



European
Commission

JRC SCIENTIFIC AND POLICY REPORTS

‘Facilitating an area-based development approach in rural regions in the Western Balkans’

Volume 1: Main Report

Authors

Fabien Santini, Silvia Saravia Matus,
Geertrui Louwagie, Gert Guri, Natalija Bogdanov,
Sergio Gomez y Paloma

2012



Report EUR 25240 EN

Joint
Research
Centre

European Commission
Joint Research Centre
Institute for Prospective Technological Studies

Contact information

Address: Edificio Expo. c/ Inca Garcilaso, 3. E-41092 Seville (Spain)

E-mail: jrc-ipts-secretariat@ec.europa.eu

Tel.: +34 954488318

Fax: +34 954488300

<http://ipts.jrc.ec.europa.eu/>

<http://www.jrc.ec.europa.eu/>

This publication is a Reference Report by the Joint Research Centre of the European Commission.

Legal Notice

Neither the European Commission nor any person acting on behalf of the Commission is responsible for the use which might be made of this publication.

Europe Direct is a service to help you find answers to your questions about the European Union
Freephone number (*): 00 800 6 7 8 9 10 11

(*): Certain mobile telephone operators do not allow access to 00 800 numbers or these calls may be billed.

A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server <http://europa.eu/>.

JRC 68703

EUR 25240 EN

ISBN 978-92-79-23184-1 (pdf)

ISBN 978-92-79-23183-4 (print)

ISSN 1831-9424 (pdf)

ISSN 1018-5593 (print)

doi:10.2791/74324

Luxembourg: Publications Office of the European Union, 2012
Rome: Food and Agriculture Organization of the United Nations

© European Union, 2012

Reproduction is authorised provided the source is acknowledged.

Printed in Spain

'Facilitating an area-based development approach in rural regions in the Western Balkans'

Volume 1: Main Report

Authors:

Fabien Santini¹, Silvia Saravia Matus¹, Geertrui Louwagie¹, Gert Guri², Natalija Bogdanov³, Sergio Gomez y Paloma¹

- 1 Joint Research Centre, Institute for Prospective Technological Studies, Spain
- 2 University of Trento, Faculty of Sociology, School on Local Development
- 3 University of Belgrade, Faculty of Agriculture

2012

The project 'Facilitating an area-based development approach in rural regions in the Western Balkans '(Western Balkans) is a project commissioned by the Directorate General for Agriculture and Rural Development (administrative arrangement AGRI-2010-0186 / JRC-IPTS n°31744-2010-05

EUR 25240 EN

■ Acknowledgments

The project 'Facilitating an area-based development approach in rural regions in the Western Balkans' has been commissioned in 2010 by the European Commission's Directorate General for agriculture and Rural Development to the Joint Research Centre (JRC), Institute for Prospective Technological studies (IPTS) in form of an administrative arrangement (AGRI-2010-0186 / JRC-IPTSn°31744-2010-05). The overall objective was to assess the extent to which participatory and holistic approaches such as an area-based approach could be implemented in cross border rural regions in the Western Balkans. Specific objectives included a literature review of the extent to which area-based approaches had been implemented in other rural and /or cross-border settings, a specific case study in a selected cross-border region (Drina-Tara, between Bosnia-Herzegovina, Montenegro and Serbia), the drafting of methodological hints applicable for other similar experiences in future and an identification of possible regions where similar approach could be implemented.

This report synthesizes the findings of the project. Further information on the project, in particular specific outcomes of the Conference organized in Belgrade on 5 May 2011, are available at the following [website: http://agrilife.jrc.ec.europa.eu/rural_WBABD.htm](http://agrilife.jrc.ec.europa.eu/rural_WBABD.htm)

The IPTS members of the project team have been involved in all aspects of the project. The University of Trento, Faculty of sociology, School on Local Development, has particularly been involved in the case study work in the Drina Tara region (section 3 of the present report) and the authors wish to thank Bruno Dallago, Paul Blokker and Chiara Guglielmetti for their support and/or input. The University of Belgrade, Faculty of Agriculture principally intervened in section 5 of the present report (Identification of potential rural cross-border target areas for the implementation of an area-based development approach in the Western Balkans), with the help of other academic departments of the region (Universities of Sarajevo, Skopje and Zagreb). The authors are thankful in particular to Aleksandra Nikolić, Ramona Franić, Dragi Dimitrievski and their colleagues.

All along the project, discussion has been organized within the Steering Group of the project, where officials from Directorates General for Agriculture and Rural Development (AGRI) and enlargement (ELARG), as well as from the JRC, were represented. The project team wishes to sincerely thank all Steering Group members for their important contributions, in particular Marius Lazdinis, as technical manager for DG AGRI.

Stimulating discussions have been organised with members of the project's Advisory Group, gathering representatives of international organizations (SWG-RRD, FAO, UNDP, the World Bank, OECD) and individual experts. Boban Ilić (SWG-RRD), Richard Eberlin and Nada Zvekic (FAO), Artur Ayvazov and Oksana Remiga (UNDP), Olivera Jordanovic (the World Bank), Ekaterina Travkina (OECD and Kaj Mortensen should therefore be thanked for these discussions. The individual experts Dragisa Mijacić and Tomislav Novović should also be thanked for their input at the early stages of the project.

The authors would also like to sincerely thank all those that allowed to carry out in such a short time a participatory and holistic development approach in the Drina-Tara cross-border area, in particular Dragana Jovanovic and Snejana Milisavjelic for their hard and efficient work as local coordinators, all members of the stakeholders' group in the region, members of the 'Delphi' group, national delegates to the SWG-RRD, in particular Melisa Ljusa and Aleksandar Bogunovic, and the EU Delegations in the countries concerned by the project.

The authors would also like to thank all those who made possible and successful the Conference in Belgrade on 5 May, in particular the Serbian authorities for having placed at the disposal the Palace of the Federation, the SWG-RRD secretariat, the EU Delegation in Serbia, in particular Karl-Heinz Vogel, and the speakers and participants who attended the Conference.

Special thanks to Ana Molina who constantly found solutions to the logistic and administrative problems faced by the authors.

■ Table of Contents

Acknowledgments	2
Executive Summary	13
1 Introduction	17
2 Theoretical and Practical Context for the Area-Based Development Approach Implementation in Rural Cross-Border Areas of the Western Balkans	19
2.1 <i>ABD origins and definition</i>	19
2.1.1 <i>ABD, an approach well-defined by UNDP</i>	19
2.1.2 <i>Some theoretical insights</i>	21
2.2 <i>ABD implementation and evaluation</i>	27
2.2.1 <i>Implementation of the ABD approach</i>	27
2.2.2 <i>Evaluation of ABD programmes</i>	32
2.3 <i>Other approaches to local / rural development</i>	35
2.3.1 <i>Approaches to local rural development in developing countries</i>	36
2.3.2 <i>The EU approach to local rural development: Leader</i>	38
2.4 <i>Cross-border cooperation</i>	42
2.4.1 <i>Cross-border actions in the EU-27: Interreg-A</i>	43
2.4.2 <i>Cross-border cooperation in candidate and potential candidate countries: IPA</i>	45
2.4.3 <i>Cross-border initiatives from the Council of Europe</i>	47
2.5 <i>Preliminary lessons drawn for the ABD approach in rural / cross border setting</i>	49
3 Case Study: Drina Valley -Tara Mountain Area	51
3.1 <i>Definition and Delimitation of the ABD target area of the case study</i>	51
3.1.1 <i>Principles for delimiting the target area</i>	51
3.1.2 <i>Delimitation of the Drina Tara target area</i>	53
3.2 <i>Implementation of participatory approach</i>	57
3.2.1 <i>Stakeholder group (SG)</i>	58
3.2.2 <i>Delphi group (DG)</i>	59
3.2.3 <i>Questionnaire-based surveys</i>	59
3.3 <i>Baseline assessment of the development situation</i>	62
3.3.1 <i>Openness and dynamism of the society</i>	65
3.3.2 <i>Diversity of the economy</i>	81
3.3.3 <i>Local institutional and Cross Border capacities</i>	98
3.3.4 <i>Conclusions on baseline assessment</i>	100
3.4 <i>Identifying critical needs and programme priorities</i>	101

3.4.1	<i>Preliminary identification of critical needs</i>	101
3.4.2	<i>ABD priorities</i>	108
3.5	<i>Action Plans</i>	124
3.5.1	<i>Action Plan on Tourism</i>	124
3.5.2	<i>Action Plan on agriculture and rural development</i>	127
3.5.3	<i>Action Plan on SME and entrepreneurship development</i>	129
3.5.4	<i>Action Plan on Environmental protection</i>	131
3.5.5	<i>Missing themes and activities in the Action Plan: an exogenous input analysis to the bottom-up endogenous Action Plan drawn up by the stakeholders</i>	132
3.6.	<i>Implementation and monitoring issues: continuation of the process</i>	137
3.6.1	<i>The Drina Tara network</i>	137
3.6.2	<i>Articulation with national authorities</i>	139
3.6.3	<i>SWG-RRD as an international and institutional umbrella</i>	139
4	Adapted methodology: main lessons from the Drina Tara case study	141
4.1	<i>Introduction</i>	141
4.2	<i>Area selection and delineation</i>	141
4.3	<i>Participation (bottom-up) mechanisms and inclusiveness</i>	143
4.4	<i>Top-down framework</i>	148
4.5	<i>Multi-sector approach (expectations and feasibility)</i>	149
4.6	<i>Organizational and financial perspectives</i>	151
4.7	<i>Final remarks</i>	152
5	Identification of Potential Rural Cross-Border Target Areas for the Implementation of an Area-Based Development Approach in the Western Balkans	155
5.1	<i>Introduction</i>	155
5.2	<i>Research Methodology</i>	155
5.2.1	<i>Data collection and identification of uniform potential rural target areas at national level</i>	156
5.2.2	<i>Cross-border analysis of proposed rural regions and delimitation</i>	156
5.2.3	<i>Assessment of the identified rural cross border target area in terms of its feasibility to successfully implement an ABD program</i>	157
5.3	<i>Results: 7 identified rural cross border regions suitable for ABD approach</i>	158
5.3.1	<i>The DRINA SAVA Region</i>	158
5.3.2	<i>The PCINJA Region</i>	164
5.3.3	<i>The DINARA Region</i>	170
5.3.4	<i>The NERETVA Region</i>	175
5.3.5	<i>The SAR PLANINA Region</i>	180
5.3.6	<i>The PRESPI LAKE Region</i>	185
5.3.7	<i>The SKADAR LAKE Region</i>	188
5.4	<i>Concluding remarks</i>	194
6	References	197

List of Boxes

<i>Box 1: Growth Economics, Development Economics & Endogenous Growth</i>	22
<i>Box 2: Endogenous Development Policies & Place-Based / Participatory Approaches</i>	24
<i>Box 3: Exploratory survey questionnaire</i>	60
<i>Box 4: Validating survey questionnaire</i>	61
<i>Box 5: SWOT analysis of tourism</i>	109
<i>Box 6: SWOT analysis of agriculture and rural development</i>	113
<i>Box 7: SWOT Analysis SME and Entrepreneurship Development</i>	118
<i>Box 8: SWOT Analysis of Environmental Protection</i>	121

