosovo.undp.org/repository/docs/english%20green.pdf>

USAID Kosovo: http://www.usaid.gov/kosovo/eng/kosovo_introduction.html

SWISS COOPERATION KOSOVO: <http://www.swiss-cooperation.admin.ch/kosovo/>

THE EC Liaison Office in Kosovo: <http://www.delprn.ec.europa.eu/?cid=2,94>

Council of Europe Kosovo:

http://www.coe.int/t/dg4/cultureheritage/cooperation/kosovo/default_en.asp

Bergamo Per Il Kosovo: <http://ipik.altervista.org/bgxs.htm>

UN HABITAT Kosovo: <http://www.unhabitat->

[kosovo.org/?cid=2,2&PHPSESSID=a22a527589cd07747c8a69a82923007d](http://www.unhabitat-kosovo.org/?cid=2,2&PHPSESSID=a22a527589cd07747c8a69a82923007d)

GTZ Kosovo: <http://www.gtz.de/en/weltweit/europa-kaukasus-zentralasien/1588.htm>

C. List of States that recognized the Republic of Kosovo (September 30, 2010)

State and date of recognition	State and date of recognition
1 United Kingdom February 18, 2008	37 Republic of Nauru, April 23, 2008
2 France February 18, 2008	38 Burkina Faso April 24, 2008
3 United States of America February 18, 2008	39 Lithuania May 6, 2008
4 Turkey February 18, 2008	40 San Marino May 11, 2008
5 Albania February 18, 2008	41 Czech Republic May 21, 2008
6 Afghanistan February 18, 2008	42 Liberia May 30, 2008
7 Costa Rica February 18, 2008	43 Sierra Leone July 13, 2008
8 Australia February 19, 2008	44 Colombia, August 6, 2008
9 Senegal February 19, 2008	45 Belize August 7, 2008
10 Latvia February 20, 2008	46 Malta August 21, 2008
11 Germany, February 20, 2008	47 Samoa September 15, 2008
12 Estonia February 21, 2008	48 Portugal Oct 7, 2008
13 Italy February 21, 2008	49 Montenegro October 9, 2008
14 Denmark February 21, 2008	50 Macedonia October 9, 2008
15 Luxembourg February 21, 2008	51 UAE October 14, 2008
16 Peru February 22, 2008	52 Malaysia October 31, 2008
17 Belgium, February 24, 2008	53 Micronesia December 05, 2008
18 Poland February 26, 2008	54 Panama January 16, 2009
19 Switzerland, February 27, 2008	55 Republic of Maldives, February 19, 2009
20 Austria February 28, 2008	56 Republic of Palau, March 9, 2009
21 Ireland February 29, 2008	57 Republic of Gambia April 7, 2009
22 Sweden March 4, 2008	58 Kingdom of Saudi Arabia April 20, 2009
23 Netherlands March 4, 2008	59 Union of Comoros May 19, 2009
24 Iceland March 5, 2008	60 Kingdom of Bahrain May 19, 2009
25 Slovenia March 5, 2008	61 Hashemite Kingdom of Jordan, July 08, 2009
26 Finland March 7, 2008	62 Dominican Republic July 11, 2009
27 Japan March 18, 2008	63 New Zealand November 09, 2009
28 Canada March 18, 2008	64 Republic of Malawi December 16, 2009
29 Monaco March 19, 2008	65 Republic of Mauritania January 13, 2010
30 Hungary March 19, 2008	66 Swaziland Kingdom April 12, 2010
31 Croatia March 19, 2008	67 Republic of Vanuatu April 28, 2010
32 Bulgaria March 20, 2008	68 Republic of Djibouti May 11, 2010
33 Liechtenstein March 25, 2008	69 Republic of Somalia May 19, 2010
34 South Korea March 28, 2008	70 Republic of Honduras, September 03, 2010
35 Norway March 28, 2008	71 The Republic of Kiribati, October 21, 2010
36 Republic of the Marshall Islands, April 17, 2008	

Local democratic governance in Budva Municipality

by Jovana Marović (Institute Alternative, Podgorica)

Assignment done under the CeSPI guidance

First report

SeeNet Programme

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



November 2010

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1. THE LOCAL CONTEXT

“Geographic position, climate and its spatial characteristics, as well as natural resources and their distribution, make Montenegro an exceptional European country in many ways. In somewhat less than 14.000 square kilometers of its territory, there are exceptional natural values.”¹

Situated in the south of Montenegro and in the central part of Montenegrin seaside, Budva has been increasingly gaining an image of a touristic, cultural, and business center over the last two decades. Budva is the principal touristic destination of Montenegro, rich with historical, cultural and religious monuments and heritage. It is the most attractive location of the Montenegrin seaside, set in a prestigious place with easy access to the International Airports in Tivat and Podgorica.



Throughout the last years of the XX century, Budva initiated a cultural project, “*Theater City*”, with open stages and the whole city as one integral stage, during the summer months. However, Budva is best known for its so-called “cultural tourism”, not just for this cultural project. Together with the artistic and musical manifestations and festivals during the entire year, managing team of the municipality has attracted diverse and large number of national and foreign investors with a careful strategic plan. This trend has been further developed after Montenegro regained its independence and international recognition during 2006.

1.1 - Population and territory

Budva is the center of a region called “*Budvanska Rivijera*” and the administrative center of the Budva municipality², which has a surface area of 122 km² and approximately 16,000 inhabitants.³

¹ “National Strategy of Sustainable Development“, Government of the Republic of Montenegro, Ministry of Tourism and Environmental Protection, January 2007, p. 9.

² Also includes small towns/ units Bečići and Petrovac.

³ Census 2003.

Table 1 - Montenegro population by national and ethnic qualification

	Total	Montenegrins	Serbs	Yugoslavs	Albanians	Bosniaks	Egyptians	Italians	Macedonians	Hungarians
Montenegro	620145	267669	198414	1860	31163	48184	225	127	819	362
BUDVA	15909	7211	6502	117	55	24	20	12	24	33
Urban area	13585	6257	5471	91	55	24	-	11	22	23
Other	2324	954	1031	26	-	-	20	1	2	10
%		45.33	40.87	0.74	0.35	0.15	0.13	0.08	0.15	0.21

Table 2 - Population in the Municipality by gender and age structure I

Settlement	Gender	Total	Age									
			0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49
BUDVA		15909	1009	1036	1083	1196	1286	1159	1145	1095	1174	1358
	M	7634	525	537	587	581	642	557	532	475	514	637
	F	8275	484	499	496	615	644	602	613	620	660	721

Table 3 - Population in the Municipality by gender and age structure II

Settlement	Gender	Total	Age								Unknown
			50-54	55-59	60-64	65-69	70-74	75-79	80 +		
BUDVA		15909	1178	779	670	607	469	287	234	144	
	M	7634	573	374	315	306	228	116	72	63	
	F	8275	605	405	355	301	241	171	162	81	

Table 4 - Female population in the Municipality of Budva by age, national and ethnic qualification

Age	Total	Montenegrins	Serbs	Albanians	Bosniaks	Muslims	Roma	Croats	Other
BUDVA	6796	2991	2840	21	11	80	19	116	718
15-19	615	278	256	1	-	7	6	1	66
20-24	644	317	230	6	2	13	6	5	65
25-29	602	275	243	-	-	9	-	6	69
30-34	613	270	263	-	1	7	2	6	64
35-39	620	291	233	2	1	9	3	12	69
40-44	660	294	275	2	2	11	-	11	65
45-49	721	288	325	3	1	9	2	14	79
50 +	2240	963	993	5	4	13	-	61	201
Unknown	81	15	22	2	-	2	-	-	40

1.2 - Economy

The economy of the Municipality strongly depends on tourism, and it is ultimately characterized by season's duration (summer months) and holiday's celebrations. However, Budva attracts more and more foreign guests and tourists every year.

Table 5 - Tourism records for Budva Municipality⁴

	Arrivals		Overnights	
	Total	Foreign	Total	Foreign
2002	180,026	52,554	1,261,071	377,298
2003	205,550	57,767	1,384,405	383,947
2004	256,745	74,208	1,642,710	516,364
2005	319,218	124,394	2,048,852	718,779
2006	371,766	174,243	2,319,339	1,074,488

In Budva Municipality revenue/per capita for 2006 (findings of the Ministry of Finance) was 1,910.88 Euros which was remarkably higher than other municipalities of the Montenegrin seaside.⁵

The fundamentals of Budva Municipality economy are based on the Micro, Small and Medium Enterprises (MSME) with the majority of them engaged in tourism. MSME considerably contribute to the budgetary proceeds.

According to 2007 data, the majority of the 847 registered companies in Budva Municipality were engaged in tourism-related activities.

Table 6 - Activities of registered companies in Budva Municipality

Sector	Number
Activities related to real estate, renting and business activities	286
Construction industry	195
Wholesale and retail trade	183
Hotels and restaurants	79
Traffic, storing and connections	53
Processing industry	21
Other public activities	17
Education	3
Financial mediation	3
Fishing industry	1
Mining industry	1
Health and social work	1
Total	847

Source: Central Register of Commercial Court, December 2007

It is also very important to underline that citizens and administration/local self-government produce a significant part of their income through real estate sales.

⁴ Source: Statistic Yearbook, MONSTAT

⁵ For example: 349.30 Euros for the Bar Municipality and 264.33 Euros at the national level

1.3 - Migrations

Budva is a very attractive place in terms of standard of living and employment, due to significant tourism investments. Moreover, a large number of people from other Montenegrin and regional municipalities work in Budva.

Table 7 - Migrations I

Settlements	Total	Living in the same birth's territory	Migrants from:					
			Same Municipality	Other Municipality in Mont.	Other Republic	Republic of ex-Yugoslavia	Other countries	Unknown
BUDVA	15909	7150	870	3883	2227	1486	210	83
Urban area	13585	6380	343	3420	1868	1315	184	75
Other	2324	770	527	463	359	171	26	8

Source: Statistic Yearbook, MONSTAT, Census 2003

Table 8 - Migrations II

1940 and before	Migrations							Settlements
	1941-1945	1941-1960	1961-1970	1971-1980	1981-1990	1991-2003	Unknown	
18	11	223	736	1232	1619	3740	1180	BUDVA
13	8	204	654	1109	1427	3183	607	Urban area
5	3	19	82	123	192	557	573	Other

1.4 - Institutional and political dimension

From an institutional and governmental perspective, Municipality administration is divided into two branches: executive (with the Mayor being the central figure of this branch) and parliamentary. The assembly comprises 32 members and the voting majority comes from the national ruling coalition DPS-SDP (Democratic Party of Socialist and Social Democratic Party).

Table 9 - Results of local assembly elections held on 10th September 2006

Party-Coalition	Number of votes		Number of mandates	
	Total	%	Total	%
BUDVA	9070	100	32	100
Serbian Radical Party - Vojislav Šešelj	325	3.58	1	3.12
Coalition for State union (Socialist People's Party; New Serbian Democracy and People's Party)	3048	33.61	11	34.38
Coalition for European Budva (Democratic Party of Socialist –Social Democratic Party)	5246	57.84	19	59.38
Budva forum and Liberal Party of Montenegro	451	4.97	1	3.12

Table 10 - Results of local assembly elections held on 29th March 2009

Party – Coalition	Number of votes (%)	Number of mandates – Total
Coalition - Democratic Party of Socialists and Social-Democratic Party	71.9%	23
Coalition - Socialist People's Party; New Serbian Democracy and People's Party	18.9%	6
Movement for Changes	6.0%	2
Coalition – Liberal Party of Montenegro and Democratic Center	3.2%	1

The main institutions at the local level cover also two important functions: Local Manager and Administrator, with responsibilities to manage major projects and capital investments. Both functions are subordinated to the Mayor decisions.

The Municipality administrative center is still missing a unit⁶ for European integration. Therefore, the Cabinet of the Mayor is in charge of the international cooperation and European integrations. The Cabinet is also in charge of matter involving decentralization issues. However, Budva municipality's goal is to establish in the near future a secretariat for European integrations.

Municipality administration is currently divided into five secretariats.

1.5 - Environment and Social dimension

Beside local government, the municipal administration has part of competencies (shared on a national level) over social welfare (Center for social work), health, primary and secondary education. A branch of the University of Montenegro is also situated in Budva.

Budva municipality was the co-founder (together with a local private company) of the "Academy of Sciences", a private faculty with various sections/departments.

Main "environmental problems" in Budva municipality are caused by uncontrolled urbanization.

There is just one person in charge of environmental issues in the Municipality administration.

1.6 - European prospective

The Stabilization and Association Agreement (SAA) is the core document between the European Union (EU) and Western Balkan countries and also a strategic paper for the evaluation of priorities in economic politics, common fight against corruption and organized crime, and national plans for development. It also helps to further develop a mutual political and economic relationship. SAA between the EU and Montenegro, signed in October 2007 entered into force on May 1, 2010.

Once the country has signed the SAA, it has to fulfill many tasks and obligations arising from the relationship with the EU. In Montenegro, alongside the changes on a state level, the greatest changes will involve local administrations and local governments. Furthermore, since a significant part of the

⁶ Office/Secretariat/Bureau

EU legislation is related to local governments, it would be very important to react sufficiently well on a local level.

Within the process of preparing Montenegrin municipalities to the Montenegro membership in the European Union, certain activities are of essential importance for all Montenegrin municipalities:⁷

- Consolidation of local administrative capacities;
- Need for decentralization of national/central functions (marked as an urgent requirement is the fiscal decentralization);
- Harmonization of activities between national and local level;
- Development of training programs for local employees on EU processes and EU funding program;
- Separation of powers at the local level (executive/legislative);
- Encouraging a variety of social organizations, such as lobby groups, non-governmental and private voluntary entities.

In order to increase the capacities of local self-government, the Government of Montenegro has adopted the “National program for integration into European union for the period 2008-2012” and, among others, outlined central goals for decentralization of the state functions such as: separation of powers on local level and identification of accountability of local officials. Although these actions were highlighted as crucial for the reform process, they have not been achieved yet.

There is an obvious lack of administrative capacities in the Budva Municipality and a lack of a proper reaction of the authorities to resolve this problem.

Administrative management of the city did not apply for any call for proposals financed by the EU or other international donors of the past, due to the above mentioned limited human resources.