List of Figures

<i>Figure 1. Overview of UNDP ABD programme categories in Europe and the Commonwealth of Independent States</i>	28
<i>Figure 2. Overview of UNDP ABD programmes in Europe & Commonwealth of Independent States and their breakdown into components</i>	28
<i>Figure 3. Typology of Interreg IIIA programmes based on cross-border integration</i>	45
<i>Figure 4. Participatory Approach and Project Implementation Framework</i>	57
<i>Figure 5. Estimated Population for target area municipalities (2008)</i>	65
<i>Figure 6. Population Density for target area municipalities (2008)</i>	66
<i>Figure 7. Annual Population Change (%) 2004 - 2008</i>	66
<i>Figure 8. Natural change per municipality (2005-2008)</i>	68
<i>Figure 9. Natural change and migratory change as % of total population per municipality (2008)</i>	69
<i>Figure 10. Number of educational institutions in the target area (2008 – 2009)</i>	70
<i>Figure 11. Number registered students in the target area (2008 – 2009)</i>	71
<i>Figure 12. Number of registered students per Education Institution per Municipality</i>	71
<i>Figure 13. Percentage of total registered students over estimated total population 2008</i>	72
<i>Figure 14. Participation Rate in Secondary Education</i>	72
<i>Figure 15. Percentage of welfare beneficiaries in the Target Area</i>	76
<i>Figure 16. Number of Minor Welfare Beneficiaries in Serbia per type of benefit (2009)</i>	76
<i>Figure 17. Number of Adult Welfare Beneficiaries in Serbia per type of benefit (2009)</i>	77
<i>Figure 18. Number of Minor Welfare Beneficiaries in Republika Srpska per type of benefit (2009)</i>	77
<i>Figure 19. Number of Adult Welfare Beneficiaries in Republika Srpska per type of benefit (2009)</i>	78
<i>Figure 20. Road coverage and road quality in the project municipalities</i>	79
<i>Figure 21. Infrastructure as main development obstacle</i>	79
<i>Figure 22. Employment rates (2008)</i>	82
<i>Figure 23. Sectorial employment distribution in the target area</i>	83
<i>Figure 24. Sectors with key development potentials</i>	83
<i>Figure 25. Land Use & Forest Area (%)</i>	86

Figure 26. Share of arable land and permanent crops in UAA	87
Figure 27. Cereal Production (2005 – 2008 Average)	88
Figure 28. Production of apples and plums (T) – average 2005-2009	89
Figure 29. Hay production (T) from meadows and pastures (average 2005-2009)	90
Figure 30. Total number of bovine / sheep (2007 for Serbia; 2010 for Montenegro)	91
Figure 31. Estimate of total livestock density (bovine, sheep, pigs and poultry)	91
Figure 32. Evolution of livestock (total number of animals) from 1987 to 2007	92
Figure 33. Active agricultural population over total active population (15-64)	92
Figure 34. Total overnights – Share per municipality	93
Figure 35. Gross timber annual harvesting (m ³) – average 2005-2009	95
Figure 36. Key people and institutions fostering local development	99
Figure 37. Present limitations to cross-border collaboration	99
Figure 38. Opportunities arising from cross-border cooperation	100
Figure 39. Key priorities for local development	103
Figure 40. Overview 'place – people' scenario	105
Figure 41. 'Place – people' scenario per country	105
Figure 42. Productive places	106
Figure 43. Agriculture and rural development	106
Figure 44: Tourism	107
Figure 45. Comparative Assessment – Graphic Presentation (X overall scor ABD; Y overall score baseline)	196

List of Maps

Map 1 - Delineation of the Drina-Tara target area	56
Map 2. Land cover map of the wider Drina-Tara area	84
Map 3. Rural cross border regions proposed (and rejected) for ABD implementation	157
Map 4. Drina –Sava Region	158
Map 5. Pcinja Region	165
Map 6. Dinara mountain region	171
Map 7. Neretva Region	175
Map 8. Sar Planina region	181
Map 9. Prespa Lake region	185
Map 10. Skadar Lake Region	189

List of Tables

Table 1.	<i>Selection of UNDP ABD programmes in the Western Balkans</i>	30
Table 2.	<i>Strengths and potential limitations of ABD programmes</i>	34
Table 3.	<i>IPA Cross Border component budget (M €)</i>	46
Table 4.	<i>Main priorities of IPA CBC programmes</i>	46
Table 5.	<i>Municipalities included in the Drina-Tara target area</i>	54
Table 6.	<i>A typology of regions in transition countries</i>	64
Table 7.	<i>Population Change in 2008: Natural Change and Migration</i>	67
Table 8.	<i>Professional Diplomas & Vocational Training Programmes</i>	73
Table 9.	<i>Entrepreneurs: total numbers, total numbers per 1000 inhabitants, and total numbers per 1000 inhabitants in the 25-54 years age group</i>	75
Table 10.	<i>Registered vehicles</i>	80
Table 11.	<i>Water taken, supplied, used, and discharged, and waste water treated</i>	81
Table 12.	<i>Raspberries Area, Production and Yield in selected Zlatibor municipalities</i>	89
Table 13.	<i>Employment in the wood industry</i>	96
Table 14.	<i>Key priorities in the area-based development programme</i>	107
Table 15.	<i>Improvement of activities to stimulate tourism (average score per answer)</i>	109
Table 16.	<i>Survey response regarding various types of tourism (average score per answer)</i>	111
Table 17.	<i>Priorities in the development of agriculture and rural areas (average score per answer)</i>	116
Table 18.	<i>Most important activities to realize potentials of SME development and Entrepreneurship (average score per answer)</i>	117
Table 19.	<i>Priorities in activities of environmental management and protection (average score per answer)</i>	124
Table 20.	<i>Relation between priority areas, and action plans and actions</i>	125
Table 21.	<i>Action Plan on tourism</i>	126
Table 22.	<i>Agriculture and rural development action plan</i>	128
Table 23.	<i>SME and entrepreneurship action plan</i>	130
Table 24.	<i>Environmental management and protection action plan</i>	132
Table 25.	<i>Advantages and disadvantages related to Drina Tara "Area selection and delineation"</i>	142
Table 26.	<i>Advantages and disadvantages related to "Participation Mechanisms"</i>	147
Table 27.	<i>Advantages/strengths and disadvantages/weaknesses related to the top-down perspective of the ABD process in the Drina-Tara target area</i>	149
Table 28.	<i>Advantages and disadvantages related to "Multi - Sector approach"</i>	150
Table 29.	<i>Advantages/strengths and disadvantages/weaknesses related to the organizational and financial aspects of the ABD programme in the Drina-Tara area</i>	152
Table 30.	<i>Main characteristics of the Drina- Sava Region</i>	159
Table 31.	<i>Main characteristics of the Pcinja region</i>	165
Table 32.	<i>Main characteristics of the DINARA region</i>	171

<i>Table 33. Main characteristics of the region</i>	<i>176</i>
<i>Table 34. Main characteristics of the region</i>	<i>181</i>
<i>Table 35. Main characteristics of the region</i>	<i>185</i>
<i>Table 36. Territorial division of Korçë Count</i>	<i>185</i>
<i>Table 37. Main characteristics of the region</i>	<i>188</i>
<i>Table 38. Territorial division of Shkoder County</i>	<i>189</i>
<i>Table 39. Comparative assessment of criteria used for identification of selected regions</i>	<i>195</i>

Glossary of acronyms

ABD	Area-based development
BA	Bosnia-Herzegovina
CBC	Cross-border cooperation
CEFTA	Central European Free Trade Agreement
CEO	Chief executive officer
CSO	Civil society organisation
D	Deliverable
DMO	Destination Management Organization.
DG	Delphi group
DG AGRI	Directorate-General for Agriculture and Rural Development of the European Commission
DG ELARG	Directorate-General for Enlargement
EC	European Commission
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GAEZ	Global Agro-Ecological Zones
GAUL	Global Administrative Unit Layers
GDP	Gross domestic product
GVA	Gross value added
IPARD	Instrument for pre-accession assistance in rural development
IPTS	Institute for Prospective Technological Studies
ISIC	International Standard Industrial Classification
LEAP	Local Ecological Action Plans
LEDO	Local economic development office
ME	Montenegro
MIR	Municipal Improvement & Revival programme
NGO	Non-governmental organization
NP	National park
RDA	Regional development agency
RS	Serbia
SG	Stakeholder group
SMEs	Small and medium enterprises
SRRP	Srebrenica Regional Recovery Programme
SSL	University of Trento – School on Local Development
SWG-RRD	Standing Working Group on Regional Rural Development
SWOT	Strengths – weaknesses – opportunities – threats
TWG	Thematic working group
UNDP	United Nations Development Programme
USAID	United States Agency for International Development Aid
WP	Work package

■ Executive Summary

The present report covers an exercise where a defined development approach has been tested in a case study area with rural cross border setting in the Western Balkans. The aim is to draw lessons both for continuing implementation of the ABD in this particular area and more generally initiating it in areas with similar settings.

The UNDP Area-Based Development (ABD) approach is targeting specific geographical areas characterised by a particular complex development problem (setting it apart from surrounding areas), through an integrated (multi-sector), inclusive (community versus particular groups or individuals), participatory (bottom-up) and flexible (responsive to changes) approach (Harfst, 2006). There are four main situations where the ABD approach has been employed: post-conflict, poverty, exclusion, and disaster; these categories are in practice closely connected. Such development approach, as well as similar ones, finds theoretical roots within the endogenous development theory where improvements of the socio-economic situation can best be brought by recognising and valuing the collective resources of the territory.

Over the past decade, ABD has been applied in several parts of the Western Balkans (e.g. Bosnia-Herzegovina, Croatia, FYROM, Kosovo and Serbia). Most programmes were implemented in a post-conflict setting, and all scanned programmes had an infrastructure and socio-economic development component. However, the review of ABD programme components and scope in the Western Balkans reflects that ABD interventions have addressed neither rural development, nor cross-border cooperation in the Western Balkans, at least not explicitly.

A comparison with other approaches to local development (with an emphasis on rural development) (such as Integrated Rural Development, Leader, etc.) showed that similarities exist concerning the participatory, bottom-up and (sometimes) multi-sectorial nature of such approaches. Stirrat (1996, in UN ESCAP, 2009) is worth quoting in this sense: 'it is now difficult to find a rurally based development project which does not in one way or another claim to adopt a participatory approach involving bottom-up planning'. The inclusiveness does not appear to be as explicit in any other of the approaches reviewed as it is in the ABD. Despite having the local aspect in common with other approaches, the ABD focus on a specific geographical area characterised by a particular complex development problem (as opposed to e.g. defining the size of the target area) seems to set ABD apart from the other approaches.

Cross-border initiatives for the EU and (potential) candidate countries exist under two main programmes: Interreg on cross-border cooperation (Interreg-A), and the cross-border cooperation component of the instrument for pre-accession (IPA CBC), respectively. Interreg has demonstrated that an appropriate legal framework at national/interstate level allowing local/regional authorities to develop cross-border cooperation, joint and participatory preparation/elaboration of programme strategies as well as decision-making processes, and binding and permanent cross-border institutions are needed to ensure long-term sustainability of cross-border initiatives. In their absence, cooperation might be only of a social-cultural nature, rather than achieving socio-economic added value.

The present report describes in detail the pilot ABD implementation process in the Drina valley – Tara Mountain area. The case study area (including 410 500 inhabitants and a surface of 7 110 km²)

consists of 14 municipalities (6 Bosnian, 2 Montenegrin, and 6 Serbian) that are all peripheral to the current economic centres in their respective countries. In addition to their marginalized location, they also share a certain degree of uniformity in terms of their current development situation, socio-economic drivers (i.e. shared cultural and social history, socio-economic linkages and dynamics, similar geographic and demographic traits, etc.) as well as a post-conflict background. The pilot target area was assessed in terms of three basic criteria: i) Openness and dynamism of society, 2) Local economy diversity and 3) Local government capacity:

Openness and dynamism of society criteria

The case study area is characterised by a negative demographic evolution (out-migration and depopulation) which is detrimental both for economic reasons (decrease of human resources), but also for the morale of its inhabitants (as individuals observe the migration to urban areas). Moreover, from the point of view of potential entrepreneurs or investors, lack of skilled labour makes the region unattractive. In addition, the substantial presence of an informal sector (which seems to dominate the local economy) indicates that conditions to promote formal employment are not encouraging (e.g. too high taxes, difficult access to credits for developing a business, etc.) Overall, this makes the area and its inhabitants 'vulnerable'. Ultimately, this picture is further affected by the lack of adequate transport infrastructure throughout the territory that might support enhanced trade, tourism and inter-municipal contacts.

Local Economy Diversity criteria

Formal employment figures portray a local diversified economy characterised by a relatively important manufacturing sector (24% on average) that is composed of some residual socialist era industries having gone through a privatisation process, while others have not succeeded in surviving and are now abandoned, and emerging food industries. Agriculture is still predominant in most of the area, with several municipalities seeing more than 30% of the active population in the sector. Despite the scarce information on structure of holdings, it seems clear that the sector is mainly based on a large number of subsistence / semi-subsistence small holders. Agricultural production is particularly promising in the fruit sector (berries) and animal production (dairy and meat). Though tourism is an important sector for stakeholders and according to the surveys, it is relatively important only in few municipalities (Cajetina, Bajina Basta and Uzice). Finally, other activities of the primary sector (mines, electricity production and forestry) are also important.

Local government capacity

A will to engage in community-driven development and in cross-border cooperation is observed in the area, yet the institutional capacities to do so are largely missing, both in the public sector and within private sector and civil society. In addition, there is a problem of coordination which may be addressed within the ABD programme, as ABD requires that stakeholders reach consensus on a collective working plan for the target area and may also be willing to adapt to unforeseen circumstances.

In order to implement the ABD pilot intervention in the Drina Tara target area, three main participatory instruments were established and utilised not only to specifically adapt to the rural and cross border setting of the case study but also to overcome some of the identified weaknesses of ABD and other participatory approaches. The participatory mechanisms for this project were based on the involvement of:

- i) a group of selected individuals and representing the different types of stakeholders in the area (local governments, civil society and business sphere), called stakeholder group (SG)
- ii) a group of academic experts and representative of national administration,
- iii) sample of community representatives, through a questionnaire-based surveys

The first mechanism served as the platform where key priorities and action plans were discussed. The second participatory mechanism was aimed at controlling for major disparities between local initiatives and national programs. The survey/questionnaires had a double purpose of collecting additional information and validating the results of the SG. As a result of 6 months of interaction, 4 priority themes were identified:

1. Tourism;
2. Rural development (with a special focus on agriculture);
3. SME and entrepreneurship;
4. Environmental protection.

Each priority area and their corresponding action plans are highly correlated and inter-dependent, thus complying with the multi-sector nature of ABD. For example, by supporting the conservation of natural resources in the environmental protection priority area, the sustainability of touristic activity in the region related to rural and mountain tourism would be enhanced. Another synergy is found between extension services devised for entrepreneurs (SMEs) in the area that could also serve the sectors of tourism and agriculture, and for which specific trainings have been considered. Overall, the Drina-Tara case demonstrated that it is possible to elaborate through a participatory approach a multi-sectorial integrated development strategy, even though this aspect seemed ex-ante rather difficult to implement (according to the evaluations of typical rural development approaches, LEADER in particular). It can be argued that action plans could have been elaborated in further detail, but this could be partly explained in terms of the short time framework and lack of information concerning potential external and internal funding.

However, since the ABD approach is based on the principle that local stakeholders tackle issues which can effectively be addressed at the area level, important aspects related to effective cross border interaction were not fully addressed although acknowledged (for example, the need of an appropriate institutional and legal framework). It can also be argued that the multi-sectorial approach is incomplete because some significant elements have been left aside, i.e. initiatives related to forestry and biomass energy; watershed management and hydro-electricity; broadband access and language skills (for tourism in particular business tourism). This state of play is caused by various attitudes and circumstances: a possible bias towards small-scale and/or local fields of development due to the prominence of the bottom-up approach; a decision not to focus on elements that need to be solved or addressed at higher administrative levels than the local one (i.e. National / International); the poor presence, knowledge and/or influence of local stakeholders in certain sectors of the local economy, the consequence of which being that these sectors, although important, are absent from the Action Plan (e.g. forestry, hydro-electricity, etc.); the difficulty for local stakeholders to project themselves in a long term perspective and to frame their immediate development needs in a long term vision, etc.

The report by focusing on a rural cross border pilot target area of the Western Balkan has allowed drawing relevant lessons for the implementation of ABD in this particular setting. Key methodological improvements include:

- (i) the *area delineation* process needs careful consideration in order to cover all similar sub-regions in terms of development problematic without reaching a size where a participatory process would be impossible to implement, nor excluding key players;
- (ii) the *bottom-up process* and its momentum – guidance should be offered to people involved in this process so that they understand the nature of their roles and how they are inter-related. Development proposals should be prepared in detail for which technical assistance and sufficient time are required. Although under the ABD approach proposals (related to major changes in legal frameworks or border/custom/trade laws) which cannot be addressed at the area level are expected to be excluded from the analyses, stakeholders should not refrain from expressing clearly their needs in these issues and should be sufficiently motivated in order to continue interacting after the official end of the ABD intervention so that these matters may be referred to higher political-administrative levels;
- (iii) the *top-down* accompanying framework of the participatory process must be openly discussed. Information flows should be improved and one way to do so is to put further support and coordination efforts in the relation with regional and national authorities, possibly with an increase in the physical interaction with local level stakeholders. An adequate top-down communication might help local stakeholders which have difficulties to embrace a global picture in designing a truly balanced *multi-sectoral* and rural-urban development programme.
- (iv) the *institutional and legal framework*. This is an aspect not very well addressed in the ABD methodology. It is however of utmost importance in the context of a rural cross border target area since it is essential not only to reinforce but adapt the institutional and legal framework in order to ensure the sustainability of a cross-border approach of this kind . Moreover, a stable long term perspective of funding (e.g. EU Accession and EU structural funds) would be more favourable to the mobilisation of local assets than the continuation of donor-dependency.

Lastly, based on the criteria defined for the selection of the pilot case study, 7 other rural cross border regions have been identified as potential ABD target areas in the Western Balkan region. They include different types of region which can be clustered as follows: (i) a depopulating, but accessible region (Drina-sava) for which a cross border strategy would rely on competitive (agro-)industries and trade (ii) Croatian and Montenegrin coastal areas where the Bosnian – Montenegrin hinterlands across the border should be reconnected to the economic growth generated by touristic development in the coast; (iii) areas lagging behind because of severe isolation (as well as other severe difficulties, such as negative demographic situation) and facing high difficulties for which cross border cooperation could represent a disruption in their negative evolution; (iv) areas characterised by the need to commonly manage water resources (lake) with a differentiated development situation across the border (between Macedonia / Montenegro and Albania), one having better baseline development situation and potential (Skadar Lake) than the other (Prespa Lake).

■ 1 Introduction

The present report compiles the different work packages of the *'Facilitating an area-based development (ABD) approach in rural areas of the Western Balkans'* project. Chapter 2 addresses a description of the theoretical aspects of the ABD approach and an overview of experiences with the use of ABD programmes. The literature review not only examines the origin, nature, main features and theoretical background of the ABD approach, but also the particularities of ABD implementation and evaluation. In this respect, a special emphasis is given to ABD experiences in the Western Balkans. Likewise, the similarities and differences between ABD and other rural development approaches (in particular Leader) are discussed. An analysis of cross-border cooperation initiatives within the EU and with neighbouring countries is also included in this chapter. The overall purpose of this exercise is to understand the strengths and weaknesses of the ABD approach selected for this project and to assess and acknowledge its appropriateness in rural cross-border contexts. Ultimately, good practice principles and lessons are drawn from the literature review in order to contribute to a successful ABD implementation in the selected Western Balkan target area.

In Chapter 3, the ABD target area (Drina valley/Tara mountain) is introduced and continued with an analysis of the selection and definition of the case study region along with an assessment of the baseline development situation, critical needs, priority interventions and expected outcome. The Drina-Tara pilot case covers a cross-border area that spreads over three countries: Serbia, Bosnia-Herzegovina and Montenegro. In this chapter, the details of the selection mechanism of participants as well as relevant organizational and implementation issues are also discussed. The baseline assessment not only includes a collection of statistics (on demography, social welfare, education,

agriculture, employment, tourism, transport and infrastructure), but also qualitative data obtained from local surveys, and information fed by expert knowledge from the field (including members of the stakeholder group). The main objective is to triangulate results from these three different sources in order to minimize the effect of existing limitations in data availability and, ultimately, secure a realistic overview of the target pilot area. The identification of critical needs, priority interventions and expected outcome emerge from the baseline assessment, the discussions of the stakeholder group and inputs from experts. The list of activities (i.e. action plan under each priority), which summarizes both actors and inputs involved, are also presented. This chapter concludes with proposals from the stakeholders of monitoring mechanisms (per priority) and initiatives to establish a permanent working group/network aimed at promoting and sustaining development initiatives within the target area.

Chapter 4 outlines not only the lessons learnt from (weaknesses and advantages) of the ABD approach implementation in the Drina-Tara target area, but also focuses on specific methodological improvements for ABD programmes in the context of rural cross border areas. The latter entails information, which could be beneficial when preparing similar ABD programmes in other rural cross border areas of the Western Balkans (where ABD intervention may seem to be appropriate).

Chapter 5 is concerned with the identification of other areas with a potential for implementation of the ABD approach. This includes a preliminary outline of potential target areas in the Western Balkans where an ABD may be appropriate and feasible. Seven additional potential target areas with rural and cross border components are presented in detail.