2. COOPERATION AND INVESTMENT SCENARIO IN BUDVA

2.1 - European Commission/European Union

EU supports reforms in Montenegro in many areas: Health Care and Food Safety; Infrastructure and Environment; Judiciary Reform and Reform of Police; Rural Development; Social inclusion and education; Socio-economic development.

For the purposes of this research, it is important to underline the support within the Infrastructure and Environment pillars.

EU provided to Montenegro assistance worth over 1.25 million Euros during 2007 to improve regular and regulatory framework in the transport sector. Assistance was also provided to the railway sector.

EU also helped Montenegrin government, with the EU-funded project, to develop a model for establishment of the Environment Protection Agency (EPA) in 2008.

⁷ Action plan for the reform of the municipalities, Government of Montenegro, 26th February, 2009

2.2 - Russia

Since a large number of real estate properties were purchased by Russians during the last three years, a significant number of them lives now in the Municipality. They are entitled to attend schools and courses in their own language.

Since 2008, foreigners (companies which are established in Montenegro by foreigners) are entitled to own land in Montenegro and to invest under the same conditions as domestic investors.

There are many “Russian companies” in Budva Municipality which work together with domestic companies and local authorities for the construction of luxury flats. However, some of the companies experienced a “fiasco” after their Russian owners announced bankruptcy (due to the global economic crises).

2.3 - EBRD

Water supply was one of the biggest problems in Budva. However, during the past years the Municipality finally concluded installation of the unit for reversible osmosis, a system which filters salt from water. Also, a second big project was finalized on 15th July, 2010 – the construction of the regional water supply system funded by EBRD.⁸

2.4 - Twin towns

Budva has a fruitful cooperation with many “twin” towns and “sister” cities throughout Europe. These connections are especially strong with the Slovenian city, Celje, which is usually used as an example of successful transition and “Europeanization”. The main fields of cooperation include technical support and assistance, and exchange of specific information.

3. RELATIONS WITH ITALY

Relationships between Montenegro and Italy were strong in the past and will be further developed⁹ after conclusion in 2009 of the so-called “Energetic deal” between the Italian company “A2A” and the national Montenegrin Electric Enterprise.

Two Italian companies, “Enel” and “A2A” have submitted good bids for the construction of the hydroelectric power stations at the River Morača in May 2010. Construction should be completed through the “concept of Public-Private Partnership”.

As mentioned previously, Budva has many twin towns and sister cities throughout Europe. One of them is the Italian City of Rimini.

Together with nine Montenegrin municipalities (Bar, Cetinje, Danilovgrad, Herceg Novi, Kotor, Nikšić, Podgorica, Tivat, and Ulcinj), Budva is participating to the “IPA Adriatic cross-border

⁸Budva has received a loan from the European Bank for Reconstruction and Development (EBRD) to finance the construction and rehabilitation of the northern branch of the regional water supply system for the Montenegro coastal region.

⁹“Mediterranean is a great challenge for investments for Italy and Montenegro is at the very top of the list of destinations which Italian investors recognize as interesting” - this was stated in the conference “Investing in the region of the Mediterranean – urban transformation and economic development” which was held within the international real estate and investment potential fair in Milan in 2010.

cooperation (CBC) Programme”, 2007–2013.¹⁰ This program is supported by IPA Component II. Adriatic CBC supports projects in three areas: Economic, Social and Institutional Cooperation; Natural and Cultural Resource and Risk Prevention; and Accessibility and Networks. The participating states of the IPA Adriatic CBC Program have selected the Abruzzo Region Servizio Attività Internazionali (located in L’Aquila, Italy) to host the Joint Technical Secretariat (JTS).

4. MAP OF RELEVANT COOPERATION OF STAKEHOLDERS IN THE TERRITORIAL AND ENVIRONMENTAL PLANNING SECTOR

4.1 - Key stakeholders

In accordance with the topic of the SeeNet project, related to the Municipality of Budva, and with the main goal of this research, a list of the relevant stakeholders includes the following:

- **National institutions/agencies/enterprises in charge for spatial planning, tourism and environmental protection** – 1. Ministry of Tourism 2. Ministry for Spatial Planning and Environment 3. Environment Protection Agency of Montenegro 4. Public Enterprise for Coastal Zone Management
- **National institutions/agencies/unions with impact on local self-governments** – 1. Union of Municipalities of Montenegro 2. Ministry for European Integration 3. Human resources Management Authority of Montenegro
- **Local government/local institutions** – 1. Local Assembly 2. Manager 3. Administrator 4. Secretariats
- **Institutions and Agencies within the Municipality of Budva which are founded by the Municipality with central role to manage spatial planning, tourism and environmental protection at the local level** – 1. Agency for Spatial Planning 2. Office for Construction 3. Tourist organization of Budva 4. Budva Holding
- **Local NGOs and associations of the citizens** – 1. Green me 2. Independent civic initiative 3. European movement – Local Budva council.
- **Local enterprises** - Many local companies work together with the Municipality on small construction projects (avenues, byways, shopping centers, etc.). These projects are mainly conducted through the PPP concept.
- **International initiatives, institutions and cooperation projects**
- **Mayors and authorities from the surrounding municipalities** (with special accent on the Municipality of Kotor which is also part of the SENEET project)
- **Local political parties** – Democratic Party of Socialists, Social-Democratic Party, Socialists People’s Party, New Serbian Democracy, People’s Party, Movement for Changes, Liberal Party of Montenegro and Democratic Center
- **National and local media** – “Monitor”, “Vijesti” and “Dan”
- **Citizens**

¹⁰ Participating countries of the IPA Adriatic CBC programme are: Italy, Slovenia, Greece, Croatia, Bosnia and Herzegovina, Montenegro, Albania and Serbia

4.2 - Interactions among key stakeholders

National level: **The Ministry of Tourism and the Ministry for Spatial Planning and Environment** have a central role in the supervision of tourism and the spatial planning in Montenegro. Central plans and strategies are developed at the national level within these two ministries and are further expanded at the local level. The Government of Montenegro adopted the “Privatization plan for 2010” and it anticipates the valorization of two beaches¹¹ within the territory of the Municipality of Budva, through the Public-Private Partnership.

Attempting to conserve the concept of “Montenegro as an ecological state”, launched in Žabljak during 1991, the Government established the **Environment Protection Agency of Montenegro (EPA)** as an administration body, in charge of environmental protection affairs.

The Ministry for European integration (Section for IPA funds) is also an important stakeholder of the Montenegrin municipalities and a coordinator of activities within the Stabilization and Association process (SAP). The Ministry for European integration, beside of being a central Montenegrin institution for managing all activities related to the Montenegrin adhesion to the EU, is also an institution which manages activities related to the consideration for application to the IPA funds. In order to ensure that all Montenegrin municipalities are well informed and updated about “call for proposals”, the Ministry, together with the **Union of Municipalities of Montenegro**, is sharing/sending call for proposals, documents and all relevant information with all Montenegrin municipalities. There is a contact person/focal point for these activities in all Montenegrin municipalities, and in Budva Municipality: this person is the Administrator. Documents regarding IPA funds are submitted by the Administrator to the Counselors of the Mayor Cabinet and to the Counselor of the education and European integration (who is also the coordinator of the SENEET project within Budva Municipality).

The Union of Municipalities of Montenegro provides technical assistance to all concerned Montenegrin municipalities for the translation of application forms for the EU/IPA funds. The Union coordinates activities at the national level for municipalities and, from time to time, organizes training programs and specialized seminars for authorities and representatives of the Montenegrin municipalities. The Union of Municipalities should take a role of initiating inter-municipal cooperation and exchanging experiences among Montenegrin municipalities.

Together with **the Human Resources Management Authority of Montenegro**, the Union of Municipalities is conducting activities in order to enhance administrative capacities of the local self-governments. The Human Resources Management Authority also established National council for training administration at local level in 2008. Following the instructions of the Action plan related to the reform of the municipalities, six Montenegrin municipalities established the Council for protection and development of the local self-government, and Budva Municipality was not among them.

Spatial planning in the Budva Municipality is a permanent topic and exhaustless source for activities of **NGO “MANS”, The Network for Affirmation of NGO Sector**, registered at the national level. These topics are also often part of articles in the independent press: “**Monitor**” (weekly newsmagazine, established at the national level), “**Vijesti**” and “**Dan**” (daily newspapers which are established at the national level with local offices in Budva).

¹¹ Jaz and Bečići

Local level: Budva Municipality is the leading city for the realization of Public-Private partnerships (PPP) in the country.¹² The concept of PPP has been used intensively over the last two years, although the concept of PPP in the city remains at the developing phase. Although a significant number of PPP projects have been realized, it is evident that the projects are followed by numerous obstacles and weaknesses in both their preparation and realization. However, PPP concept is in expansion within the Municipality, with many ongoing projects.¹³

On 4th January, 2008, the Municipality of Budva established a company named “**Budva Holding**” with the key responsibility of managing the property of the municipality. The main purpose of this action was the intention of popularizing and revitalizing exclusive locations through the cooperation and the common investments of foreign investors, mainly through privatization and through the concept of public-private partnership. The Municipality conveyed more than 3 000 000 square kilometers to the jurisdiction of this company, which includes large areas near beaches located just outside of the old city of Budva.

At the local level, in accordance with the topic of this research, it is important to highlight the **Agency for spatial planning** as a local agency founded by Municipality, and the **Tourist organization of Budva**, as a branch of National Tourist Organization.

In Montenegro, the narrow strip of 6 square meters, together with the entire 12 sm zone, has traditionally been defined as maritime public domain for general and special public purposes. **The Public Enterprise for the Coastal Zone Management** (an organization called “JP Morsko dobro”) is the sole owner of this space. Executive functions in terms of adopting spatial plan, issuing licenses and approvals, etc. are in the hands of local and state bodies. JP Morsko dobro generates income from renting the public domain, and invests it in the protection, maintenance, construction and development of the coast. It seems reasonable that JP Morsko dobro should also be entitled to prepare Maritime Spatial Plans in Montenegro.

Map of the NGOs and other elements of the civil society in Budva: the **NGO “Green me”** and the **NGO “Independent civic initiative”** were founded in 2009 and 2001 respectively, with the main goal to work on environmental protection and sustainable tourism in the Budva Municipality.

The “**European Movement in Montenegro – Local Council in Budva**” (EMLCB) is a non-governmental organization (NGO), founded in 2009. The organization mainly deals with projects and programs (obligations of the Municipality of Budva for its European path, organization of training programs and seminar, etc.) in connection with the European integration. As a part of the European Movement in Montenegro¹⁴ (founded in 2002), EMLCB is a member of the International European

¹² When it comes to “local concessions” (within municipality’s territory), the local level status of Montenegro is constrained by the monopoly of the financial assets at a central government level. Law on financing local self-governments has a provision that determinate only 30% of the concession’s allowance to local governments. This provision contributes to further centralization of the country and it is not in collision with EU efforts for decentralization and greater autonomy at the local levels.

¹³ 1. Hotel “Aston martin” co-financed with “DC Invest Limited” from Kuwait 2. Hotel “Hilton” co-financed with British company “Aston Martin” 3. Ground for golf; co-financed with honorary consul of Belgium in Montenegro 4. Tourist villas, 30 000 square meters co-financed with “Restis group” from Greece 5. Tourist complex - Hotel-City co-financed with “Orascom hotels & Development – OHD” from Egypt.

¹⁴The Republic of Montenegro is still fulfilling the criteria of becoming a member of the NATO and the European Union, and because of that there are still many areas in the society which require transformation and democratization. Moreover, coordination and cooperation between various areas and the Montenegro regions should be developed and enhanced. In

Movement. In addition, as a part of this international network, EMLCB shares common objective to "contribute to the establishment of a united, federal Europe founded on the respect of basic human rights, peace principles, democratic principles of liberty and solidarity and citizens' participation".

4.2.1. CONFLICT AND SYNERGIES AMONG KEY STAKEHOLDERS

Matrix of possible conflicts according to possibility¹⁵

	National institutions	Local government	Local agencies	Local NGOs and associations	Local enterprises	Italian partners	International initiatives	Other mayors	Local political parties	National and local media	Citizens
National institutions		Medium	Medium	Medium	Medium	Small	Small	Small	Medium	Medium	Small
Local government			Small	Medium	Medium	Medium	Small	Medium	High	Medium	Small
Local agencies				Medium	Medium	Small	Small	Medium	High	Medium	Small
Local NGOs and associations					Small	Small	Small	Small	Small	Medium	Small
Local enterprises						Small	Small	Small	Medium	Small	Small
Italian partners							Small	Small	Small	Small	-
International initiatives								Small	Small	Small	-
Other mayors									Small	Medium	-
Local political parties										Medium	Medium
National and Local media											Small
Citizens											

Matrix of possible synergies according to possibility

	National institutions	Local government	Local agencies	Local NGOs and associations	Local enterprises	Italian partners	International initiatives	Other mayors	Local political parties	National and local media	Citizens
National institutions		High	Medium	Small	Medium	Medium	High	Small	Medium	High	Small
Local government			High	High	High	Medium	Medium	Medium	High	High	Small
Local agencies				High	High	Medium	Medium	Medium	Medium	High	Small
Local NGOs and associations					Medium	Small	Small	-	Medium	Medium	Small
Local enterprises						Small	Small	-	Small	Medium	Small
Italian partners							Small	Medium	-	Small	-
International initiatives								Medium	Small	Medium	Small
Other mayors									-	-	-
Local political parties										Medium	Small
National and Local media											Medium
Citizens											

Main conflicts are, as usual, between local political parties (authority/opposition) on possible ways for development of tourism and other strategic issues.

order to meet this necessity, the European Movement established a Local council in Budva, as a leading city of the Montenegrin coast, during last December.

¹⁵ The Early Warning System quarterly reports (UNDP)

Main synergies are between the Municipality and local private companies, foreign companies and investors, regarding common investments within the Municipality's territory on tourism capacities and utilities.

4.3 - Multi-level governance

Tourism development is a driving force for the Montenegrin economy. In Montenegro, local touristic strategies have to be in line with the national strategy. This makes the review of local plans complicated, without taking in consideration also the role of the Ministry of Tourism and the Ministry of Spatial Planning and Environment, which manage the tourism and the spatial planning respectively in Montenegro.