■ 2 Theoretical and Practical Context for the Area-Based Development Approach Implementation in Rural Cross-Border Areas of the Western Balkans

2.1 ABD origins and definition

2.1.1 ABD, an approach well-defined by UNDP

ABD has been developed by the UNDP and co-exists with other development approaches, such as “place-based” or “area-based”. The origins of the area-based development (ABD) approach date back to the late 1980s when UNDP recognised that the traditional (and often fragmented) aid programmes were unable to adequately respond to complex conflict and development situations. It was then considered necessary to design technical packages that could evolve from the humanitarian assistance and disaster relief actions to a ‘more holistic and sustainable response to complex emergencies’ (Vrbensky, 2008, p. 4).

Accordingly, in 1989 the UNDP launched three major post-conflict programmes in Afghanistan¹, Central America² and Sudan³ that followed an integrated area-based development approach meant to simultaneously address diverse needs in their local frameworks. The Central American experience was considered a pioneer among UNDP’s regional recovery programmes, for it addressed cross-border issues⁴ and it relied on the peace commitment

of the Presidents of the Isthmus⁵ (UNDP, 2009a). Actually, 11 war-affected areas in six different countries were part of the project that focused on a complex variety of aspects such as: human rights, reintegration of returnees, participatory development planning, restoration of basic services and rebuilding the local economy; always using a *decentralised, integrated and bottom-up* approach. Soon after these experiences, UNDP initiated interventions in Cambodia⁶, Somalia⁷ and Myanmar⁸ guided by the recently implemented ABD principles. Today, the ABD approach continues to be applied in UNDP strategies for conflict prevention and post-conflict scenarios, fostering stability, strengthening communities and building local and national capacity (UNDP, 2009).

For the present report and project, the following definition by Harfst (2006) of the ABD approach will be used:

ABD targets **specific geographical areas** in a country, characterised by a **particular complex development problem**, through an **integrated, inclusive, participatory** and **flexible** approach.

ABD’s *territorial focus* derives from the understanding that the *space or area* in which people live should be the central point for improvement. In other words, the selected area basically corresponds to the geographical zone where a definite development challenge is faced. It could thus refer to a region or even municipality (or neighbourhood) in any given country, or to a cross-border zone including a

1 ARRP: Afghanistan Rural Rehabilitation Programme, enabled local Shuras to take responsibility at community level for infrastructure and agricultural productive rehabilitation activities despite continuing military conflict and extreme hardship (UNDP, 2009a)

2 PRODERE: Programme for Displaced Persons, Refugees and Repatriated

3 In Sudan, area development schemes facilitated the stabilisation of the population outside the area of conflict, menaced by drought and displacement (UNDP, 2009a).

4 There is some debate regarding the advantages of ABD in cross-border development situations. For example, Vrbensky (2008, p. 12) states that ‘the approach is only partially suited to deal with other influential factors of conflict, namely the structural factors and the national and cross-border dimensions of most other factors’.

5 Esquipulas II Declaration, August, 1987

6 CARERE: Cambodia Area Rehabilitation and Regeneration Projects, 1991

7 SRP: Somalia Rehabilitation Programme, 1992

8 SHD: Sustained Human Development Programme in Myanmar, 1993

variety of towns and individuals from different nationalities and cultural backgrounds; provided they were all afflicted by a common problem or set of problems.

As a result, a different dynamic from the targeting approach is introduced given that the main purpose under the ABD approach is to serve the entire population within the area in question, rather than pre-establishing categories of potential beneficiaries (UNDP, 2009b). In other words, ABD *targets and includes entire communities* (and not community segments or individuals), thus avoiding discriminatory practices among potential beneficiaries. In fact, in ABD a special emphasis is given to the *participation* of all stakeholders as a necessary condition to correctly define an appropriate solution to the problem at hand. This reflects the tendency in development approaches to see rapid development and democratic participation “as complements, to stress the need for voice and participation as a means of ensuring that reforms are politically sustainable, and to recognise as a fundamental right of individuals having a say over the decisions that affect their lives and livelihoods” (Sen, 1999, as quoted by Hoff and Stiglitz, 2001).

Chiefly, the ABD approach is concerned with identifying root causes (and avoiding undesired symptoms) from a *multi-sector* perspective that integrates the views of stakeholders (Harfst, 2006). A differentiating factor of the ABD approach is that the tools which are considered relevant to tackling the unique problem or problems at hand are applied simultaneously and in an *integrated* manner. The tools may not be novel in themselves but the fact that they are implemented in an inter-related, inter-dependent manner is decisive in the ABD approach. From this point of view, the ABD approach lends itself highly *flexible* and convenient to address complex development circumstances that can be pinned down to a precise geographical context. The main idea is to help disadvantaged areas and

address in detail the basis of regional disparities⁹. Therefore, the expected outcome from an ABD approach is a tailored intervention programme for the specified development situation in the selected area (Harfst, 2006). Ultimately, the ABD approach is expected to reconcile long- and short-term objectives that secure regional sustainability and welfare.

The ABD approach relies on widely accepted principles that are common to rural development models, in the sense that *inclusion, participation, bottom-up* initiatives and *flexibility* are key features. In addition, in ABD, horizontal linkages (i.e. between peers and stakeholders at the same level) and vertical linkages (i.e. between different levels of planning and decision making) are reinforcing the *multi-dimensional* aspect of the approach.

It is interesting to highlight that in recent years, there has been a distinct alteration in the factors influencing rural development schemes (see 2.3). On the one hand, it is nowadays widely recognised that sustained rural development may not be achieved by focusing on agricultural issues alone. As a result, policy packages tend to *integrate* environmental¹⁰, socio-political and institutional aspects. In addition, it has become evident that projects that do not obtain *commitment and involvement* from the beneficiaries can hardly ever secure a long term effect (FAO, 2007). On the whole, there has been a shift from a top-down, subsidy-based

9 Such disparities are said to emerge from one or more of the following issues (UNDP, 2009b):
geographical isolation
climate factors and physical disadvantages
frequent natural disasters, man-made disasters
demographics (low population density, persistent out-migration)
economic factors (industrial restructuring, collapse of agriculture)
conflict (internal/external), or
ethnic, religious, cultural, linguistic barriers.

10 For instance, policy makers increasingly emphasise the need to identify and valorise the wide range of resources of rural areas and their use (i.e. natural systems related to water, air, and land). The stewardship of the multiple features of rural sites has thus become a key pillar of rural development policies (OECD, 2006).

strategy to *bottom-up* initiatives that focus on *local* assets and investment in order to improve regional competitiveness (OECD, 2006). In this respect, the ABD approach has not only embraced the previously stated trends but goes one step further since it concentrates on specific geographical zones that suffer a particularly unique development situation.

2.1.2 Some theoretical insights

Likewise, it is noteworthy that these main ABD features or principles (in particular those shared with rural development approaches) can be related to identifiable theoretical insights. For instance, the *integrated, participatory* and *inclusive* traits of ABD are coherent with the idea or concept that 'development is not just about increasing goods and services provided and consumed by society. It also involves enabling communities to have greater control over their relationship with the environment and other communities (Shortall and Shucksmith 1998). In other words, a *holistic* and *multi-sectorial* perspective is embedded in the design of ABD strategies and initiatives. This perspective also justifies ABD interest in the analysis of vertical and horizontal linkages and the promotion of capacity building. The latter links back to the Putnam's (1995) theories of social capital¹¹ and North's (1990) consideration of effective institutional coordination¹².

Another theoretical stand which supports the ABD approach is the conviction that local governance allows for 'tailoring levels

of consumption to the preferences of smaller, more homogeneous groups' (Wallis and Oates, 1998); thus making on-site, localised, *area-based* planning more responsive to *area-specific* needs (Faguet, 2004).

Given the conflict-related origins of the ABD approach, it is also possible to trace the theoretical inputs from the conflict literature which influence the scope and timeframe of the ABD approach. For instance, Lederach (1997) implies that developing an infrastructure for peace building that tackles the crises stage should take two to six months, issues of people and their relations - one to two years, and the institutions or sub-systems - five to ten years, while moving towards sustainable peace and desired future may take generations. This translates into ABD programmes which are required to be highly specific in the definition of the outcome, objectives and time length of their interventions (Harfst, 2006). Equally, Vrbensky (2008) states that the specifics of each post-conflict or special developmental context determine the exact set of strategies and measures to be included in the programme. Clearly, this calls for a *comprehensive* and *flexible* approach that allows for a multi-tool, multi-agent, multi-sector, multi-level implementation and evaluation in the context of a realistic time framework. A characteristic that is inherent to ABD definition.

It can further be argued that some of the key theoretical concerns that are embedded in the ABD principles or main features are rooted on the notion of *endogenous development*. Ray (2000) states that *endogenous development* is understood as the hypothesis that improvements in the socio-economic well being of disadvantaged areas can best be brought about by recognising and animating the collective resources of the territory (Nemes, 2005, p 2).

The emphasis on the endogenous aspects of socio-economic development is related to the debate that flourished among economists on the endogenous drivers of *economic growth*. The concept of *endogenous growth* (see Box 1)

11 According to Putnam (1995) 'features of social organisation, such as trust, norms and networks, improve the efficiency of society by facilitating coordinated actions'.

12 For North (1990), higher coordination within socio-economic agents (which stems from appropriate institutional framework) implies a reduction in transaction costs, thus leading to a positive impact on productivity. Favourable institutions to economic growth include any (formal and informal) convention, norm or statute which secures clearly defined property rights, sets cost-efficient ways to enforce contracts, solve conflicts, condemn opportunistic behaviour, guarantee easy access to information, etc.

emerged and developed in the 1980s and 1990s (see among others Romer, 1986, 1990; Aghion and Howitt, 1992, 1997). The idea was to try to overcome limits of mainstream models of economic growth (Harrod, 1939; Domar, 1946; Solow, 1956; Swan, 1956), mainly to explain *endogenously* technological change and saving rates through linking macroeconomic growth to microeconomic performances. Economic growth at aggregate level was thus seen as the result of technological growth and saving rates that were attained at micro-level (functional forms describing these relations vary according

to local economic and social conditions). According to Curren and Gleeson (2009, p. 14) endogenous growth models and theory sought to provide a theoretical framework within which long-run growth rate is determined (within the model) through the inclusion of knowledge spill-over, human capital formation, research and development, technology diffusion, etc. As stated by Hoff and Stiglitz (2001, p. 396), this meant that ‘the “deep” fundamentals of neo-classical theory – preferences and technology – are themselves endogenous, affected by the social and economic environment’.

Box 1: Growth Economics, Development Economics & Endogenous Growth

Both growth economics and development economics surfaced as distinct fields of inquiry in the early post-Second World War period. On one hand, growth economics emerged out of a concern with the preservation of full employment in modern capitalist economies. On the other hand, development economics focused on growth initiation and acceleration in less developed societies (Ruttan, 1998). While growth economics may be characterized as decisively macro-economic in nature, development economics is more micro-economic oriented and draws on knowledge from related research in anthropology, sociology and political science and on the insight of practitioners (Krugman, 1996)

According to Ruttan (1998) there have been three waves of interest in growth theory in the last half of the 20th century, which have influenced development economics thought and policy implementation. The first was stimulated by the work of Harrod (1939, 1948) and Domar (1946). The second wave began in the mid- 1950’s with the development by Solow (1956) and Swan (1956) of a neo-classical model of economic growth. The third wave was initiated in the mid-1980 by Romer (1986) and Lucas (1988).