However, there are many obstacles and problems, which have to be resolved in the development of sustainable tourism way. The infrastructure problems are significant, especially issues related to the electricity supply during the summer months. Also, tourism difficulties in Montenegro are as follow:

- Strong investment pressure directed towards the coast and the most attractive locations;
- Lack of well trained and skilled staff, especially when it comes to development of complementary form of tourism;
- Unfavorable age and education structure in the rural areas (in terms of their abilities to perform tourism services);
- Short tourism season;
- Major fluctuations in the number of people staying in the coastal area during the high and low season, which has a negative effect on the quality of life of the local people.¹⁶

In order to face these problems and difficulties, the Ministry of Tourism prepared in 2008 the "Montenegro Tourism Development Strategy to 2020", with central goal for Montenegro to become an all-year tourism destination.

Nevertheless, the Budva's Tourism organization sets specific annual goals and plans for the touristic season in Budva as well as coordinates and conducts activities within the municipality during the year.

In the Municipality, everything is subordinated to the development of "tourist utilities". Moreover, in the program in charge of the Municipality' spatial plan (2009), these activities, values and goals were highlighted as follows:

- Reconstruction, adaptation and modernization of existing touristic capacities in order to achieve higher standards;
- Development of ecological and nautical tourism through functional integration of rural areas;
- Expansion of accommodation capacities;
- Education on administrative capacities, in local institutions and agencies;
- Valorization of cultural inheritance as a "tourist approach".

When it comes to the spatial planning, the Municipality adopts a general and a local spatial plan, and plans for particular areas within municipality, but these plans have to be harmonized with the National Spatial Plan and the Maritime Spatial Plan.

¹⁶ "National Strategy of Sustainable Development", Government of the Republic of Montenegro, Ministry of Tourism and Environmental Protection, January 2007, 28 pp.

4.4 - Cooperation dynamics

Currently, there are not much dynamic activities in Budva Municipality in terms of foreign investments and real estate purchases. However, local enterprises and local investors together with domestic partners are still very active and they still consider investments within Budva Municipality as a fruitful business. Also, after a successful touristic season, local management begins preparation of a strategic plan for the revitalizing of the touristic capacities with own resources and with the international assistance in terms of “cooperation projects”.

EU funds are still out of reach for the Budva Municipality. Montenegro is currently waiting for the European Commission’s opinion whether it will receive in the near future the status of candidate. Depending upon this status, institutions and other organizations will have the opportunity to apply for three new components of IPA funds (two IPA components are currently open for Montenegro – Transitional Assistance and Institutional Building, and Cross Border Cooperation).

5. MAIN FINDINGS FROM INTERVIEWS

The Counselor of the Ministry for European integration indicates that Montenegrin municipalities are not well prepared for international networking. Some applied and received IPA fund resources, but Budva Municipality is not one of them.

Although Budva Municipality did not apply for EU resources, the national organization Public Enterprise for Coastal Zone Management took part, during 2007, in the project called “Integrated Maritime Spatial Planning”. The project was partly financed by the European Union within the “INTERREG III B CADSES” Plan Coast Project. The Integrated Maritime Spatial Planning evolved as a combination of tools and procedures, taken from terrestrial spatial planning, and principles of Integrated Coastal Zone Management (ICZM).

In addition, during 2010 The Public Enterprise for Coastal Zone applied with two projects falling within the scope of IPA cross-border cooperation (1.SHAPE – management of the coastal zone & protection of the seaside from erosion 2.protection of the biodiversity of hinterland – joint project - Institute of Marine biology and The Public Enterprise for Coastal Zone Management). These projects are still under approval procedure. The projects will influence the completion of Montenegrin coastal zone.

Representatives of the Public Enterprise for Coastal Zone Management also highlight the project of protecting the area around Katić Isle¹⁷ for the safeguarding of biodiversity (“Marine protected area”).

The Public Enterprise for Coastal Zone Management, alongside with other Montenegrin institutions/organizations, is also part of the Mediterranean action plan (MED POL) under the Barcelona Convention.¹⁸ The Ministry of spatial planning and environment is the coordinator of this project on behalf of Montenegro. As a signatory of the Barcelona Convention, Montenegro has an obligation to submit to the MEDPOL secretariat, annually, reports on the state of the marine ecosystems of Montenegro.

¹⁷ Budva Municipality.

¹⁸ Convention for the Protection of the Mediterranean Sea against Pollution, signed on 16th February, 1976, and in force since 12th February, 1978 (revised in Barcelona, Spain, on 10th June, 1995 as Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean).

However, the head of the Socialist People's Party of the local alderman's club states that Budva Municipality's authorities derogate the Barcelona Convention regarding the construction of the buildings (100 meters from the seaside). He also considers that damage regarding spatial planning in Budva Municipality has been done irreversibly, and underlines many "controversial" statements of leaders of the ruling coalition related to urbanization in the Municipality. In his opinion, these statements explicitly confirm non-transparent and illegal activities in spatial planning within the Municipality.

Local Socialist People's Party fights against illegal construction and all transparency problems in spatial planning in the Municipality. The Party used to run the Municipality from 2002 to 2006, and currently is the strongest opposition party in the local assembly.

As for competencies on spatial planning, under the Strategic Environmental Assessment Law, the Environment Protection Agency of Montenegro has the authority to prepare reports on strategic environmental assessment for every tourist or housing complex in the country. Construction of individual buildings requires an assessment on potential environmental risks. However, integral Spatial Plan for the Municipality of Budva does not include this report.

In order to address problem related to inadequate implementation of this Law, the Ministry for Spatial Planning and GTZ's office in Montenegro will organize workshop on the implementation of Law on strategic environmental assessment on a local level. Workshop, probably, will be organized in Podgorica, capital of Montenegro, but the topic of the workshop will affect all Montenegrin municipalities.

Representatives of the Agency believe that ruined system of drained piping in the Municipality is one of the central problems for the environment, the Municipality's budget, and even for sustainable tourism.

As stated earlier, general spatial plan for Budva Municipality is adopted in local assembly. Once approved, the plan is further processed by the Agency for construction of Budva. Under the spatial planning Law, local institutions/agencies have an obligation to produce annual reports on the activities in the spatial planning within Municipality. In Budva Municipality, this activity is within the jurisdiction of the Agency for spatial planning.

The Counselor of the Tourism organization of Budva also underlines the organization's limited administrative capacities in terms of applying for IPA resources. Though the greatest part of the organization's employees attended training program organized by Secretariat for the cross-border cooperation between Montenegro and Croatia,¹⁹ the organization did not apply for IPA resources yet. She highlights the importance of the SeeNet project.

The coordinator of public relations of the Tourist Organization of Budva spoke about ambitious plan of the organization for the upcoming New Year celebration. She also emphasized many traditional touristic manifestations²⁰ during the year. The preparation of a calendar of events for Budva Municipality is the result of an attentive strategy aimed at attracting guests during the entire year.

The coordinator of the SeeNet project and the counselor of Budva Municipality informed the Municipality is currently under reconstruction in order to change its administration. During the last two months the Municipality's Mayor made changes regarding positions covered by administrator, manager, secretaries of all six secretariats and directors of the local agencies, including the director of the Agency for spatial planning. The Municipality's administration intention is to reduce the number of employees, with a central goal to create a modern and efficient administration.

¹⁹ Situated in the Municipality of Kotor

²⁰ Carnivals, music festivals, concerts, traditional celebrations, etc.

The NGOs, “Independent civic initiative” and “Green Me”, managed many projects on environmental protection in the past. While the “Independent civic initiative” was founded as non-governmental organization with broad range of activities, its main projects until now were environment-related. Green me’s executive director highlights the ongoing project, “Selection of dropping”, which grouped together the Ministry of Environment and Spatial Planning, the Municipality’s public service, the Tourist organization of Budva, and all concerned NGOs at local level. The project is partly financed by Budva Municipality. It is a project aimed at providing adequate containers for garbage/trash, which will ensure further treating of dropping in accordance with EU standards for environmental protection.

“Independent civic initiative” and “Green me” distribute advertising material, publications and brochures and have websites which are regularly updated. All these activities are efforts aimed at raising awareness among the citizens about the necessity to contribute to the environmental protection in Budva Municipality.

From 2000 to 2005 “Independent civic initiative” realized a pilot project called “Alternative ways for spatial planning in the Municipality of Budva”. The NGO “Independent civic initiative” was against the local authorities’ idea of changing Budva into a Municipality similar to large populous cities. The NGO even engaged foreign architects during the project activities, but, unfortunately the initiative was unsuccessful.

Local NGOs are interested in applying for IPA resources, but it is very complicated for them to even consider it, due to the limited human resources and limited budgets.²¹ Moreover, employees in local NGOs are not full-time employed and all of them work almost on a voluntary basis.

In order to provide technical assistance to the local NGOs, the European Movement in Montenegro/Local council in Budva has the intention to organize training programs and seminars for the NGO’s representatives concerning EU application form and other project activities related to applications for international donors resources. The European Movement also wants to offer similar program and set of lectures on European integration history and EU institutions to the members of the local assembly. This NGO organized celebration of the “Day of Europe” in May.

The correspondent of the weekly newsletter, “Monitor”, from Budva, considers spatial plan for the Southern Adriatic coast, composed during ‘80s under the United Nation guidelines, acceptable and applicable for Budva Municipality. Nevertheless, recommendations from this plan were never used in the Municipality. During 2006, local assembly adopted almost each spatial plan for the Municipality’s territory from Jaz to Buljarica.²² These plans were unacceptable and pushed many authorities in municipality to resign from their position.²³ The central problem was the systematic approach which abolished almost every part of nature resources and parks in the Municipality. The plans also foresee a wide range of high buildings across the seaside. Moreover, general spatial plan for Budva Municipality is not harmonized with the national spatial plan, and besides, local assembly adopted it before the national one has approved it in the Parliament.

The journalist states that the Law on spatial planning in Montenegro is not harmonized with the relevant EU directives.

The correspondent of the daily newspaper, “Vijesti”, believes that authorities of the Municipality are trying to solve the problem of mass illegal construction with “forceful” campaign for repayment of public charges (utilities). These public charges comprise amount of more than hundred million Euros

²¹ The organization has to have at its disposal an amount of cash of 10,000 euro before applying for IPA funds or funds of other international donors.

²² Beaches – borders of the Municipality's territory, Jaz – border with the Municipality of Kotor, Buljarica – Municipality of Bar.

²³ One of them was deputy mayor at that time.

only for the center of the Municipality. Moreover, construction of the famous tourist complexes and hotels in the Municipality also were started prior the adoption of the Municipality's spatial plans, and each one was illegal during the first phase of construction.

The journalist considers that "story of illegal construction" has its background from occurrences during the local war in the '90s, and uncontrolled flows of capital and investments from 2005 until now.

In his opinion there are many directions for a development of tourism in the Municipality. First of all, it will be properly to protect some of the current trends. The center of the Municipality is best known for manifestations, concerts and festivals during the entire year. Neighborhood settlements are focused on congress tourism, while Sveti Stefan and Miločer preserved "high-ranking tourism". Secondly, it will be appropriate to popularize many religious structures within Budva Municipality. Budva is rich of religious monuments. Moreover, seven of the twenty-one Montenegrin monasteries are situated on its territory, and some of them have their origin from the XIV century. Finally, the journalist states that Budva has to return to the previous methods of attracting foreign guests, which deactivates the interposition of tour operators.

As mentioned before, Network for affirmation of NGO sector conducted many researches on spatial planning in the Municipality of Budva. "In order to identify areas in spatial planning and development at the local level which are necessary to monitor specifically and develop accordingly indicators for monitoring work of competent republic and local institutions, MANS organized consultations with citizens from three pilot municipalities - Podgorica, Budva and Žabljak. Citizens of these municipalities said that the process of spatial planning in their communities was very non-transparent and that it left room for abuse of office and corruption of local officials, which directly influenced devastation of space and its unsustainable use."²⁴

6. CONCLUSIONS

The beauty of the leading tourist destination in Montenegro is seriously violated by uncontrolled urbanization, taken place over the past few years. Moreover, the issue of spatial planning in Budva municipality was subject to many controversial newspaper stories and was the central topic of political debates in the local assembly during these years.

There are many different perspectives on how the current situation can be improved. But, the number of recommendations for the Municipality's center is still smaller than for the rest of it.

Local spatial plans (for almost all parts of the Municipality) were implemented during 2006 and all of them are disputable. There are few questionable issues in local spatial planning strategy.

First of all, the question of prevention and protection of the Mediterranean's authentic appearance, which is one of the Municipality's central attribute. Secondly, it is also open to discussion the following question: does the enormous number of habitations really meet requirements of the exclusive tourist destination? In line with this doubt it is also the negative impact of these so-called "illegal constructions" on the economy and tourism in the Municipality.²⁵

²⁴ Statistical data; Initiatives for starting procedures for inspection control, MANS.

²⁵ Journalist of daily newspaper "Vijesti" shared information that there were more than 800,000 square meters of illegal constructions during the 2003 in Budva. This fact was an assessment of the working group formed by the mayor of the Municipality at that time.

Furthermore, together with the disputable spatial plans, local authorities allow investors to realize their ambitious plans with frequent and usual changes in the Spatial plan according to the needs of the investors. Also, Budva municipality adopted 66 planning documents from 2006 to 2008, and these documents legalized many illegal constructions within Municipality. The director of the Agency for spatial planning at that time emphasized the importance of the fact that tourist objects in this area would not have a limit on the number of storey, while the ones constructed for living or as business premises would have such a limit. He added that the Municipality has changed the spatial plan in some areas, which define development for tourist purposes.

Regardless to the harm which is done to the spatial planning of the Municipality, there are many areas and beautiful unexplored parts of the Budvanska rivijera which still can be utilizable.

When it comes to administrative capacities of the Municipality there is an urgent need for its systematization. Although, a large number of the local employees were educated on the EU integration process, the Municipality is still unprepared on mandatory restrictions, which local authorities need to address on their European path. Even more, there are just few officials/employees in the Municipality who are involved in “European affairs”.

Finally, regarding budgetary limitations and immediate financial crises, the Municipality has to develop a precise strategy on budgetary expenditures and allocation of the resources. The Municipality must be able to demonstrate that it has the capacity to manage resources efficiently and work for the interests of its citizens.