Harrod and Domar independently analyzed the factors which determine steady state growth in an economy. In what is known as the Harrod - Domar model, instability in economic growth was the result of failure to equate *warranted* and a *natural* rate of growth. The latter is assumed to depend on the savings rate and on the given capital requirement per unit of output. The former is determined by the rate of growth of the labour force and the rate of growth of output per worker. Two critical aspects of the growth process were then identified as: savings and the efficiency with which capital is used in investment. The model, based on fixed-coefficient constant returns to scale function, was considered simple and of small data requirement; features which partly contributed at the time to its rapid diffusion among planning agencies of many newly independent countries (Ruttan, 1998). However, more important was the fact that the model seemed to confirm the widely held belief among development economists and planners that the transition from slow to rapid growth required a sustained rise in the rate of savings and investments. Consequently, the model was used to determine the “required” investment rate or “financing gap” to be covered in order to achieve a target growth rate.

Solow challenged the premise that a sustained rise in the savings rate was the key to transition from a slow to a fast growth path. He therefore proposed that the capital-output ratio be replaced by a richer and more realistic representation of technology. In the Solow-Swan model substitution between the factors of production is allowed so that the relative endowments of capital and labour may be incorporated. A production function with the property of diminishing returns (where each additional increment in capital per worker results in less output) was assumed whereas technological change was assumed to increase independently or exogenously of the model. Solow also analyzed the contribution of each term in the production function using data for US GNP from 1909 to 1949. According to

Prescott (1988) the unexpected turn was when four-fifths of output per worker over the 1909-49 periods was accounted for by changes in the technology coefficient. From the point of view of development economists, technological change came to replace the growth of capital equipment as the primary source of growth. Overall, in the Solow-Swan model main determinants of growth in the model were the exogenous technical change and population growth; with the expectation that over time poor and rich countries incomes should converge.

But the lack of evidence of convergence toward steady state growth even among developed economies and the inability to successfully account for differences in income growth rates or income levels across countries raised criticisms which were voiced by Lucas and Romer in the mid 1980's (Ruttan, 1998). Lucas argued that *by assigning so great a role to technology as a source of growth, the theory is obliged to assign correspondingly minor roles to everything else, and so has very little ability to account for the wide diversity in growth rates that we observe*. Likewise, Romer (1986) emphasized that *what is needed is an equilibrium model of endogenous technical change in which long-run growth is driven primarily by the accumulation of knowledge by forward-looking profit maximizing agents*". Next, new models appeared which ensured that long run growth rate of income depended not only on the parameters of the production and utility functions but also on fiscal policies, foreign trade policies and population policies (Srinivasan, 1995). In other words, the neoclassical assumption that policy can affect the level of economic activity but not the rate of economic growth was challenged.

For Ruttan (1998) the main implications of the Romer-Lucas contributions were that they inspired the concept of endogenous growth in development economies. The author argues that the most important substantive contribution has been their endogenisation of human capital formation. This led to the important analytical result that when investment takes place in an economic environment with increasing returns to scale the marginal product of capital need not decline over time to the level of the discount rate. In other words, the incentive to accumulate human and physical capital may persist indefinitely and long-run growth in per capita income can be sustained. In this respect, Romer's 1990 paper "Endogenous Technological Change" is considered a seminal contribution to the new or endogenous growth theory. Romer (1990) stated that technological change was a non-rival, partially excludable economic good that was the driving force of economic growth and that it was based on people responding to market incentives. If technology is seen as a non-rival partially excludable good then imperfect markets require support to innovate and public policies to promote research, innovation and improved business practices can be validated.

To conclude, Howitt (2009) offers the following definition of endogenous growth: long-run economic growth at a rate determined by forces that are internal to the economic system, particularly those forces governing the opportunities and incentives to create technological knowledge. Endogenous growth theory challenges the neoclassical view by proposing channels through which the rate of technological progress, and hence the long-run rate of economic growth, can be influenced by economic factors. It starts from the observation that technological progress takes place through innovation and that economic policy with respect to trade, competition, education, taxes and intellectual property can influence the rate of innovation by affecting the private costs and benefits of doing research and innovation. Consequently, endogenous growth theory holds that policy measure such as: subsidies, research and development, education, etc., increase overall growth rates by increasing incentives to innovate; leading to what is known as endogenous development policy

From this angle, standard policies cannot be directly replicated from one place to another, as was usual practice before the 1980s and 70s. *Endogenous development* policies must thus be adapted to the cultural, socio-economic and political context. Moreover, it is expected that the

population is enabled to take part in the solution-finding process along with their own resources and capacities. In this respect, a policy-relevant (crucial) issue that has emerged as a result of the diffusion of endogenous growth theories is that policy may impact economic growth in the long

term, in particular policies including openness and innovation. Implications include the idea that, contrary to common belief, ‘developing’ countries, regions, and local economies are not only the poorest, but also the richest, since they are also obliged to follow a continued and genuinely peculiar development trend (including adequate *ad hoc* policies) to keep welfare (Howitt, 2007). Overall, in terms of policy making this entails that the stimulation/accumulation of these elements at the local level, could positively contribute to regional economic integration and convergence of per capita income. (See Box 2).

At this point, it must also be highlighted that in practice most *endogenous development*-based strategies and/or interventions are strongly influenced by experiences and value judgements about desirable forms of development (Brugger, 1986; Slee, 1994). These conceptions then largely serve to inform the overall policy making

and enactment processes. In this respect, Brugger (1986) also warns against becoming ‘*too endogenous*’. He argues that *endogenous development* programmes may end up ignoring external effects and global economic processes which can damage regional/local economies and societies. This theoretical debate puts higher pressure on the ability of the ABD approach (and ABD performers) to establish adequate horizontal and vertical linkages that may endure after the programme is over and secure income growth and convergence.

In addition, endogenous development relies by nature on the specific local context and therefore both a development strategy and a mix of policy tools to be implemented in a determined area cannot be replicated straightforward in another area. Best practices exercises and simple models should therefore be considered with caution (Scharpf, 1986).

Box 2: Endogenous Development Policies & Place-Based / Participatory Approaches

According to Garofoli (1992) the concept of endogenous development emerged in the early eighties as a *territorial* process (not a functional process) methodologically based on case studies (not on cross-section analysis), in which development policies are considered more efficient when carried out by *local actors* (not by the central administrations). Slee (1999) summarises the differences between endogenous and exogenous development as follows: *Endogenous development is locally determined, exogenous development is transplanted into particular locales and externally determined; endogenous development tends to lead to high levels of retained benefits within local economies, exogenous development tends to export the process of development from the region; endogenous development respects local values, exogenous development tends to trample over them*

Hence, endogenous development initiatives are founded on locally available resources such enhanced local knowledge, skilled labour force, ecology and the linkages of consumption to production. However, the emphasis on the strategic relevance of innovation and knowledge through investments made by economic actors is extensive (Vázquez-Barquero, 2005) and it directly matches the vision of Lucas (1988) and Romer (1986) concerning economic growth. In this context, innovation is perceived as a collective learning process, rooted in the society and the territory, in which coded and tacit knowledge are diffused within the network as a result of relations among the actors (Cooke and Morgan, 1998). Consequently, an analysis of culture and knowledge transmission mechanism (and institutions in general) become a decisive factor in the process of (human) capital accumulation and development (Vazquez-Barquero, 2002)

It is therefore not surprising to find that from a theoretical point of view, the work of anthropologists and ethnographers has played an important role in the consolidation of the endogenous development concept. Particularly since authors such as Strathern (1984) and Cohen (1982) have argued that

local culture mediates in the development process, even within an apparently homogenous culture. Cohen (1982) actually states that if economists ignore *“the enormous significance with which people invest their cultural distinctiveness they will fail to fully understand patterns of development*”. The latter implies that an exchange of ideas must exist between developers and developed. In this respect, authors such as Chambers (1984, 1992) have deeply influenced the implementation process of development programs with his *balanced pluralist approach* which suggests that development agents should engage in a dialogue and learn from the intended beneficiaries of development. According to Vazquez-Barquero (2006) Chambers’ solution is a bottom-up development which breaks with the top-down design of policies and promotes *“participating in decision making with the poorest, helping them to articulate their demands for services, and rights and learning by acting on the ground in development actions with those that most need help”*.

In the last three decades, development agencies have recognised that there are advantages to employing participatory methodologies. According to Jennings (2000), some organizations tasked with *political* development, such as the United States Agency for International Development’s Office of Transition Initiatives (USAID/OTI), openly advocate participatory methods precisely because they promote self-determination and motivate more democratic behaviour. Moreover, Jennings highlights that separate appraisals by The World Bank, the Canadian International Development Agency (CIDA), USAID and the International Relief/Development Project (IRDP) concluded that while participatory methodologies may require greater up front investment in staff training and operations expenditures (up to 15%, on average, according to the World Bank study), throughout the life of programs overall costs average lower than in programs that do not rely on local capacities. Moreover, the above mentioned reports indicate that participatory development programs are invariably more effective at addressing local needs and interventions are more often sustained given the engagement of local actors; youth and women involvement is also said to improve the social status of these segments in the different communities.

In the same line, Canzanelli, (2003) has analyzed the role of UN-promoted *Local Economic Development Agencies* (LEDA) in developing countries and in transition economies. These non-profit organizations (with mixed public and private capital) have the objective to create and develop the environment necessary for the firm’s start up and to provide support services for the economic development of the territory, as well as for social inclusion. The LEDA by stimulating the formation and development of local networks and by supporting productive initiatives of the local economy, embody key insights of the endogenous development concept.

Lastly, in addition to recognising the need for a development dialogue with the recipient community it has also become apparent that proliferating agencies must interact effectively amongst themselves. In developed countries there are frequent conflicts between central and local government and between agencies with overlapping functions. (Slee, 1999).

To conclude endogenous development deals with three key aspects: 1. physical and human capital accumulation process of specific territories 2. territorial capacity for the diffusion of innovation throughout the local productive system and the role played by the local innovation system. 3. local institutional framework. Overall, Slee argues that economic development comes about as a result of the economic forces not explicitly included in the production function (i.e. flexible organization of production, diffusion of innovation, change and adaptation of the institutions) that generate capital accumulation and increasing returns. As stated by Massey (1984) endogenous development, therefore, is a territorial approach to economic growth and structural change, based on the hypothesis that the territory can be understood as the community’s network of interests and thus the community is also an actor for local development. In other words the different interests of the community have to be brought together to draw a development strategy. This close participation has been identified as a key factor to increase the productivity and the employability of people in regions and in particular in rural areas (FAO, 2009).