ANNEXES

A. List of interviews

1. **Ministry of Tourism** – Deputy Minister
2. **Ministry for European integration** – Counselor in Sector for IPA funds
3. **The Public Enterprise for Coastal Zone Management** – a) Chief of the Department for the Sustainable Development; b) Counselor for the Environmental Protection c) Collaborator for the maintaining of watering places - Member of the Coordinating team within Municipality of Budva for the SeeNet project
4. **Environment Protection Agency of Montenegro** – a) Counselor in the Sector for monitoring, analysis and reporting b) Counselor in the Sector for issuing licenses
5. **Municipality of Budva** – Counselor for Education and European integration; Coordinator of the SeeNet project in the Municipality of Budva
6. **Agency for Spatial Planning, Municipality of Budva** - Counselor
7. **Tourist Organization of Budva** – a) Coordinator for public relations b) Counselor; Member of the Coordinating team within Municipality of Budva for the SeeNet project
8. **Socialist People Party** – Head of the Socialist People’s Party local alderman club
9. **NGO “Green Me”** – Executive Director
10. **NGO “Independent civic education”** – Executive Director
11. **NGO “European movement in Montenegro – Local council Budva”** – President
12. **“Monitor”**, weekly newsletter – Journalist – Correspondent from Budva
13. **“Vijesti”**, daily newsletter – Journalist – Correspondent from Budva

B. Reference sources and documents:

1. Action plan for the reform of the municipalities, Government of Montenegro, 26th February 2009
2. Central Register of Commercial Court, December 2007
3. Law on Spatial Development and Construction of Structures, Official Gazette of Republic of Montenegro, No. 51/08
4. Law on Spatial Planning and Arranging, Official Gazette of Republic of Montenegro, No. 28/05
5. Law on local Self-Governance, Official Gazette of Republic of Montenegro, No. 42/03
6. Montenegro Tourism Development Strategy to 2020, Podgorica, December 2008
7. National program for integration into European union for the period 2008-2012, Government of Montenegro
8. “National Strategy of Sustainable Development“, Government of the Republic of Montenegro, Ministry of Tourism and Environmental Protection, January 2007
9. Privatization plan for 2010, Government of Montenegro
10. Program charge for spatial plan for the Municipality of Budva (2009)
11. Real Estate Market in Montenegro: Trends and Expectations, CEED Consulting Team 2007
12. Statistical data; Initiatives for starting procedures for inspection control, MANS
13. Statistical Yearbook 2007, MONSTAT
14. The Government of Montenegro, the Ministry of Finance – Economic and Fiscal Program for Montenegro 2007-2010

C. Other Annexes

Units of register by organizational form, ownership, origin, capital, and main location, as of 31st December 2007²⁶

	BUDVA
TOTAL	2708
Organizational form	
Partnerships	57
Limited partnerships	9
Joint-stock companies	18
One-member stock companies	-
Companies with limited liability	754
One member companies with limited liability	1565
Social enterprises	-
Public enterprises	-
Utilities	-
Business associations	1
Cooperatives	7
Banks	1
Other financial organizations	-
Stock markets	-
Stockbrokers company	-
Joint-stock insurance companies	-
Agency for other services in insurance	-
Governmental bodies	8
Judiciary organs	1
Local self-management organs	-
Political organizations	-
Social organizations	93
Citizens' associations	104
Institutions	47
Other organizational forms	35
Type of ownership	
Private	2413
Cooperative	7
Mixed	21
State	16
Social	2
Other	249
Origin of the capital	
Domestic	1534
Foreign	794
Mixed	131
Origin non stated	249

²⁶ Source: Statistic Yearbook, MONSTAT, 2008.

Units of Register by economic activities and main location, as of December 31, 2007

	BUDVA
TOTAL	2708
Agriculture, forestry and waterpower engineering	4
Fishing	4
Mining and quarrying	3
Manufacturing	105
Electricity, gas and water	6
Construction	387
Whole sale and retail trade, motor vehicles repair	646
Hotels and restaurants	382
Transport, storage and communications	163
Finance intermediation	11
Real estate activities, renting	658
Public administration and social insurances	18
Education	13
Health and social work	26
Other public, social and personal services	272
Extraterritorial organizations and bodies	10

Population of the Municipality by religious affiliation

Total	Islam	Judaic	Catholic	Orthodox	Protestant	Pro-oriental cults	Other religion	Non declared	Atheists	Unknown
15909	329	-	423	14142	20	2	43	553	267	130

Births

Year	Births			Live Births				
	Total	Live births	Stillbirths	Sex		Place of birth delivery, and professional assistance		
				Male	Female	In health care facility	In another place	
							With professional assistance	Without professional assistance
2003	220	219	1	111	108	218	1	-
2004	175	175	-	87	88	175	-	-
2005	194	193	1	113	80	191	2	-
2006	183	183	-	101	82	183	-	-
2007	252	251	1	134	117	251	-	-

Natural changes of population

Year	Mid-year estimates of population size	Natural increase	Live births per 1000 inhabitants	Deaths per 1000 inhabitants	Infant deaths per 1000 live births	New marriages		Divorces	
						Total	Per 1000 inhabitants	Total	Per 1000 new marriages
2003	15821	104	13.8	7.3	9.1	97	6.1	14	144.3
2004	16088	61	10.9	7.1	5.7	78	4.8	19	243.6
2005	16280	89	11.9	6.4	0.0	87	5.3	20	229.9
2006	16510	60	11.1	7.5	-	107	6.5	23	215.0
2007	16736	143	15.0	6.5	4.0	120	7.2	20	166.7

Housing construction

Year	Dwellings built, Total		Dwelling by number of rooms					Unfinished dwellings	
	Number	m ²	Studio and 1-room	2-room	3-room	4-room	5-room and larger	Number	m ²
2003	375	20217	205	133	37	-	-	606	34391
2004	268	16040	67	103	71	23	4	832	46140
2005	439	24481	115	273	32	12	7	628	34302
2006	493	28615	161	176	102	37	17	401	22474
2007	230	12757	20	160	34	10	6	519	29276

Prices of newly built dwellings per 1 m² in EUR²⁷

	2003	2004	2005	2006	2007
Montenegro	728	639	813	1087	1332
BUDVA	1088	895	932	1377	1527
Podgorica (Capital)	792	744	798	868	1072

Basic data on development of Budva municipality

Census	Share of agricultural population as % of total pop.	Share of active population as % of total pop.	Share of illiterate population as % of total pop.	Number of citizens in town	Density	Number of settlements	Number of house hold	Number of house hold members	Population growth	Vital Index
1991	1.0	44.2	2.6	7178	96	33	3777	3.1	102	2.2
2003	0.8	46.4	1.0	10918	130	33	5218	3.0	104	1.9

²⁷ Source: Statistic Yearbook, MONSTAT, 2008

Municipality participation in the Montenegrin coastal zone

Municipality	ha	%
H. Novi	491.7 ha	8.49 %
Tivat	746.3 ha	12.89 %
Kotor	215.9 ha	3.73 %
Budva	220.6 ha	3.81%
Bar	796.5 ha	13.76 %
Ulcinj	3,318.4 ha	57.32 %
The Coastal Zone	5,789.4 ha	57.894 km²

Local democratic governance in Vojvodina

by Dragisa Mijacic (InTER, Belgrade)

Assignment done under the CeSPI guidance

First Report

SeeNet Programme

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



November 2010

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ACRONYMS AND ABBREVIATIONS

ADA	Austrian Development Agency
ADF	America's Development Foundation
AP	Autonomous Province
APF	Agricultural Export Promotion Fund
BBI	Building Business Incubators (BBI)
BSC	Business Certification Scheme
CBC	Cross-Border Cooperation
CeSPI	Centro Studi di Politica Internazionale
CESS	Centre for Strategic Economic Studies
ERDF	European Regional Development Fund
EU	European Union
FDI	Foreign Direct Investments
FVG	Friuli Venezia Giulia
FP	Framework Programme
GDP	Gross Domestic Product
GTZ	Gesellschaft für Technische Zusammenarbeit
ICT	Information and Communication Technologies
INePS	Italian Negotiated Programming in Serbia
InTER	Institute for Territorial Economic Development
IPA	Instrument for Pre-Accession
IRDP	Integrated Regional Development Plan
IQS	Integrated Qualification Scheme
SEE	South East Europe
SECEP	Support to Enterprise Competitiveness and Export Promotion (EU funded Project)
SME	Small and Medium-sized Enterprises
UNDP	United Nation Development Programme
UNOPS	United Nations Office for Project Services
USAID	U.S. Agency for International Development
VIP	Vojvodina Investment Promotion (Fund)

Map of the Republic of Serbia



Source: Geology.com

INTRODUCTION

SeeNet Programme is a trans-local network for cooperation between institutions from Italy and the South East European countries in order to strengthen governance skills and promote sustainable local development. The Government of the Republic of Italy, six Italian Regions and one autonomous province fund the programme, which will last for 36 months with a total budget of approximately 11 million Euros.

The central actors of the programme are representatives of the Italian regions: Tuscany (the leading partner), Emilia Romagna, Friuli Venezia Giulia, Piedmont, Marche and Veneto, as well as the Autonomous Province of Trento and the agencies: ANCI, ERVET, INFORMEST, CeSPI, Observatory on the Balkans, ALDA and Oxfam Italia. The programme also involves 47 different local and regional authorities from seven countries in South East Europe. The programme aims at fostering the dialogue among states, institutions and local communities in South East Europe for the effective development of the involved territories in a long-term partnership at regional level and with the Italian system of decentralised cooperation.

The programme will be developed through two key types of action, which are complementary and synergic with each other:

- **Horizontal actions**, i.e. a set of activities supporting the whole programme and consisting of the following projects: (1) Institutional building, (2) Information and dissemination of information, (3) Research, and (4) Partnership among local authorities.
- **Vertical actions**, organised in the main thematic sectors to develop networking between multiple partners / territories, with direct effect in certain regions of Southeast Europe. Nine territorial initiatives have been identified that will focus on the following topics: (1) Valorisation of cultural tourism, (2) Valorisation of rural areas and natural environment, (3) SME support and cross-border entrepreneurial cooperation and (4) Territorial planning and social services.

The herewith-presented report is the first of five research papers, produced as an output of the “Horizontal Action (3) on Research”. The report focuses on analysis and systematisation of the governance modalities and experiences for local development in the Autonomous Province of Vojvodina in the Republic of Serbia.

The Autonomous Province of Vojvodina is a SeeNet partner on the vertical project called “Transgrowth” or entrepreneurial animation in favour of transnational increase of integrated local production systems, which falls within “Vertical Action (3) SME support and cross-border entrepreneurial cooperation”. Within the framework of the Transgrowth project, partners in Vojvodina will work primarily on development of wine and fruit growing sectors.

Taking that into consideration, the report first analyses the governance system in the Autonomous Province of Vojvodina and socio-economic conditions of the territory, with a special emphasis on the agricultural, fruit, and wine sectors. Furthermore, the project gives an overview of development via cooperation, followed by the history of cooperation with Italy. At the end, the report provides an analysis of the stakeholders and potential partners of the Transgrowth projects and finishes with key conclusions.

The report is written by Dragisa Mijacic, a researcher from the Institute for Territorial Economic Development (InTER) in Belgrade, under the supervision of CeSPI in Rome. The applied methodology includes primary and secondary data analysis, with primary data collected through semi-structured interviews with key stakeholders during the October 11-15, 2010 period.

1. LOCAL CONTEXT

1.1 General Information

Vojvodina¹ is an autonomous province of the Republic of Serbia, located in the northern part of the country and bordering Romania in the east, Hungary in the north, Croatia in the west, Bosnia-Herzegovina in the south-west and Central Serbia in the south. It covers an area of 21,506km², which represents approximately one quarter of the territory of the Republic of Serbia. Vojvodina consists of three historical regions (Srem, Banat and Backa), 7 administrative districts and 45 municipalities, of which six have city status² (Novi Sad, Zrenjanin, Sombor, Subotica, Pancevo and Sremska Mitrovica). Figure 1 presents the territorial-administrative division of Vojvodina, with the seven districts marked in different colours and the municipal boundaries outlined.

Figure 1: Administrative division of the Autonomous Province of Vojvodina



¹ Vojvodina is the Serbian word for the land ruled by a military ruler. In English it is the equivalent of Duchy.

² According to the Law on Self-Government (the Official Gazette of the Republic of Serbia, no. 129/07), territorial units can get the status of 'city' if they have more than 100,000 inhabitants (Article 23 of the Law). In exceptional cases the status might be awarded to the territorial units with less than 100,000 inhabitants (ibid, paragraph 2). Cities have the right to establish more than one municipal government units on their territories.

1.2 Demography

According to 2002 census, Vojvodina has 2,031,992 inhabitants³. The majority of inhabitants live in urban areas (56.7% or 1,152,295 inhabitants), while the remainder live in rural villages (43.3% or 879,697 inhabitants). According to gender structure, 984,942 (48.47%) are male and 1,047,050 (51.53%) are female. The agricultural population accounts for 215,147 inhabitants or 10.59% of the total population.

Municipal units on average cover an area of about 500km², with slightly less than 50,000 inhabitants. However, the dispersion of the municipality area varies from 51km², which is the area of the smallest municipality of Sremski Karlovci to 1,326km² for the largest municipality of Zrenjanin. In terms of number of inhabitants, the smallest is again Sremski Karlovci with 8,837 inhabitants while the largest is Novi Sad with a population of 299,294. The average population density is 95 inhabitants per km² (in Serbia it is 98 inhabitants per km²), though this figure varies between municipalities, having a scale of 31 inhabitants per km² in the municipality of Secanj up to 428 inhabitants per km² in Novi Sad.

The age structure of Vojvodina's population displays the characteristics of a regressive or ageing population, the consequence of a decrease in the young, reproductive age group. However, this trend is valid for Serbia in general. In 2008, the average age in Vojvodina was 40.6 years, which was 0.5 year lower than the average age at the country level (41.1 years). The decline in the birth rate and ageing of the population has caused changes in the gender structure as well, the characteristic of which is a decline in the proportion of the male population.

Vojvodina is among the most multiethnic regions in Europe, since the ethnic composition of the population is quite heterogeneous. More than 25 ethnic groups live in Vojvodina, of which the majority are Serbs (65%), then Hungarians (14.28%), Slovaks (2.79%) and Croats (2.78%). In addition, there are many other ethnic groups, including – among others – ‘Yugoslavs’⁴, Montenegrins, Romanians, Roma, Ukrainians, Germans, Macedonians, Bunjevacs, Sokacs, Slovenes and Muslims. Based on its multi-ethnic composition, Vojvodina has six official languages: Serbian, Hungarian, Slovakian, Romanian, Russian and Croatian. The religious structure of the population follows the ethnic composition.