Endogenous Development Policies in the EU

Driven by endogenous growth theories and endogenous development initiatives, European funds are now supposed to better capture the development potential of regions with a stronger emphasis on education, innovation, training and the use of venture capital (FAO, 2009). For instance, the priorities of the use of regional aid (described in the *Community Strategic Guidelines on Cohesion Policy 2007-2013*) clearly highlight the need for a sustainable development strategy based on local participation. The following initiatives are highlighted:

- *Encouraging innovation, entrepreneurship and the growth of the knowledge economy through research and innovation, including the development of new information and communication technologies;*
- *Improving the attractiveness and accessibility of member states, regions and cities, ensuring adequate quality and level of services and preserving their environmental potential; and*
- *Creating more and higher quality jobs by attracting additional people into employment in entrepreneurial activities, improving the adaptability of workers and enterprises and increasing investment in human capital.*

Barca (2009) in an independent report commissioned by the European Commission to reflect upon future cohesion policy post-2013, discusses the need for “place-based” approaches as essential for promoting the “supply of integrated goods and services tailored to contexts”. In a place-based policy, public interventions rely on local knowledge and are verifiable and submitted to scrutiny, while linkages among places are taken into account.”

While restructuring the economy through macroeconomic policies is a first step to fostering growth at the EU and national levels, local action in tune with local potential is seen as a requirement to fostering development at the regional level and avoiding increasing regional disparities (FAO, 2009). Local social mobilisation is thus necessary to initiate endogenous development processes. The objective is to generate the maximum development level using the internal capacity of territories; while remaining divergences are meant to be approached through other social policies (EC, 2007).

In general, all structural policy instruments have tried recently to involve people through partnerships or bottom-up approaches (European Commission, 2009). Local development approaches can be found in many territorial and social policies of the EU (e.g. Urban, Equal and Farnet, Leader etc.)

Similarly, given the emphasis on participation and community engagement present in ABD, Shortall (2008) warns about an ‘inherent problem of participatory schemes’ which basically occurs when absent stakeholders are quickly assumed to be ‘socially excluded’ simply because they have not taken an active role in the programme under implementation. He explicitly refers to the case of Protestants, women and small farmers in Northern Ireland. He argues that for each of these groups, specific incentives led them to actively decide not to

participate and the key point is that this must not mean they are socially excluded groups¹³.

¹³ For instance, in the case of women, Shortall (2008) argues that, at the time of the Department of Agriculture and Rural Development (DARD) interventions in the area (1999-2003) which he analysed, women had their own well-functioning network in order to access credit or receive training. With respect to Protestants, it was identified that they preferred to be engaged within their religious circles. Lastly, small farmers perceived that rural development programmes diverted resources away from farm families, specifically CAP reforms were seen to reduce incomes for small rural farms, thus creating an actual disincentive to get involved in DARD programmes.

Shortall (2008, p. 4) states that different groups experience a different quality of participation and the voices and views of some groups are given greater weight than the voices of other groups. As a result, power differentials have to be explicitly addressed and negotiated, particularly when socio-economic advances are discussed in area-based or community-based initiatives.

2.2 ABD implementation and evaluation

2.2.1 Implementation of the ABD approach

When considering the ABD approach for a given programme, the first question to ask is: *'Am I dealing with a clearly identifiable area that has unique or specific problems that sets it apart from other areas in the country and therefore merits special attention?'* (Harfst, 2006, p. 15). If the answer is positive, it is then essential to verify that the development situation in the area is not relatively simple in the sense that it may concern one given sector/problem with identifiable causes and effects. The ABD approach should be implemented for *'situations of a complex and multi-dimensional nature where causes and effects are heavily interlinked'* (ibid). If it is not possible to answer positively to these two requirements, another approach must be sought (e.g. a sector-based or target group approach). Ultimately, it is necessary to highlight that ABD is a competent approach when the defined problem is specific to the area in question and it can be correctly addressed at that level. If this is not the case, it is advised to take action from the national level (Harfst, 2006).

According to Harfst (2006), the characteristics of certain areas may hinder a successful outcome from the implementation of an ABD approach. In this respect, the author refers to areas which, because of fundamental geographical/economic reasons, are unlikely to ever become as prosperous as the rest of the

country¹⁴. Another limitation is found in the lack of policy and institutional framework necessary to support basic local development initiatives in the area. Finally, as for many other approaches, budget limitations must be taken into account as these affect the scope of the ABD programmes. This last aspect is particularly important because ABD programmes usually address issues that require a long time span in order to observe the effects of the intervention¹⁵.

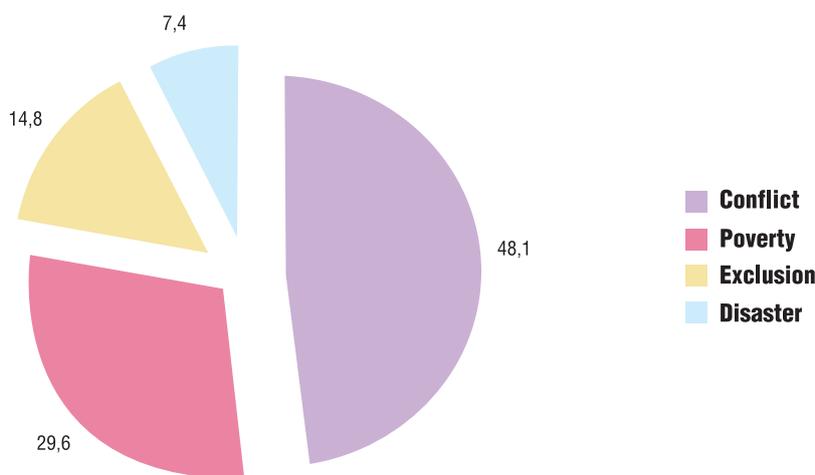
Most ABD programmes have been applied in *post-conflict* and crisis areas where socio-economic and political stabilisation has been the priority¹⁶. In this scenario the promotion of small-scale community-based infrastructure or services, income-generation activities and local governance capacity building can have a relevant and recognisable impact (Harfst, 2006). However, there are three other main categories into which the ABD approach has been employed: *disaster, poverty and exclusion*. Figure 1 below illustrates the categorisation of 27 UNDP ABD programmes undertaken in Europe and the Commonwealth of Independent States (CIS). 48.3% were defined as *conflict*-related projects. 29.6% belonged to *poverty*-related programmes, while 14.8% and 7.4% belonged to *exclusion*- and *disaster*-related initiatives, respectively.

14 In the case of the EU, ABD interventions in this respect, are expected to at least prevent a further widening between regions, while in developing countries, governments tend to pre-select areas that are more likely to benefit from the assistance projects, actually excluding the poorest areas (Harfst, 2006).

15 In addition, as it will be discussed in a following section, the results of the programme are also hard to quantify given the multi-dimensional nature of the ABD approach.

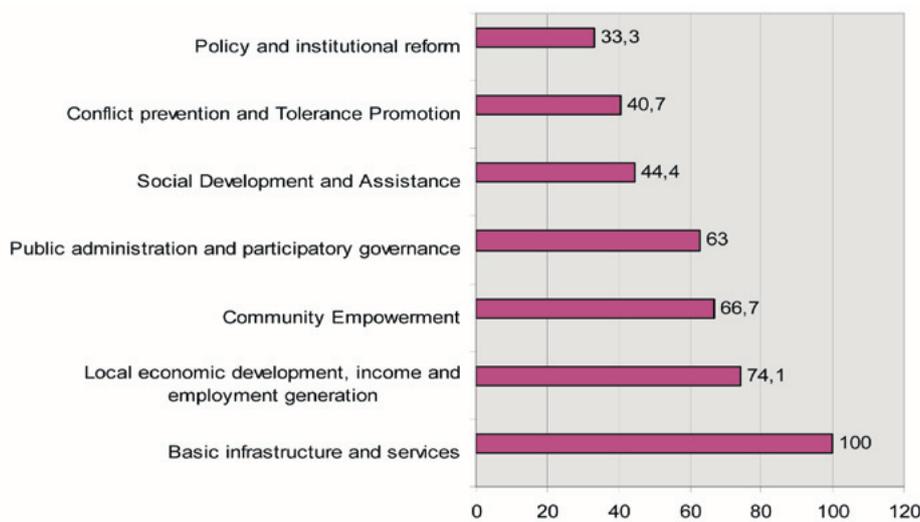
16 In the 1990s several UNDP post-conflict ABD programmes were implemented in the following countries: Afghanistan, Belize, Bosnia & Herzegovina, Burundi, Costa Rica, Ukraine, Djibouti, Dominican Republic, El Salvador, Eritrea, Guatemala, Haiti, Honduras, Lebanon, Macedonia – FRY, Nicaragua, Rwanda, Sierra Leone, Somalia and Sudan. In Albania, Angola, Cambodia, Croatia, Mozambique, South Africa, Tajikistan and Tunisia, projects are ongoing. On this ground, one of the pioneer experiences was held in Central America with the 'Development Programme for Displaced Persons, Refugees and Repatriated' (PRODERE) (UNDP, 2009a).

■ Figure 1. Overview of UNDP ABD programme categories in Europe and the Commonwealth of Independent States



Source: Harfst (2006)

■ Figure 2. Overview of UNDP ABD programmes in Europe & Commonwealth of Independent States and their breakdown into components



Source: Harfst (2006)

Nonetheless, Urbensky (2008, p. 6) argues that the distinction between the various types of categories is difficult to make in practice as these are closely interconnected. He particularly emphasises that ‘conflict and natural disaster often generate marginalisation and poverty and inversely, poverty, marginalisation and exclusion can often fuel conflict’. This statement is partly supported by the fact that the mentioned 27 UNDP ABD

programmes undertaken in Europe and CIS share a great proportion of similar components. Figure 2 shows that the component ‘basic infrastructure and services’ has been present in all 27 UNDP ABD programmes. The least addressed component has been ‘policy and institutional reforms’, but it was nonetheless present in more than one third of the UNDP ABD programmes examined in the context of this study.

Depending on the actual development situation, some or all of these components and their varied practices or actions may be considered. However, given the multi-dimensional nature of ABD, several components tend to be addressed simultaneously. Typical components and associated practices within ABD programmes include (UNDP, 2009a):

- *public administration and participatory governance*: planning, budgeting and public investment, decentralisation and democratic self-governance, mechanisms for dialogue and participation, access to information and justice.
- *community empowerment*: community organisation through social mobilisation, supporting existing civil society organizations.
- *basic infrastructure and services*: local contracting, micro-grant schemes, community based-implementation, sustainable management, operation and maintenance.
- *local economic development, income and employment generation*: support to local economic development planning, establishing local economic development agencies, business associations, business service providers, incubators, etc.; private investment promotion; land and agricultural reform, natural resource and environmental management; provision and management of basic economic infrastructure, small and medium enterprise and entrepreneurship promotion, regulatory and tax reform for private sector development; vocational training, job centres, employment counselling services, etc.; provision of agricultural and veterinary extension services; promoting on-farm and off-farm employment; financial services, including microfinance, credit unions, agricultural credit, other banking services and insurance, marketing, export, rural-urban linkages and value chain promotion; support to

agricultural service cooperatives; support to home-based economic activities, 'one village, one product' schemes, community-based enterprises, etc.

- *policy and institutional reform*: creating knowledge and practice networks, independent research, lobbying at national level.
- *social development and assistance*: food security programmes, promotion of educational and health centres, environmental and climate change management, initiatives against gender violence.
- *conflict prevention and tolerance promotion*: community security and social cohesion, conflict prevention, mitigation and resolution, demobilisation, disarmament and reintegration, access to justice and protection, small arms and light weapons control.