According to 2002 Census, only 24.9% of Vojvodina inhabitants had primary education, 43.9% had completed secondary school and 4.3 % had a high school diploma, while only 5.2% had university education. About 21.7% of the population in Vojvodina had not finished primary school, or their level of education remained unknown. There was a difference in education between genders, with men being better educated than women throughout the age groups and the education levels.

1.3 Historical Legacy of Self-government

Vojvodina is a territory with great historical legacy in self-government. The autonomous status of Vojvodina was first awarded in 1849 when the Austro-Hungarian Empire created an administrative unit called *Serbian Vojvodina and Tamis Banat*⁵ (in German: *Wojwodowena und Banat*). Habsburg

³ The number of inhabitants in Vojvodina (and in Serbia in general) decreases every year. The estimate of the Statistical Office of the Republic of Serbia, calculated a number of 1,963,256 inhabitants for Vojvodina on December 31, 2009, which is 68,736 people less than 2002 figure.

⁴ Yugoslavs are an ethnic group that found their identity within the concept of former Yugoslavia. Members of this ethnic group usually, though not exclusively, come from inter-ethnic marriages where ethnic origin cannot be easily determined. Due to heterogeneous ethnic composition of Vojvodina, ‘Yugoslavs’ are much more represented in this province than in all other parts of the Republic of Serbia

⁵ It should be outlined the territory of Serbian Vojvodina and Tamis Banat does not correspond fully to today's boundaries of Vojvodina Province.

Emperor Ferdinand extracted these ethnically mixed areas from Hungary and formed a crown land under his direct jurisdiction. However, in 1860 this status was withdrawn and Vojvodina became incorporated into the Hungarian administrative control.

In late 1918, after the Great War and the collapse of the Austro-Hungarian Empire, the Serbian Assembly of Novi Sad proclaimed the union of Backa, Banat, Srem (Syrmia) and Baranja with the newly established Kingdom of Serbs, Croats and Slovenes. Within the territorial organisation of the Kingdom, Vojvodina was part of the Dunavska Banovina (Danube region), with Novi Sad as its capital city.

After World War II, Vojvodina restored its autonomy within the Republic of Serbia, under the boundaries that are still valid today. At every change in the Yugoslav Constitution, the autonomy of Vojvodina was increased, achieving its maximum height with the Yugoslav Constitution of 1974, when Vojvodina got its own constitution, presidency, constitutional and supreme courts and many other important institutions. Furthermore, Vojvodina got voting rights equivalent to Serbia itself on the country's collective presidency.

Despite the creation of these constitutional changes, from 1990 Vojvodina lost most of its competencies. Vojvodina kept the right of its own Assembly and Executive government, though their competencies were rather limited and heavily controlled by the central authorities from Belgrade.

After 16 years of restrictions on self-governance, Vojvodina has re-established its autonomy through the new Serbian Constitution adopted in 2006, and finally confirmed by the Statute of Vojvodina, adopted by the Parliament of Serbia in 2009 and applied as of January 1, 2010.

Article 184 of the Serbian Constitution stipulates that the Budget of the Autonomous Province of Vojvodina is at least 7% of the Budget of the Republic of Serbia, while three sevenths of the Vojvodina Budget has to be allocated to capital investment (Serbian Constitution 2006). This provision gives good ground to the Provincial Government to invest in socio-economic development in the region.

The Statute of Vojvodina has been accompanied by laws establishing the jurisdiction of the AP of Vojvodina, which transfer 348 competencies grouped into 20 different areas including: spatial planning and regional development, agriculture, forestry and water management, tourism, hunting and fishing, industrial and economic development, health, education, social welfare, culture, sport, traffic, environmental protection and many others. According to the Statute, Vojvodina has the right to have a unicameral Assembly and Executive Government and its own symbols (including the flag and the coat of arms, see Figure 2). The Vojvodina Assembly has also adopted Beethoven's 'Ode to Joy' as its anthem.

Figure 2: Symbols of the Autonomous Province of Vojvodina



Flag



Coat of Arms

1.4 The Assembly

Vojvodina's Assembly has 120 seats, elected for a term of four years. There is a combined electoral system where 60 seats are elected through a system of popular direct vote, and the other 60 seats allocated through proportional representation. The last elections were held on 11th May 2008, in which seven coalitions and political parties won Assembly seats.

The moderate multi-ethnic coalition “For a European Vojvodina”, led by the Democratic Party, won the 2008 election and gained an absolute majority of seats in the Assembly (64 of 120). The results of the elections clearly showed that citizens of Vojvodina were far more supportive of this coalition than of nationalistic mono-ethnic parties, such as the Serbian Radical Party or the Hungarian Coalition, both of which recorded a notable decrease in support among citizens as compared to the 2004 elections.

The Assembly has a President, Vice-President and 20 Assembly Committees. The Assembly has the right to adopt bylaws and regulations in line with competencies inferred by the Constitution, the Statute of Vojvodina and the Law on establishing the jurisdiction of AP Vojvodina.

1.5 The Executive Government

The Autonomous Province of Vojvodina has rights over the executive branch of the government. The executive government is accountable to the Assembly, with rights and duties, which are laid down by the Constitution of the Republic of Serbia and by the Vojvodina Statute, as its supreme legal acts.

The executive government has a President, four Vice-Presidents and 17 secretariats, with three of the Vice-Presidents also being heads of the secretariats. The President of the executive government is Dr. Bojan Pajtic from the Democratic Party and leader of the coalition “For a European Vojvodina”.

Following the 2008 elections, the Executive Government of Vojvodina is composed of the following parties: the Democratic Party, G17 Plus, the Hungarian Coalition, the League of Social Democrats of Vojvodina and the Socialist Party of Serbia. The opposition political parties are: the Serbian Radical Party and the coalition of the Democratic Party of Serbia – New Serbia.

Box 1: Secretariats of the Provincial Government

Vojvodina executive government has the following secretariats:

- Secretariat for Finance;
- Secretariat for Information;
- Secretariat for Economy;
- Secretariat for Inter-Regional Cooperation;
- Secretariat for Agriculture, Water Management and Forestry;
- Secretariat for Education;
- Secretariat for Culture;
- Secretariat for Health;
- Secretariat for Regulations, Governance and National Minorities;
- Secretariat for Energy and Mineral Resources;
- Secretariat for Science and Technological Advancement;
- Secretariat for Architecture and Urban Planning;
- Secretariat for Social Welfare and Demographics;
- Secretariat for Labour, Employment and Gender Equality;
- Secretariat for Sport and Youth;
- Secretariat for Environmental Protection and Sustainable Development;
- Secretariat for Local Government and Inter-municipal Cooperation

The competencies of the Secretariats are constrained by the law that establishes the jurisdiction of AP Vojvodina, leaving many important areas within the jurisdiction of the central government. For instance, although Vojvodina is predominantly agricultural territory, the majority of jurisdiction in this field remains in the hands of central government. Therefore, the Secretariat for Agriculture has a limited or rather declarative role in this sector. A similar case exists with a majority of other sectors including local self-government and inter-municipal cooperation, education, health, finance, economy, sports and youth, etc.

The budget of the Autonomous Province of Vojvodina is about 700 million Euros per annum.

1.6 Public Enterprises

The Assembly has the right to establish public companies and institutions of special interest. In that regard, four public companies were established: a water management company, a forest management company and the national park “Fruska Gora”. The urban and spatial institute of the Autonomous Province of Vojvodina has been established in 1950 as a socially owned enterprise. In 2002 the institute has been

transformed into a public company as it operates today⁶. Two public companies for managing water and forest resources have been established by taking responsibilities from national companies that used to manage those resources. Finally, the national park “Fruska Gora” ownership has been shifted from the central government to the Vojvodina government.

Besides those enterprises, the province of Vojvodina has about 20 other institutions of public interest such as museums, archives, theatres, ethnic and cultural-heritage protection institutions, etc.

1.7 Institutional Framework for Economic Development Support

In the last ten years, Vojvodina Government has paid a lot of attention to creating institutional frameworks for supporting economic development. In cooperation with donor agencies, the following agencies and development funds have been created:

- Vojvodina Investment Promotion Fund (VIP)⁷: VIP was established in 2004 by the Assembly of the Province of Vojvodina as an official provincial investment promotion agency with a goal to facilitate FDI inflow and provide support to foreign investors in Vojvodina. VIP has a mandate to perform activities such as location marketing, investment climate benchmarking, provision of assistance to potential investors with concrete investment projects and cooperation with institutions specialised in FDI promotion worldwide.
- Fund for Capital Investments⁸: The Fund for Capital Investments was established in 2006 by the Assembly of the Province of Vojvodina with the mission of developing and implementing programmes and projects of capital importance for the province. Most of the supported projects are related to development of large infrastructure projects, such as building roads, water supplies and sewerage treatment plants, but also construction of hospitals, schools and sports facilities, etc.
- Vojvodina Guarantee Fund⁹: the Assembly of the Province of Vojvodina established Vojvodina Guarantee Fund in 2003, with goal of facilitating access to the financial market and providing better credit conditions than those offered by the banks. The fund provides guarantees to banks as collateral of regular bank loan repayments from individual farmers, private entrepreneurs and small and medium enterprises that are domiciled and/or whose registered office is in the territory of the Autonomous Province of Vojvodina
- Vojvodina Development Fund¹⁰: Vojvodina Development Fund was established in 2002 by the Assembly of the Province of Vojvodina with the purpose of creating conditions for giving impetus to the development of infrastructure, economy and balanced regional development. Thus, the Fund supports the implementation of development projects in various sectors such as, infrastructure, agriculture, economy, SME and Entrepreneurship, balanced regional development, etc.
- Vojvodina Agriculture Development Fund¹¹: the Vojvodina Agriculture Development Fund was established in 2001 by the Assembly of the Province of Vojvodina with the purpose of agricultural

⁶ More information on the urban and spatial planning institute of Vojvodina can be found at the website www.zavurbvo.co.rs, last visited November 29, 2010.

⁷ More information on VIP can be found at the website www.vip.org.rs, last visited October 30, 2010.

⁸ More information on the Fund for Capital Investments can be found at the website www.fkuapv.org, last visited October 30, 2010.

⁹ More information on the Vojvodina Guarantee Fund can be found at the website www.garfondapv.org.rs, last visited October 30, 2010.

¹⁰ More information on the Vojvodina Development Fund can be found at the website www.vdf.org.rs, last visited October 30, 2010.

¹¹ More information on the Vojvodina Agriculture Development Fund can be found at the website www.fondpolj.vojvodina.gov.rs, last visited October 30, 2010.

development in Vojvodina. The Fund provides financial support to projects aimed at increasing the competitiveness of agricultural production in Vojvodina and increasing export shares in this sector.

- Development Bank of Vojvodina¹²: in 2009 the Autonomous Province of Vojvodina purchased 61.9% of shares of the Metal-Bank and became its majority owner. In 2010 the bank's name was changed to the Development Bank of Vojvodina. Although the bank is a joint-stock company, founded under the private law, it is expected that it will contribute to the development of Vojvodina by providing credit loans that are more favourable than those offered by other banks.

- Centre for Strategic Economic Studies "Vojvodina-CESS"¹³: Vojvodina CESS was established in 2004 by the Vojvodina Government and the University of Novi Sad, as one of the fourteen priority projects defined in the Integrated Regional Development Plan of the province. Vojvodina CESS has been established with the goal of improving applied macroeconomic research in Vojvodina. Vojvodina CESS has been developed into a think-tank institute with significant capacity for analysis of economic trends, economic forecasts and regional planning.

1.8 Economy

Vojvodina's economy is dominated by the food processing industry and agriculture, although some other sectors are also significant such as coke and oil derivatives, chemicals and chemical products, banking and financial services, information and communication technologies, forestry, hunting, trade and distribution services, etc.

In 2007 there were about 22,001 active companies in Vojvodina¹⁴, with 275,395 employees that accounted for 25.1% of the total number of employees in Serbia (see Table 1). The sum of employees and entrepreneurs¹⁵ is 360,738.

Table 1: Number of companies and employees in Vojvodina and Serbia

	Vojvodina		Serbia	
	# of Companies	# of Employees	# of Companies	# of Employees
Total	22,001	275,395	84,109	1,097,913
Privately-owned	19,973	184,763	77,867	685,913
State-owned	162	34,016	582	175,748
Socially-owned ¹⁶	714	18,068	2,751	93,466
Joint ventures	381	33,552	1,095	132,659
Cooperatives	771	4,996	1,814	10,127

Source: Vojvodina-CESS 2010, p.161

¹² More information on the Development Bank of Vojvodina can be found at the website www.rbv.rs, last visited October 30, 2010.

¹³ More information on the Vojvodina-CESS can be found at the website www.vojvodina-cess.org, last visited October 30, 2010.

¹⁴ The methodology applied in the Study considered only the companies that submitted the final annual financial report for 2007. Number of registered companies is bigger, though the difference makes companies that are not economically active.

¹⁵ Under Serbian Business Law, the Business entity can be registered as a company or as 'entrepreneur', where 'entrepreneur' is considered as 'person performing activities independently from employed persons'. Examples of entrepreneurs are taxi drivers, artisans, craftsmen, small retail shops, etc.

¹⁶ *Socially-owned* companies were created during communism by the Law on Enterprises of Yugoslavia with the notion that factories should belong to the workers and people. During the past 20 years, the majority of socially-owned companies were privatised, yet some of them (presented here in numbers) remain pending in that process.

Due to the economic crisis, the total number of people employed decreased in 2008 to 274,613 (with entrepreneurs to 359,791), and again in 2009 to 256,319 (with entrepreneurs to 332,086)¹⁷. However, the number of companies in Vojvodina increased to 23,391 in 2008, and to 23,606 in 2009¹⁸.

Other sources such as the Statistical Office of the Republic of Serbia give completely different figures on employment statistics in Vojvodina¹⁹. The discrepancy in data is due to many factors, from inaccuracy of data collection to differences in applied methodology.