Table 1 presents the components, timeframe and area of 10 UNDP ABD programmes undertaken in the Western Balkans in recent years¹⁷. The great majority falls onto the 'conflict' category. Clearly, this is not surprising given the recent history of turmoil and civic divergence in the area, particularly since the break up of the Socialist Federal Republic of Yugoslavia in the beginning of the 1990s. Equally, all programmes possessed an

¹⁷ A more recent UNDP ABD programme, (thus not included in Table 1) is currently being undertaken in Kosovo by UNDP (2008-2010). The project follows a Human Security Goal in the municipalities of Mitrovica and Zvečan. These areas suffer from high levels of unemployment, pollution, rural under-development, small and inexperienced private sector, a young and relatively unskilled population, severely inadequate infrastructure and a complicated structure of administration. In addition, before the conflict, 50% of the population was Albanian, while today only 25% remains in the zone. This division has politicised the provision of public services and led to the creation of separate facilities. Given such scenario, a multi-sectorial approach is being implemented in order to ensure protection and empowerment of local stakeholders. This is to be achieved via: a) mechanisms that improve local authorities' service provision, b) increased enterprise activity within and between communities, c) improved inter-community relations through increased local ownership and strengthened capacities of civil society organisations (UNDP, 2010a).

Table 1. Selection of UNDP ABD programmes in the Western Balkans

Programme (follow links for more info)	Area	Development Setting (main)	Time-frame	Components (see below table for keys)					
				PAG	CE	BIS	LED	SDA	CPT
Bosnia & Herzegovina									
Integrated Resettlement Programme for the Bosnian Canton of Travnik	Travnik Canton	Conflict (returnees, recovery)	1997-2002			X	X	X	X
Posavina Regional Return Programme - PLAP (and 2 precursors)	North-Central Posavina	Conflict (returnees, recovery)	2000-2003	X		X	X	X	X
Brcko Local Action Programme - BLAP	Brcko District	Conflict (returnees, recovery)	2000-2003?	X		X	X	X	X
Srebrenica Regional Recovery Programme – SRRP	Srebrenica Region (3 municipalities)	Conflict (returnees, recovery)	2002-2005	X		X	X	X	X
Integrated Return Programme for Gornji Vakuf – Uskoplje & Donji Vakuf	Gornji Vakuf-Uskoplje & Donji Vakuf	Conflict (returnees, recovery)	2002-2003			X	X	X	X
Sustainable Transfer to Return-related Authorities - SUTRA	23 towns & municipalities	Conflict (returnees, recovery)	2003-2006	X		X			
Croatia									
Local Economic Rehabilitation in War-affected areas in Croatia	Dalmatia, Banovina, West & East Slavonia	Conflict (returnees, recovery)	2002-2004			X	X		
Socio-economic Recovery of ASSC and under-developed regions in Croatia	Banovina-Kordun, East Slavonia, Lika, etc.	Poverty	2006-2008	X		X	X	X	
Macedonia FYR									
Immediate Community Rehabilitation Support - ICRS	Tetovo area	Conflict (returnees, recovery)	2001-2006			X		X	
Serbia									
Municipal Improvement & Revival Programme – MIR (and 2 precursors)	South Serbia (13 municipalities) Leskovac, Bojnik, Vlasotince, Lebane, Međvedija, Crna Trava, Vranje, Trgoviste, Bujanovac, Presevo, Surdulica, Bosilegrad, Vladicin Han	Conflict (returnees, recovery)	2001-2007	X		X	X		X
Municipal development in South West Serbia project – PRO I & II	Novi Pazar, tutin, Sjenica, Priboj, Prijepolje, Nova Varos, Raska, Ivanjica	Conflict	2001-2010	X		X	X	X	X

PAG – Public Administration & Participatory Governance; CE – Community Participation & Empowerment; BIS – Basic Infrastructure & Services; LED – Local Economic Development; SDA – Social Development & Assistance; CPT – Conflict Prevention & Tolerance Promotion; PIR – Policy & Institutional Reform

Source: Harfst (2006) and own elaboration

infrastructure redevelopment section as well as a *socio-economic development* component.

Vrbensky (2008) has examined in detail the ABD programmes in South Serbia and South-West Serbia; as he states, they both are representative of ABD applications in conflict settings¹⁸. Regarding the *Municipal Improvement and Revival Programme* (MIR II) which builds on the achievements of the previous phase, the key objective is to strengthen local good governance in South Serbia in terms of the delivery of services to citizens and local and inter-municipal stewardship of social and economic development (2008, p. 18). Accordingly, three main components are identified: *political representation and participation, economic inequalities and access to services*. The *Municipal Development in South-West Serbia Programme* (PRO I) was initiated in mid-2006 and supported by the European Agency for Reconstruction and Swiss Development Cooperation, with UNDP as implementing partner. The main components included: *governance and political representation, economic development and social services*. In both cases, the author concludes that programmes have been successful in reducing the likelihood of the renewal or eruption of the violent conflict. A rapid employment of ex-combatants and the establishment of legitimate political authority at the local level greatly contributed in this respect. In addition, the interaction with civil society organisations and the support to official structures secured an inclusive and participatory environment. Ultimately, investment in infrastructure and other practices meant to support economic activity also improved community relations.

Another UNDP initiative in the area is the *Srebrenica Regional Recovery Programme* (SRRP) in Bosnia Herzegovina. SRRP was aimed at contributing to sustainable development

of the Municipalities of Bratunac, Milici and Srebrenica. The idea was to support these areas beyond the immediate post-conflict recovery and humanitarian assistance actions. As a result, poverty alleviation is a key element in this ABD programme. Particular actions were based on two pillars: *infrastructure*, and *economic development*. In turn, initiatives to promote *gender equality, civil society organisation, and citizen participation* were undertaken. Resources (for each of the above mentioned project components) were injected to accelerate in a joint manner the level of physical, human, knowledge and social capital accumulation in these three marginalised municipalities (UNDP, 2009a).

The previous description of ABD programme components and scope reflects that the ABD approach is not explicitly nor directly aimed at addressing issues of rural development or cross-border cooperation. Nevertheless, some aspects of rural development programmes may well be shared with the ABD approach, particularly under the component 'Local economic development, income and employment generation'. As a result, the connection between ABD programmes on the one hand, and a rural and cross-border aspect on the other hand, is basically of a circumstantial nature.

Having said this, it is still more common to find ABD interventions in rural spaces than ABD programmes devoted to the solution of cross-border issues. For instance, in terms of actual ABD interventions within the rural context, it is worth highlighting that most of the discussed UNDP ABD programmes in Europe and CIS have been applied in rural or marginalised spaces and their ultimate objectives were to bring about socio-economic improvements and organizational capabilities at the area level. A particular example of ABD programming outside this geographical zone and mainly focused on rural issues is that of Karakalpakstand and the Fergana Valley in Uzbekistan. The programme focuses on three aspects of intervention: *a) improved capacity for local development planning, b) support to communities to set up*

¹⁸ Vrbensky (2008) further argues that 'the conflict context of the two regions differ, as one programme is implemented in a post-conflict setting with latent inter-ethnic tensions (i.e. South Serbia) while the other in a region characterised by low-scale incidents of intra-ethnic violence with a potential for future escalation (i.e. South-West Serbia).

self-help schemes for improved access to basic services, and c) support to income generation, microfinance and job creation with focus on agriculture and demonstration of appropriate local technologies that can provide an alternative to existing centralised services and small business opportunities. This project is currently ongoing.

2.2.2 Evaluation of ABD programmes

Overall, at UNDP, the ABD approach has been implemented in complex development situations of several regions around the world. In terms of project evaluation, common practice involves the analysis of five key *development assessment criteria*: relevance, efficiency, effectiveness, impact and sustainability (UNDP, 20008; 2010b); but on the whole, evaluation reports are influenced by a case-specific outlook. In this respect, The Report on the Evaluation of The Programme for Rehabilitation and Sustainable Social Development in Bosnia and Herzegovina (PROGRESS BiH) (UNDP,1999) constitutes a good example of ABD programme assessment from a practical point of view. This programme had operated in seven severely war-damaged municipalities in the northwest of Bosnia and Herzegovina and its main objective was to rehabilitate infrastructure and strengthen local government's ability to make the most effective use of the available resources while promoting local economic activity. Even though the overall assessment of PROGRESS was positive, (chiefly in capacity building activities) some limitations in its operations were spotted. These mainly referred to budget constraints on one hand and the inability to engage in cross-municipality, cross-inter-entity initiatives (particularly in terms of local economic development). This was partly due to the definition of the project's scope that was initially too wide (given the available resources) and it was necessary to narrow it down throughout the implementation of the project, ultimately affecting its deliverables in the specified area. Moreover, it is mentioned that no exit strategy was devised, thus damaging the sustainability of achieved results. Similar critiques can also be found in the Final Evaluation of the Pro II project in South-West Serbia (UNDP,

2010b) (a follow up of PRO I project discussed above by Vrbensky (2008)). According to this UNDP report, despite some positive aspects, PRO II was weak both in design and execution. It is particularly highlighted that 'transaction costs accounted for 30 to 60 percent of the total financial envelope which is excessive' (p. 65). Likewise, the timeframe of 18 months for capacity-building activities was assessed as ambitious 'especially knowing that elections will take place during the project implementation period; therefore the reform objective became unrealistic' (p. 66). These shortfalls in technical organisation implied that PRO II did not manage to achieve its overall purpose of coordinating regional development and securing long-term sustainability.

Vrbensky (2008) also provides a practical evaluation of the application of ABD programmes in South Serbia (MIR II) and South-West Serbia (PRO I). First of all, he argues that both programmes were successful in the sense that they followed principles of inclusiveness, non-discrimination, participation, gender sensitivity, transparency and accountability; issues of key relevance in conflict-scenarios. In fact, in the case of MIR II, the UNDP evaluation reports highlights that 'the project design was carried out thoroughly and the process of engagement was a model of best practice and laid the grounds for its implementation success and most notably, the political premium of engagement and endorsement of local mayors which was critical to the project's potential success' (UNDP, 2008). Naturally, this level of engagement also contributed to the creation of a platform for interaction between government, donors, municipalities, non-government organisations and the private sectors. As in the Bosnia and Herzegovina experience, described above, the general assessment of the initiatives was positive in the sense that the likelihood of eruptions of violence was reduced. Vrbensky (2008) however, argues that the projects were unable to 'directly deal with the important issues related to democracy and governance relevant for the conflict and peace dynamic,

such as the role of *spoilers of peace*, criminals and influence of *identity politics*' (p. 30). Likewise, it is mentioned that 'programmes have been limited in reflecting and influencing broader context and responding to cross-border and national considerations, especially as they relate to legitimate political authority on the national level' (p. 30).

From these two programme evaluation reports, it is possible to identify a basic list of recommendations/lessons for successful ABD implementation in rural and cross-border scenarios of the Western Balkans.