According to its size, the majority of companies in Vojvodina are small-sized enterprises²⁰ (20,881 companies or 94.91% of the total number of companies in Vojvodina), followed by medium-sized enterprises (903 companies or 4.10%) and large companies (217 companies or 0.99%). Table 2 below provides information on the structure of companies in Vojvodina and Serbia, based on the Vojvodina-CESS study on the competitiveness of Vojvodina's economy.

Table 2: Structure of companies in Vojvodina and Serbia

	Vojvodina			Serbia		
	Small	Medium	Large	Small	Medium	Large
Total	20,881	903	217	80,229	3,070	810
Privately-owned	19,173	657	143	75,070	2,271	526
State-owned	92	51	19	318	190	74
Socially-owned	633	66	15	2,364	306	81
Joint ventures	240	102	39	711	257	127
Cooperatives	743	27	1	1,766	46	2

Source: Vojvodina-CESS 2010, p.161

1.9 Agriculture

Vojvodina has excellent natural conditions for agricultural production. It is located in the Pannonian plain, making the land configuration predominantly flat with a high quality of soil. There are also two mountains: Vrsacke in the southeast and Fruska Gora in the central area.

As mentioned earlier, the agricultural population, based on 2002 census, accounts for 215,147 inhabitants or 10.59% of the total population of Vojvodina. The figure significantly decreased from the previous census in 1991, in which the number of the agricultural population in Vojvodina was 269,438.

Agricultural land in Vojvodina in 2009 covers 1.747 million ha, which is 35% of the total agricultural land in Serbia. Arable fields and gardens cover 1.578 million ha (39% of total arable land in Serbia), 18,000 ha are under orchards and almost 10,000 ha are under vineyards. Meadows cover 41,000 ha and

¹⁷ Data provided by Prof. Blagoje Paunovic at the interview held on October 15, 2010. Those data were collected for the ongoing process of designing the Vojvodina Regional Development Study that is led by Vojvodina CESS. Prof. Paunovic is one of the key experts engaged in the process of developing the Study.

¹⁸ Ibid.

¹⁹ Employment statistics might drastically differ from the sources. For instance, Statistical Office of the Republic of Serbia estimates 497,910 employees in Vojvodina in 2009, in all sectors. The majority of them are employed within business entities (362,349 or 72.77%), while considerable number of them falls within category of entrepreneurs (135,561 or 27.23%). According to the same data, women make 43.86% of employees, or in numbers 218,390 employees. Vojvodina has 134,608 unemployed persons or 27.03% with respect to labour force.

²⁰ According to Serbian classification, small companies are those with less than 50 employees, medium companies are those with a number of employees between 51 and 250, while large companies have more than 250 employees.

pastures 101,000 ha (Statistical Office 2010). The quality of land is very good with 52% is made up of black soil.

Although intersected with the flow of three big rivers, the Danube, Sava and Tisa (in Hungarian: Tisza River) and the Hydro System Danube-Tisa-Danube, less than 8% of arable lands in Vojvodina are irrigated.

There are 441 enterprises in the agro-business industry and agricultural cooperatives in Vojvodina, as well as a few dozen foreign companies²¹. However, the agricultural production is characterised by fragmented agricultural family holdings, both in terms of size and location, with a certain distance between isolated parcels and the main farmstead, particularly in small land holdings (only 25% of small land holdings have land plots consolidated into larger plots). Taking into account that the average size of small land holdings in Vojvodina is 3.59 ha of used arable land, and that each holding has three separated land parcels on average, it can be concluded that ownership structure in Vojvodina is rather unfavourable. Multiple ownership of land and small land parcels are a huge barrier to the implementation of modern technologies and use of farming mechanics, and, consequently, to the organisation of cost-effective production (Vojvodina CESS 2010, p.99).

Cultivation of arable land is dominated by cereal grains, planted on 66% of all land. Cereals are followed by oilseed crops (22%), vegetables (5%) and fodder crops (5%). In the last few years there has been a trend of increasing areas under oilseed crops (soya, in particular) at the expense of cereal grains, though the trend is falling in the areas under vegetables and fodder crops, mostly due to negative trends in the cattle-farming segment. Vojvodina covers 53.24% of the total area under cereal grains in Serbia, 91.81% under oilseed crops, 25.36% under vegetables and 16.26% under fodder crops (Statistical Office 2010).

Fruit production is much less significant than cereal grains. Fruit is mostly grown in the northern part of Vojvodina, as well as the Fruska Gora and Vrsac mountains. The total number of productive fruit trees in 2009 was about 12.8 million. The most widely grown fruits were apples (42.13%) with production at 105,000 tons, followed by plums (20.65%) with 57,000 tons and sour cherries (12.28%) with 26,100 tons.

Fruit and vegetables in Vojvodina are processed in about 35 larger and smaller processing plants of different capacities and production programmes. All forms of preservation processes are applied: thermal treatments, drying, marinating, bio-fermentation, high sugar concentration, and chemical preservation. Most fruit and vegetable processing plants use combined fruit and vegetable processing with combined preservation treatments, being justifiable from a technological/economic viewpoint. However, there are no plants designated exclusively to the fruit processing industry.

The structure of fruit processing production is the following: fruit juices 89,000 tons, fruit syrups 500 tons, preserved fruit 730 tons, marmalade 2,500 tons, and fruit jam 70 tons. Production of fruit juices and jams is rising, and that of other fruit products is declining, with a high rate of variation in production volume from year to year. These variations are due to uneven annual production and lack of permanent markets (Vojvodina CESS 2010).

²¹ According to the Vojvodina investment promotion fund (VIP 2010) records, Vojvodina has 45 FDIs in agro-business industry, which invested about 1.6 billion euro and employed 13,758 people. Among others, there are the following companies: Carlsberg, Nestlé, Hellenic Sugar, Salford, Efes Breweries International, Lactalis, Pepsi, Heineken, Japan Tobacco International, the Coca-Cola Company, Groupe Soufflet, Jokey Plastic, and Thrace Plastics. However, most of those companies are in beverage, tobacco or packaging industry (VIP 2010).

Table 3: Fruit trees and production of fruit in Vojvodina in 2009

Fruit	Trees, in thousands			Production in thousand tons	Yield per tree in kg
	All	Trees of productive ages	%		
Apples	6,054	5,387	42.13	105	19.4
Pears	1,150	961	7.52	12	12.9
Quinces	168	138	1.08	2.8	20.6
Plums	2,828	2,641	20.65	57	21.5
Cherries	307	283	2.21	5.4	19.1
Sour Cherries	1,708	1,570	12.28	26.1	16.5
Apricots	510	411	3.21	9.2	22.4
Peaches	1,174	1,038	8.12	10	16.4
Walnuts	395	358	2.80	5.6	15.8
Total	14,294	12,787	100%	233.1	

Source: Statistical office 2010, p. 211

As in the case of fruit growing, vineyards are located in the north of Vojvodina, in the Fruska Gora and Vrsac mountains, mostly at family wine-growing holdings. In 2009, there were 9,817 ha of vineyards in Vojvodina. In statistical terms, the total area of vineyards has declined since 2005, when there were 10,875 ha of vineyards (1,000 ha more than in 2009).

However, the production of grapes increased from 53,000 tons in 2005 to 84,000 tons in 2009. These figures explain the ongoing process of replacing old vineyards with new ones and more productive vines (in the period 2005 - 2009, yield per vine almost doubled, from 1.1 kg in 2005 to 2.0 kg in 2009). This trend has been supported by the subsidies provided by the Ministry of Agriculture of the Republic of Serbia and by the Secretariat of Agriculture of Vojvodina Government, for planting new vineyards with good quality vines²².

The largest producer of wines in Serbia is the wine company Vrsacki vinogradi from Vrsac, located in southeast of Vojvodina, with 1,700 ha of vineyards. The whole region has about 2,100 ha of vineyards, mostly located in the village of Gudurici.

Fruska Gora has a great tradition of wine production, which dates back to 278 A.D (Papric et al 2007). Now, the wine production in this area is characterised by small-sized wineries²³ located in Sremski Karlovci, Irig and Banostor. They recently agreed to establish a cluster of wine producers of Fruska Gora and by that increase their productivity and market potential (SECEP 2010). The Faculty of Agriculture, Department of Viniculture and the Regional Development Agency "Alma Mons" from Novi Sad have supported this initiative and provided necessary technical assistance for establishing the cluster.

²² From 2002, the Government of the Republic of Serbia, in cooperation with the Ministry of Agriculture, Forestry, and Water Management, provides subsidies for new plantings of plums and vines. The amount of these subsidies for specific varieties, areas under new plantings and plant density is specified by the Government regulation and paid to beneficiaries per hectare of planted area.

²³ The largest wine producer in Fruska Gora is the Kovacevic winery, which produces about 500,000 bottles of wine per year. However, this producer does not have its own vineyards, instead it is using grapes imported from Macedonia.

The third location for wine production in Vojvodina is the northern part of the province, along the Tisa River and Palic Lake. As in the other two cases, the wine has been primarily produced within small wineries with limited production capacity. The major producers are the “Coka” and “Palic” wineries.

Wine companies and, in particular, small wineries mostly sell their products to restaurants in Belgrade. However, wine from Vojvodina is also distributed to other parts of Serbia and abroad, mostly to the markets of Austria, Bosnia-Herzegovina and the U.S.

To conclude, although Vojvodina has great potential in developing agriculture, the province is technically and technologically lagging behind other European regions. More investments are needed. The share of agricultural budget funds as percentage of the total budget of Vojvodina is very small, from 2% to 4%, while this share in EU countries goes up to 70% (Odavic, Novkovic 2009)²⁴. These funds are simply insufficient. Moreover, privatisation has not created desirable solutions since there have been no significant domestic and FDI investments in the agriculture sector.

2. COOPERATION SCENARIO

There is a great record of development cooperation in Vojvodina at all levels, from provincial institutions to local self-governments. Semi-governmental agencies (such as regional development agencies) and civil society organisations are also active in cooperating with development agencies from all over Europe.

Development assistance has been provided either solely to Vojvodina, or as a part of general assistance to Serbia. There are also numerous examples of development cooperation through trans-national and cross-border cooperation programmes. Among others, the following donors are active in Vojvodina: the EU, GTZ, Austrian Development Agency (ADA), SlovakAID, USAID and UN agencies such as UNDP, UN Habitat and UNIFEM. In addition, development cooperation has been established bilaterally with national and regional governments from Italy, Romania, Hungary, the Czech Republic, Germany, Norway, the Netherlands, the UK, France, the US, and other countries.

The Government of Vojvodina gives significant attention to international cooperation assistance. In that regard, it has established a Secretariat for Inter-Regional Cooperation with the goal to increase the absorption capacity of donor-funded projects. The Secretariat is also active in coordinating and mapping donor assistance at the provincial and local levels.

The Secretariat is obliged to prepare the annual report on development cooperation and submit it to the Vojvodina Government within the first half of each year. The last report was submitted in April 2010, covering the issues of the development cooperation in 2009. The report provides the following key information (AP Vojvodina 2010):

- Development cooperation has been established with 54 international, bilateral and regional development agencies: 8 by Provincial Secretariats, 33 by local self-government units and 13 by provincial organisations;

²⁴ The most of the allocated funds were directed to multipurpose of using and protecting water (33%) and to agricultural land protection and land use (24%). The rest of the agricultural budget of Vojvodina Province were directed to rural development of Vojvodina, professional agricultural departments, Provincial Fund for development of agriculture, improvement of animal production, forestry, hunting, fishery and other development programs of agriculture in Vojvodina.

- 52 cooperation documents have been signed with international partners: 9 by Provincial Secretariats, 29 by local self-government units and 14 by provincial organisations and institutions;
- 43 projects have been implemented: 6 by Provincial Secretariats, 35 by local self-government units and 2 by provincial organisations and institutions;
- 32 grants were received: 10 by Provincial Secretariats, 21 by local self-government units and 1 by provincial organisations and institutions;
- Cooperation has been established with 23 countries: Provincial Secretariats established cooperation with 14 countries while local self-government units and provincial organisations and institutions established cooperation with 16 countries;
- The provincial secretariats finished four and started two projects for a total value of USD \$1,663,712 and €5,338,952. In addition, ten donations have been awarded, with a total value of USD \$11,352 and €206,861.
- The most significant cooperation of the Provincial Government was established with regions from the following 6 countries:
 - Romania: Timis and Caras-Severin Regions;
 - Austria: Steiermark Region;
 - Italy: Friuli Venezia Giulia, Umbria, and Sicily;
 - Hungary: Csongrad and Bacs-Kiskun Regions;
 - Croatia: Vukovar-Srijem and Osijek-Baranja Regions;
 - Slovakia: Trnavsky Region.

The Assembly of Vojvodina has established the Office for EU Affairs with the assignment, among others, of assisting provincial and local institutions in absorbing funds from the EU and other donors. In addition, Vojvodina-CESS has received a grant from the Open Society Foundation in Serbia to make a functional analysis of provincial administrative capacities for using the available EU funds.

In terms of individual projects, it is important to mention the “Integrated Regional Development Plan (IRDP) of the Autonomous Province of Vojvodina”²⁵, a capacity-building project which aims at strengthening and supporting the socio-economic development of Vojvodina and substantiating the position of the province in the European integration process. Strategic partnership in support of IRDP is a joint initiative of the Vojvodina Executive Government and Austrian Development Agency (ADA), which started in January 2007. ADA will provide 5 million Euros through technical assistance and financial support to the capacity-building of the following institutions within 6 project measures: (1) Centre for Strategic Economic Studies (CESS), (2) Business Standardisation and Certification Scheme (BSC), (3) Agricultural Export Promotion Fund (APF), (4) Building Business Incubators (BBI), (5) Vojvodina Investment Promotion Fund (VIP) and (6) Integrated Qualification Scheme (IQS).

Beside ADA, the most active donor agencies in Vojvodina are GTZ, USAID, the UNDP (and other UN agencies) and SlovakAID.

Gesellschaft für Technische Zusammenarbeit (GTZ)²⁶ has been present in Vojvodina since 2000, providing support in various fields. During the first years of support, GTZ focused on helping the provincial government in establishing new institutions such as the Vojvodina Investment Promotion (VIP) fund and Vojvodina-CESS. Later on, GTZ moved onto a more sector-based approach, supporting ICT, tourism, organic food production, the automotive industry, etc. It is important to mention GTZ’s involvement in the development of wine routes throughout Serbia, including Vojvodina. And one of the latest GTZ activities in Vojvodina has been technical assistance in establishing the Vojvodina ICT cluster.

²⁵ More about IRDP is available at the webpage <http://www.adc-irdp.org/>, last visited on November 15, 2010.

²⁶ More about GTZ in Serbia is available at the webpage <http://gtzwb.org/>, last visited on November 15, 2010.

The US Agency for International Development (USAID)²⁷ has also been active in Vojvodina since the early 2000s. One of the earliest USAID projects in Vojvodina was the Community Revitalization through Democratic Action Program (CRDA), which started in 2001 and lasted until 2007. The project was implemented through a cooperative agreement with five American non-governmental organisations that worked in five different parts of Serbia. In Vojvodina, the implementing organisation was America's Development Foundation (ADF). Of late, USAID has no projects that solely target Vojvodina, though different institutions and local self-governments from Vojvodina are included in almost all of USAID's projects.

UNDP is active in Vojvodina with two projects: Remediation of the Grand Backa Canal²⁸ and Strengthening of Rural Social Capital and Networks²⁹. UNIFEM is active in Vojvodina with the Gender-Responsive Budgeting project that was implemented in partnership with the provincial government³⁰. UN-HABITAT was also active in two municipalities of Vojvodina (Pancevo and Stara Pazova) through the "Settlement and Integration of Refugees Programme (SIRP) in Serbia"³¹.

In the last few years, Slovak Aid has become one of the most significant development cooperation partners in Vojvodina. At the beginning, Slovak Aid provided support solely to Slovak communities in Vojvodina, but it has been eventually extended to civil society organisations, local self-governments and the provincial government. Two examples of the Slovak Aid projects are: (1) the centre for organic fruit production in the Slovak-majority village of Selenca in the municipality of Bac³² and (2) Backa Topola Business Network for Regional Development"³³.

However, the most important actor in providing development assistance in Vojvodina is the European Commission, using Instrument for Pre-Accession (IPA) funds for addressing transitional and developmental issues. As a potential EU candidate country, the Republic of Serbia is only entitled to the first two components of EU IPA funds: Component I, on Transitional Assistance and Institutional Building, and Component II, on Cross-Border Cooperation.

Within EU IPA Component I, only one project has been identified that solely targets Vojvodina province, which is the rehabilitation of the Zvezlj bridge over the Danube in Novi Sad, that was bombed during the NATO air campaign in 1999. In other EU IPA Component I projects, beneficiaries from Vojvodina participate based on the conditions and limitations defined within each project (e.g. the

²⁷ More about USAID in Serbia is available at the webpage <http://Serbia.usaid.gov/>, last visited on November 15, 2010.

²⁸ The project "Remediation of the Grand Backa Canal" focuses on cleaning the Danube-Tisa-Danube Canal between Crvenka and Vrbas, which is the most polluted waterway in Europe. The project is mainly funded by the Dutch Government and implemented in cooperation with two municipalities (Vrbas and Kula) and the Vojvodina Government. More about the project is available at rs.westernbalkansenvironment.net/content/view/25/187/lang,en, last visited on November 15, 2010.

²⁹ The project "Strengthening of Rural Social Capital and Networks" targets the introduction of the LEADER approach for community development in five Vojvodina municipalities: Alibunar, Čoka, Irig, Mali Idoš and Žitište. The project is partly funded by the Romanian government, and it is one of Romanian first interventions in international cooperation for development.

³⁰ The Programme "Gender Responsive Budgeting in South East Europe: Advancing Gender Equality and Democratic Governance through Increased Transparency and Accountability" has been ongoing since September 2006 and will end in December 2009. It includes Albania, Bosnia and Herzegovina, FYR Macedonia, and Serbia.

³¹ The programme was funded by the Government of Italy and lasted from 2005 to 2008, with one year of extension (2008-2009). Based on the results of the programme, UN Habitat has initiated the new 3-year programme, called "Settlement and Integrated Local Development", that targets three countries: Albania, Bosnia-Herzegovina and Serbia. Italian Government initially agreed to fund the programme, though the final approval is still pending. More about the UN Habitat activities in Serbia is available at www.unhabitat.org.rs, last visited on November 15, 2010.

³² More about the project is available at the Slovak Aid website <http://eng.slovakaid.sk/?p=5432>, last visited on November 15, 2010.

³³ More about the project is available at the Slovak Aid website <http://eng.slovakaid.sk/?p=5410>, last visited on November 15, 2010.

Exchange, Regional Socio-Economic Development Programme (RSEDP), the Municipal Support Programme for North-Eastern Serbia (MSP-NE) and many others).

Within EU IPA Component II on Cross-Border Cooperation, Vojvodina as a whole or some of its districts are eligible for the following programmes: Serbia-Hungary³⁴, Serbia-Romania³⁵, Serbia-Croatia³⁶ and Serbia-Bosnia-Herzegovina³⁷.

Various institutions, organisations and agencies are also benefiting from other EU projects such as the South East Europe Transnational Cooperation Programme, IPA Adriatic CBC (Serbia is in phasing out), Erasmus Mundus, and many others.

3. RELATIONSHIP WITH ITALY

Vojvodina has a strong history of economic cooperation and trade with Italy, principally in the fields of food processing, agriculture and agricultural machinery, including other sectors such as metal processing, automotive components and tourism (hunting, village and wine tourism). This commercial cooperation is constantly improving through the organisation of regular business-to-business events, fairs, conferences, investment events, etc., and has been extended by signing institutional agreements for developmental cooperation between Italian regions, provinces and municipalities on one side and their counterparts from Vojvodina province on the other.

Friuli Venezia Giulia is the most active Italian region involved in relationships with Vojvodina. In 2003 the Autonomous Region of Friuli Venezia Giulia and the Autonomous Province of Vojvodina signed a cooperative agreement to strengthen institutional relations between the two governing bodies and to promote economic exchanges and collaborations between Serbian (including Vojvodina) and Italian enterprises. The agreement also defined the creation of a bilateral working group for the elaboration of joint projects and initiatives and was further renewed in 2007. The interest in cooperation and strengthening relations, both at institutional and economic level, were furthered in January 2009 by the signing of the Joint Declaration (Informest 2010).

Cooperation between Friuli Venezia Giulia and Vojvodina has been operationalised through numerous projects and development initiatives between institutions, organisations and universities belonging to the two territories.

One of the most important projects financed by the Autonomous Region of Friuli Venezia Giulia in Vojvodina is “Casa FVG in Vojvodina”, which aims at creating a common system for the development of institutional and economic opportunities between the two territories. In particular, the project has

³⁴ The following districts of Vojvodina are eligible for EU IPA CBC Hungary- Serbia Programme: West Backa, North Backa, North Banat, South Backa and Middle Banat. Two other regions: South Banat and Srem are included into the programme as the adjacent regions. More information on the Programme is available at www.hu-srb-ipa.com, last visited on November 15, 2010.

³⁵ The following districts of Vojvodina are eligible for EU IPA CBC Romania-Serbia Programme: North Banat, Middle Banat and South Banat. More information on the Programme is available at www.romania-serbia.net, last visited on November 15, 2010.

³⁶ The following districts of Vojvodina are eligible for EU IPA CBC Croatia-Serbia Programme: North Backa, West Backa, South Backa and Srem. More information on the Programme is available at www.croatia-serbia.com, last visited on November 15, 2010.

³⁷ Only Srem is eligible for EU IPA CBC Bosnia-Herzegovina - Serbia. More information on the Programme is available at www.srb-bih.org, last visited on November 15, 2010.

created two principal assets: one for the development of entrepreneurial initiatives which facilitate business-to-business cooperation, including the involvement of organisations providing business support, and the other for the strengthening of relations at an institutional level, i.e. facilitating the institutional missions of the official delegations of the Autonomous Region of Friuli Venezia Giulia to Vojvodina or a visit by the Vojvodina Development Fund to Friuli Venezia Giulia, and also capacity-building of Vojvodina research institutions by transferring the model of regional innovation systems from Friuli Venezia Giulia. The project started in 2009 and implementation has been given to Informest³⁸.

Friuli Venezia Giulia co-finances the project *Acquis Communautaire* in the Balkan Municipalities, aimed at strengthening and developing networks between municipalities from Croatia, Serbia (Vojvodina), Montenegro and Bosnia-Herzegovina with the regional economic and institutional systems for transferring support in the *Aquis Communautaire* process.

Furthermore, Friuli Venezia Giulia organised the initiative “Innoweek – the week of Innovation, Science and Technology in Novi Sad”, held on September 21-24, 2010. The event was organised with the objective of promoting and consolidating cooperation between the two regions in the sectors of scientific and technological development, and establishing permanent relations among the scientific, institutional and economic systems of the Friuli Venezia Giulia and Vojvodina regions³⁹.

Informest and Friuli Venezia Giulia also cooperate with institutions and organisations from Vojvodina through partnerships in two projects funded by the EU SEE Transnational Cooperation Programme: (1) improving the conditions for investment in order to foster polycentric development by leveraging local Public Administrations’ unexploited real estate – POLYINVEST⁴⁰ and (2) the Sustainable and Equipped Productive Areas – SEPA⁴¹.

Friuli Venezia Giulia is also in charge of the implementation of the Transgrowth project of the SeeNet Programme, aimed at entrepreneurial sustainable development for transnational growth of integrated production systems.

Besides Friuli Venezia Giulia, two more Italian regions have also signed cooperative agreements with Vojvodina. Umbria Region has signed an agreement for cooperation with the Vojvodina Secretariat for Environmental Protection and Sustainable Development, and the Autonomous Region of Sicily’s Secretariat of Cultural Heritage has signed an agreement with the Vojvodina Secretariat for Culture.

³⁸ More information about the project “Casa FVG in Vojvodina” is available at www.vojvodinafvg.it, last visited on November 15, 2010.

³⁹ More information about the project is available at the official website of the event www.innoweek.it, last visited on November 15, 2010.

⁴⁰ POLYINVEST aims at improving the conditions for investments in the marginal areas of SEE space, favouring the entry onto the market of a broad offer of unused public real estates, with a consequent income and saving on the maintenance and management of the public assets. The objective of the project is to develop an active approach to the market by the public administrations, favouring the definition and the implementation of complete territorial offer packages; these packages will include information about the real estates which can be alienated and information on the conditions which could favour the realization of investments from private investors. Leading partner is Veneto Region, and Friuli Venezia Giulia and Regional Chamber of Commerce from Novi Sad participate as partners. The project is funded under SEE Transnational Cooperation Programme. More information on the project is available at <http://www.polyinvest.eu/>, last visited on November 15, 2010.

⁴¹ SEPA Project aims at contributing in arising the awareness of the governmental and economic sector about the impact of the productive areas on the surrounding environment by supplying viable solutions for the adoption of new development models. The project has been financed in the framework of the SEE Transnational Cooperation Programme, for the total amount of 1,913,180 Euros with an ERDF contribution of 1,626,202.97 Euros. It started on 11th of March 2009 and will last for 30 months, until 31st July 2011. Informest (FVG) and the Agency for Development of Temerin Municipality (Vojvodina) participate in the project as partners. More information on the project is available at <http://www.sepaproject.eu/>, last visited on November 15, 2010.

The University of Padua also signed a cooperation agreement with the Vojvodina Ombudsperson regarding internship possibilities at the Ombudsperson's office in Novi Sad.

There is an indeterminate number of projects implemented in partnership between institutions and organisations from Italy and Vojvodina. As examples, three projects of cooperation are selected and presented here.

Italian Negotiated Programming in Serbia (INePS): INePS was the Bilateral Cooperation Programme between the Italian Government, represented by the Italian Ministry of Economic Development, the Department for Development and Cohesion Policies, the Italian regions of Friuli Venezia Giulia, Umbria, Puglia and Campania and four territorial employment pacts, and the Serbian Government with the following ministries: the Ministry of Labour, Employment and Social Policy, the Ministry of Economy, the Ministry of Foreign Economic Relations and the Ministry of Local Self-Government. At a regional level the partners were the Vojvodina Government, local self-governments of the South Backa Region and the Alma Mons Agency. The objective of the Programme was to introduce mechanisms of harmonised regional development planning in Serbia through the implementation of pilot projects in several municipalities of the South Backa Region. The pilot projects were as follows:

- Elaboration of the Feasibility Study for the establishment of an institution for quality control of local products (Partners: the Scientific-Technological Park 3A from Umbria, the Institute for Food Technologies in Novi Sad, and Alma Mons);
- Cooperation in the implementation of “Centuries of Bac” - a project in the field of protecting cultural heritage (Partners: the Provincial Secretariat for Culture and Education, the Institute for Protection of Monuments of Culture, the municipality of Bac and the Territorial Pact from Sicily);
- A project for the introduction of integrated environmental balance and transfer of best practices in organisations of social protection (project initiatives of the Territorial Pact Sangro Aventino).
- Establishment of a “one-stop-shop” for production activities in Becej Municipality.

Integrated technical support to the programme of decentralised cooperation between the city of Novi Sad and the Italian city of Modena, within the UNDP/UNOPS “City-to-City” programme. The result of the programme was the establishment of the Alma Mons agency, strengthening its capacities and establishing the Guarantee Fund that provides financial support to the SME sector in South Backa as well as acting as a pillar of support for the agency on the road to accomplishing its sustainability.

An example of good cooperation at local level is the INFIORE project⁴², funded under the EU INTERREG CARDS-PHARE Adriatic New Neighbourhood Programme. The project significantly contributed to the development of urban green areas in the city of Pancevo and thereby improved both quality of life and tourism potential in the city. The project was implemented in partnership with the Municipality of Cervia, the Municipality of Brindisi and Ravenna Province.

According to the programming guidelines and directions for Italian cooperation development over the period 2010 - 2012, the Balkans remain a key area for Italy, both politically and economically. Consequently, Italy will continue to be actively committed during the period 2010-2012. The Balkans, together with the Mediterranean and Middle East, will receive 25% of the total funds available for bilateral activities in the programming period. The Italian government considers Serbia, together with Albania, as the second priority for its cooperation agenda, while Bosnia and Herzegovina, Kosovo and FRY Macedonia are viewed as first priority (Ministero degli Affari Esteri 2009).

⁴² More information on the project is available at the website <http://www.adriaticoinfiore.eu/english/home-page.html>, last visited on November 15, 2010.

4. MAP OF RELEVANT STAKEHOLDERS COOPERATION IN THE SECTOR OF SMEs AND ECONOMIC GROWTH

4.1 Transgrowth

SeeNet's Transgrowth project in Vojvodina has only 2 project partners: the Vojvodina Government, represented by two Secretariats (the Secretariat for Interregional Cooperation and the Secretariat for Agriculture, Water Management and Forestry), and (2) the Faculty of Agriculture, represented by the Department of Pomology, Viticulture, and Horticulture.

Since "Transgrowth" in Vojvodina is a rather small project, it is expected the local partners to have sufficient capacity to implement the project activities in the most optimal manner. Vojvodina has a high institutional thickness⁴³ characterised by the access to stakeholders, including senior authorities⁴⁴. Moreover, it is likely that the project will create desirable spinoffs and added values to other geographical areas or sectors.

Government of Vojvodina, Secretariat for Interregional Cooperation: The Secretariat for Inter-Regional Cooperation has been established with the assignment of assisting the provincial government in the preparation and harmonisation of interregional agreements, including the development of macro-regional strategies within the Euroregion "Danube-Kris-Mures-Tisza" and various regions of other European countries. In addition, the Secretariat will: coordinate all activities of the provincial authorities and local self-governments in the implementation of interregional cross-border and transnational cooperation; coordinate cooperation between provincial authorities and institutions and professional bodies of the European Union; implement measures aimed at the development of administrative capacities of the provincial administration and local self-government, considering also the successful use of structural and cohesion funds of the European Union; coordinate activities among all provincial administrative authorities in the process of programming the instruments of the European Union which also apply to the AP of Vojvodina; and propose interregional projects of interest to the Autonomous Province of Vojvodina. The Secretariat is also in charge of donor coordination and mapping the development assistance interventions active in Vojvodina Province. In that regard, the Secretariat is obliged to submit an annual report to the Vojvodina Government on development assistance in Vojvodina.

The Secretariat is also the key stakeholder and the main partner of the SeeNet 3A vertical project Transgrowth, coordinating all project activities in Vojvodina. It has competent staff that can independently implement all project assignments at a high level of quality, and a very good reputation and mobilisation capacity among other governmental and non-governmental actors in Vojvodina.

Government of Vojvodina, Secretariat for Agriculture, Water Management and Forestry: Although being predominantly agricultural, key competencies in the field of agriculture, water management and

⁴³ Institutional thickness is regarded as the totality of social, cultural, and institutional forms and supports available to enterprises. This includes trade associations, voluntary agencies, sectoral coalitions, concrete institutions, and local elites - their effects on local policy, and their consensus institutions: common agreements, shared views and interpretations, and unwritten laws. The economic performance of a region is directly related to the depth of its institutional thickness, so that public policy-makers recommend its expansion in 'lagging regions', but weak regional economies may have well-developed institutional thickness, and institutional capacities do not exist in isolation from broader social, political, and economic structures, and may not be transferable.

⁴⁴ For example, it is relatively easy to organise meeting on a short notice even with the most senior authorities.

forestry remain in the hands of the central government. Therefore, the Secretariat has limited power over policy development and management of competencies in the agriculture and other related sectors.

However, the Secretariat is active in creating a positive environment for the development of agrobusinesses, of course within the limits of the law. In that regard, the Secretariat provides suggestions and proposals to Vojvodina Government for policy interventions, and coordinates the implementation of the policies adopted by the Provincial Government.

The Secretariat is influential in Vojvodina, especially among the stakeholders operating in the field of agriculture, water management, forestry, hunting and fishing, rural development and other related issues.

Faculty of Agriculture University of Novi Sad: the Faculty of Agriculture is among the most prominent scientific institutions in the field of agriculture, not only in Vojvodina but in Serbia also. The Faculty is organised within eight departments: (1) Department of Field and Vegetable Crops, (2) Department of Pomology, Viticulture, and Horticulture, (3) Department of Phytomedicine and Environmental Protection, (4) Department of Animal Husbandry, (5) Department of Agricultural Engineering, (6) Department of Water Management, (7) Department of Agro-Economy and Rural Sociology, and (8) Department of Veterinary Medicine.

The Faculty's Department of Pomology, Viticulture, Horticulture and Landscape Architecture is the second partner of the SeeNet programme Transgrowth. The Department, formerly the Institute for Pomology and Viticulture, was established back in 1947. It has succeeded in developing 21 new types and 3 clones of vine, 4 types of peach trees, 4 types of walnut trees and 6 types of apple trees (Keserovic 2007). In addition, the Department and its researchers are engaged in cooperating with (almost) all owners of vineyards and fruit farms, and are active in raising awareness on pomology and viticulture development, helping small businesses to grow. Moreover, the Department has been a key driver in establishing clusters of wine producers in Fruska Gora.

The Department is the most influential institution in Vojvodina in the field of pomology and viticulture and its active participation in the project will be very important for the achievement of its results.

Relationships among stakeholders of the Transgrowth project are presented in the matrix given in Annex 2.

4.2 Other Stakeholders

Ministry of Agriculture, Water Management and Forestry: the Ministry of Agriculture, Water Management and Forestry is the national line ministry in charge of regulating areas covered by the Transgrowth project intervention. As mentioned above, the Ministry has kept most of the competencies in the sector of agriculture. It has direct institutional connections with the Provincial Secretariat for Agriculture, though its relations with other stakeholders remain largely unclear.

Alma Mons d.o.o.: Alma Mons is a regional development agency, established in 2001 by the "City-to-City" Programme, implemented by UNDP/UNOPS, the Municipality of Modena and GTZ. Alma Mons is a public-private partnership of 23 institutions and organisations in Vojvodina (Alma Mons 2010).

Alma Mons is probably the strongest business support organisation in Novi Sad and South Backa District, maybe even in the whole territory of Vojvodina. It has a long history of supporting SMEs and entrepreneurship by providing a variety of services. Lately, Alma Mons has been involved in establishing clusters of several industries and services, including a cluster of wine producers in Fruska Gora.

Alma Mons has a very good operational capacity and an excellent record in assistance development and international cooperation, including cooperation with institutions and organisations from Italy.

GTZ: GTZ in Serbia is active with the project “Economic Development and Employment Promotion in Serbia”, which aims at increasing the competitiveness of small and medium-sized enterprises in selected sectors and regions. Among other sectors, GTZ supports organic food production, with the project office located in Novi Sad within the VIP premises.

Since GTZ was involved in establishing and building capacity among almost all of the project-result institutions in Vojvodina (VIP, Vojvodina-CESS, Alma Mons, etc), they have become highly influential in almost all segments of cooperation development.

Informest - Casa FVG in Vojvodina: *Informest*⁴⁵ is a privately managed non-profit public agency for development and international economic cooperation, established in 1991 by the National Institute for Foreign Trade and two regions: Friuli Venezia Giulia and Veneto. The Agency is established with the objective of promoting economic development and internationalization processes of the Central and Eastern Europe. During the last ten years Informest consolidated its reputation as one of the most important partners for Italian cooperation with countries of Southeast Europe.

Besides the provision of specialised services for companies (strategy advice, market and legal consultancy, financial technical assistance, information), Informest aims at the support of national, regional and local authorities in the fields of capacity building for entrepreneurial policy making, business services design, and related to human resources development for SME stakeholders, regional and local development agencies, and companies in Italy and abroad.

Although present in Vojvodina for many years, within the auspices of the project Casa FVG in Vojvodina, Informest has established a permanent office in Novi Sad, officially opened on May 11 May 2009. For a relatively short time, the office has been recognised as a great portal for cooperation between businesses and development organisations from FVG and other Italian regions. The director of the office, Ms. Ruzica Jankahidac, has established strong ties with all key players in Vojvodina.

Cluster of Fruska Gora Wine Producers: The cluster of Fruska Gora wine producers is a recent initiative, created under technical assistance from Alma Mons and the Department of Pomology, Viticulture, Horticulture and Landscape Architecture of the University of Novi Sad. The initiative tries to gather all wine producers in Fruska Gora, mostly from the towns of Irig and Sremski Karlovci.

At the moment the cluster does not have any operational structure in place. However, an application for the institutional grant has been submitted to the Ministry of Economy and Regional Development and the results are still pending.

If the cluster receives the institutional grant, it will probably become one of the key partners of the Transgrowth project in the future, since it groups together all the wine producers in the area where Transgrowth intends to work.

⁴⁵ More information on Informest is available at www.informest.it, last visited on November 29, 2010.

CONCLUSION

After almost 20 years of restricted entitlement to self-governance, Vojvodina Province has finally had some of its autonomous legal capacity returned, firstly through the Constitution of 2006 and subsequently through the law, transferring jurisdiction from 2009 (applied as of January 1, 2010). Along with this legal capacity Vojvodina has also received budget allocations, which will not be less than 7% of the national budget. Vojvodina has also received the right to Executive Government and a considerable number of competencies grouped into 20 different areas.

Nevertheless, many of the important competencies remain in the hands of the central government. This creates an issue for the Vojvodina Government in regulating and optimising the development of the Province potentials. For instance, although Vojvodina's economy is dominated by agriculture and food processing, the authority of the provincial government in those sectors is limited. Therefore, the dependence of the province on the policies of central government is still high after the devolution of competencies in 2009.

However, over the last ten years, considerable attention has been given to the creation of public and private institutions in Vojvodina that will enhance the development of favourable business climate, attract inflow of foreign direct investments, coordinate development of cooperation efforts, support European integration and inter-regional cooperation, etc. As a result, Vojvodina today is characterised by a good institutional thickness among well-developed public and private institutions with considerable mobilisation capacities of local players.

The process of creating institutions and favourable climate for business development in Vojvodina has been heavily supported by numerous international and bilateral development agencies, including Italian cooperation agencies as well. Development agencies are present in Vojvodina with proper tailored-made programs and projects, and they operate from Belgrade with national-wide development initiatives.

Vojvodina has a long history of cooperation with Italian development partners, either at provincial or local level. The most active cooperation has been achieved with an Italian region, Friuli Venezia Giulia. The cooperation has been formalised by signing cooperative agreement to strengthen institutional relations between two governing bodies and to promote trade and economic exchange within businesses. As a result of the cooperation between Friuli Venezia Giulia and Vojvodina, numerous projects have been initiated and later implemented, among others, the project "Casa Casa FVG in Vojvodina" that established a permanent office of Informest in Novi Sad. Besides Friuli Venezia Giulia, Vojvodina has signed cooperation agreement with two more Italian regions: Umbria and Sicily. Business-to-business cooperation and trade relations between Vojvodina and Italy have also improved in the last ten years.

This report gives a special attention to a SeeNet's vertical project, 3A: Transgrowth project, led by the Friuli Venezia Giulia Region and implemented with the Italian Regions partnership (Marche, Veneto and Emilia-Romagna) and SEE partners (Osijek-Baranja County, Croatia, Vukovar-Srijem County, Croatia, Autonomous Province of Vojvodina and the Tuzla Canton, Bosnia and Herzegovina). The analysis performed in this report gave a special emphasis on capacity assessment of the project partners and other stakeholders, as well as providing the overview of the current conditions of wine and fruit sectors, two sectors covered by the Transgrowth project in Vojvodina.

The analysis showed that wine and fruit growing sectors in Vojvodina are concentrated on three sub-territorial locations, northern part of the province, as well as the Fruska Gora and Vrsac mountains. Small family holdings dominate among producers. In absolute terms, the number of vine and fruit trees decreases, while the production of fruit and grapes increases. This can be explained with the ongoing

activities of the central government of replacing old vines and fruit trees with more productive ones. In terms of institutional capacity, the provided analysis has shown that the partners in Vojvodina of Transgrowth project are respectable institutions with well-established cooperation with all stakeholders, including those at national level. The capacity of the project partners is assessed as sufficient to fulfil all tasks required by the project implementation.

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ANNEX 1: LIST OF INTERVIEWS

Name and Surname	Organisation/Institution	Place, Date and Time
Mitar Vasiljevic	Secretariat for Inter-regional Cooperation, Vojvodina Government	Novi Sad, October 11, 2010 @ 10:00h
Nikola Vranjkovic	Secretariat for Agriculture, Vojvodina Government	Novi Sad, October 11, 2010 @ 12:00h
Daniela Vukov	Vojvodina CESS	Novi Sad, October 12, 2010 @ 10:00h
Drazen Djurdjic	Wine cellar "Djurdjic" Sremski Karlovci	Sremski Karlovci, October 12, 2010 @ 13:00h
Ljubomir Aleksic	Secretariat for Economy, Vojvodina Government	Novi Sad, October 13, 2010 @ 13:00h
Ruzica Jankahidac	Office of Fruli Venezia Giulia	Novi Sad, October 13, 2010 @ 14:00h
Milica Vracaric Mirjana Solarevic	Alma Mons - Novi Sad	Novi Sad, October 14, 2010 @ 10:30h
Milan Solaja	VIP Novi Sad	Novi Sad, October 15, 2010 @ 09:30h
Prof. Blagoje Paunovic, PhD	Faculty of Economics, Belgrade	Belgrade, October 15, 2010 @ 13:00h
Michael B. Dan	EU SECEP	Belgrade, October 15, 2010 @ 15:00h

ANNEX 2: RELATIONSHIP BETWEEN DIFFERENT STAKEHOLDERS

	Secretariat for Interregional Cooperation	Secretariat for Agriculture	Department for Viticulture	Ministry of Agriculture	Alma Mons	GTZ	Informest FVG	Cluster of Wine Producers
Secretariat for Interregional Cooperation		Excellent	Excellent	Unknown	Very Good	Very Good	Very Good	Unknown
Secretariat for Agriculture	Excellent		Excellent	Excellent	Very Good	Very Good	Very Good	Unknown
Department for Viticulture	Excellent	Excellent		Excellent	Excellent	Very Good	Unknown	Excellent
Ministry of Agriculture	Unknown	Excellent	Excellent		Unknown	Unknown	Unknown	Unknown
Alma Mons	Very Good	Very Good	Excellent	Unknown		Very Good	Very Good	Excellent
GTZ	Very Good	Very Good	Very Good	Unknown	Very Good		Unknown	Unknown
Informest FVG	Very Good	Very Good	Unknown	Unknown	Very Good	Unknown		Unknown
Cluster of Wine Producers	Unknown	Unknown	Excellent	Unknown	Excellent	Unknown	Unknown	

Source: Interviews with stakeholders and secondary data analysis