- i. Analyse whether budget and time constraints are consequent to established outcome and objectives. If this is not the case, the scope or funds of the project must be examined and altered in order to secure a realistic degree of feasibility. The exact focus of the programme implementation should be defined.
- ii. The number and type of stakeholders involved must be contacted and engaged from the beginning of the project, particularly in post-conflict and cross-border initiatives. It is important not to create false expectations regarding the programme results and build a sense of trust. Field visits are thus of key importance.
- iii. Coordination must be established between the local project agenda and the regional and national initiatives for the area in question. ABD programme policies must be coherent with general government guidelines and the macro situation.
- iv. Open communication channels with potential donors must be established early on. Likewise, programme visibility must be secured in the target areas through effective communication campaigns.
- v. An exit strategy must be devised in order to attend to the sustainability of the project

initiatives once the programme is over. One possibility is to enable local partners to perform project-related tasks.

- vi. Introduce frequent evaluation and monitoring activities throughout the programme life span. These procedures not only are necessary to maintain an appropriate communication channel with superiors but also to respond to the needs of the different stakeholders along the implementation phases. In other words, a flexible stand is compulsory.
- vii. Participatory schemes must be inclusive and power differentials must be negotiated. The objective is secure equitable socio-economic advances among diverse target population segments.
- viii. The identification of priorities must involve all relevant stakeholders and the needs of the target area should be evaluated against the nature of horizontal and vertical linkages that emerge. For instance, focusing on rebuilding chains of production which generate sustainable income resource; such practices will simultaneously contribute to the competitiveness of the area.
- ix. Capacity-building activities must be followed by practical initiatives that allow the communities to implement their newly learned skills.
- x. Depending on the actual nature of the programme and the specific problem or problems to be addressed, the following practices could be implemented: empower local economic development associations, establish microfinance and leasing institutions, secure a minimum access to health and education services, improve on transport infrastructure, promote gender equity, introduce farmer to farmer extension services to establish networks and spread knowledge, etc.

Table 2. Strengths and potential limitations of ABD programmes

Strengths	Potential limitations
Integrated approach – allowing for holistic solutions and encouraging horizontal linkages and cross-sector responses even if problems are sector-specific as development and conflict prevention requires addressing a number of issues holistically to become sustainable	Missing macro-picture – broader strategic context not sufficiently taken into account, weak understanding of macro situation and policies
Platform for partnership and coordination – high potential for increased participation and better coordination since it promotes cross-sector partnerships and division of labour	Inability to respond to structural problems – even in the case of a good understanding of the broader context, there is no or limited influence on structural cross-cutting issues (e.g. related to conflict, governance, poverty, unemployment)
Promoting regional cooperation – utilisation of economies of scale, facilitation of inter-municipal cooperation and trust building, establishment of regional institutions and investment in regional infrastructure	Limited partnerships and lack of coordination – insufficiently broad partnership or inadequate coordination, where partners have no sufficient capacity or mandate to deal with the problems, insufficient focus on or inability to deal with economic development
Understanding of local context – understanding and taking into account specificity of the local situation, high level of insight and closeness to issues and beneficiaries	Fragmentation – local approaches leading to fragmented thinking and realisation, partial solutions and duplications
Involvement of local people – local empowerment, building of human capital, local people as agent of change	Lack of focus – dealing with a broad range of issues superficially leading to a lack of concentration on key problems and results
Enhancement of local democracy – promotion of integration, inclusiveness and non-discrimination through the involvement of the entire community rather than specific group, promotion of participation and transparency, avoiding stigmatization and mentality issue, reduction of perception of social inequality	Visibility trap – concentration on the most visible and easy-to-implement activities instead of promoting systemic change
Support to local governance – promoting decentralization, capacitating local administration, supporting institutional development and organizational reform leading to increased effectiveness	Dependency – developing dependency on external support, often lack of well planned exit strategy, Government reliance on external support leading to lack of involvement and support, preferential treatment for some areas
Manageability and flexibility – focus on manageable size allowing for integrated, comprehensive approach, keeping programme relevant in changing context	Capacity substitution – reducing urgency of systemic change, substituting for inefficiency of sector-level policies, insufficient institutional capacity or budgetary support
Improved monitoring and cost-efficiency – better monitoring of results and reflection of lessons learned, improved cost-efficiency through coherent approach avoiding duplications and addressing real needs	Donor-driven and short-term approach – interventions often donor-driven with high expectations and short timeline where conflict context and special development situation requiring longer time frame to generate systemic change

Source: Vrbensky (2008)

- xi. Coordination must be encouraged both horizontally and vertically, possibly via joint training sessions. It is convenient that representatives of different municipalities/agencies interact in neutral settings.
- xii. Stimulate the development of multi-ethnic, cross-border civil society organisations and the preparation of communication strategies based on the inclusion of key representatives of the different municipalities.

xiii. In post-conflict (as it is the case of the Western Balkans), it is crucial to design refugees / returnees / internally displaced programme interventions.

Table 2 presents a summary of ABD strengths and potential limitations obtained from a survey (Vrbensky, 2008) of ABD practitioners in the Balkans (specifically in Bosnia Herzegovina, Serbia and Ukraine). The resulting items accurately match the main ideas drawn from the literature review.

From Table 2, it may be concluded that each of the stated ABD strengths must be handled in such a manner that it does not translate into its equivalent limitation. For instance, the integrated nature of ABD implementation which guarantees a holistic approach to development challenges, must neither lose track of the macro-situation, nor of the identification of structural problems which in reality cannot be tackled locally. This gap may be particularly addressed by linking political and developmental agendas at the local and national levels; (once again, the establishment of appropriate horizontal and vertical linkages is stressed). However, this promotion of regional cooperation can only be successfully undertaken if there is sufficient capacity for accurate coordination between key players. Otherwise, programme results will be fragmented and only the most easy-to-implement tasks will be conducted.

The multi-dimensional nature of the ABD approach must be reviewed so that the ABD intervention is controllable (under adequate monitoring) given the available resources and capacities. The scope and extent of objectives must be realistic at all times and match the time and budget constraints. Equally, exit strategies for the ABD programme must be prepared in advance in order to secure the degree of local involvement and participation in long-term development issues. Another important factor is that of donor dependency: ABD programmes must therefore support effective local governance and democratic activity so that the institutions in question may be in a position to manage future funding both from internal and external sources.

The review of the strengths of the ABD approach reflects that it possesses features which make it ideal to address local level complexities and regional disparities from a multi-dimensional perspective. The identified potential limitations may also serve as guidelines to design adequate intervention strategies and these will be explicitly addressed during the implementation phase of the pilot study in order to avoid potential pitfalls.

On the whole, given its integrated, inclusive, participatory and flexible nature, ABD is capable to adapt and address both rural and cross-border issues, although these aspects are not a primal ABD focus. However, lessons learnt from similar approaches (with similar key features such as place-based approach, participation, integrated/multi-sectorial approach), but with different history/background (rural development tradition, cross-border experiences) than ABD (with its mostly post-conflict history), should also be useful. This is the purpose of the next section.

2.3 Other approaches to local / rural development

In this section, alternative approaches to local development are examined. In this respect, a clear effort has been made to highlight similarities and differences of such approaches with the previously discussed ABD features. As stated, ABD relies on widely accepted principles that are common to many other development programmes, particularly those participatory schemes in rural contexts. These other approaches will be thus assessed against the six key features of the ABD approach as highlighted (in *italic*) in Harfst's (2006) definition: ABD is targeting *specific geographical areas* in a country (area-specific versus the country as a whole) characterised by *a particular complex development problem*, through an *integrated* (multi-sector), *inclusive* (community versus particular groups or individuals), *participatory* (bottom-up) and *flexible* (responsive to changes) approach.

In the selection of approaches to be included in the present exercise, priority has been given to participatory approaches designed for or applied in rural settings. The section thus starts with an overview of community-based approaches to rural development, mainly applied in least-developed economy scenarios. Next, the focus is shifted to the participatory approaches for rural development in the EU, where *Leader* is understood as the main approach (Shortall

and Schucksmith, 2001). Therefore, the origin, evolution, traits and outcomes of *Leader* are explicitly discussed.

Lastly, it should be stressed that the objective of this review is not to be fully exhaustive, but to understand the relative position of ABD in the general context of local development. At a later stage, this review will be further expanded to include other relevant alternative approaches, while simultaneously expanding the common theoretical linkage to development economics.

2.3.1 Approaches to local rural development in developing countries

i. Integrated Rural Development (IRD)

Integrated Rural Development (IRD) focuses on small-scale agriculture as a reaction to the prevalence of large-scale, industrial agriculture (FAO, 2007). It was a rather popular and broad movement among those working on international development assistance in the 1970s and it reached its peak in the beginning of the 1980s.

In this approach, it is recognised that rural societies and their well-being do not depend solely on the situation of farmers and that off-farm activities and agents play a crucial role in securing sustained socio-economic development. Consequently, a holistic and *multi-sectorial* dimension was present when designing development interventions. Common practices involved providing opportunities for non-farm or non-agricultural employment and income generation (for instance, in environment or heritage preservation activities). This entailed an analysis of rural and urban linkages along with community planning on natural resource management, credit, business development communal infrastructure, etc. Strong emphasis was thus also placed on the development of local infrastructures and the provision of some basic services which today are considered to be key functions of national governments.

However, despite IRD's pioneer theoretical multi-sectorial approach (and intended bottom-up nature) to address rural development, in practice, the implemented projects tended to be production-oriented, large-scale and top-down interventions, thus failing to achieve their ambitious objective. In addition, the notions of local capacity building and institutional sustainability were not given much attention in IRD projects initially, and local communities were not appropriately included in development processes. Although early evaluations were positive, follow-on project evaluations resulted in unsatisfactory performance, ultimately leading to a shift towards broader systemic poverty alleviation initiatives (such as the World Bank's Poverty Reduction Strategies) (USAID, 2006). Some of the identified limitations evolved around the existence or rather the *non-existence* of three main aspects: *1. right incentives for different stakeholders, 2. sound institutions and policies, and 3. knowledge-sharing initiatives* (USAID, 2006).

Nevertheless, given the importance of IRD in the overall evaluation of rural policy, a variety of participatory/community-based approaches flourished in subsequent years and some of the most influential (as identified by FAO (2006)) will be commented further. Simultaneously, it will be argued throughout the description of each approach that unlike the ABD approach, these approaches share common weaknesses, given their particular focus on stakeholders as the main starting point of analysis.

ii. Participatory Negotiated Territorial Development (PNTD)

Like the ABD approach, the PNTD approach, developed by the FAO, pays great attention to *the role of linkages between territories and linkages at the national level* as well. Such linkages are said to contribute to the creation of flows and dynamics which are beneficial to local development. In PNTD, this type of analysis 'allows identifying and assessing the existence of competition over space and resources and the conflicting interests

of different actors, highlighting the initial lack of trust between them as a key disadvantage' (FAO, 2006). Therefore, PNTD promotes a 'consensual decision-making process which *involves all the actors of the territory* in finding solutions for development issues on the basis of socio-political considerations rather than on purely technical or economical concerns' (FAO, 2006). PNTD thus has the inclusion and consultation of local actors (bottom-up) in common with the ABD approach. Unlike the ABD approach (which is based on a particular problem (or set of problems) unique to a specific geographical zone) PNTD's main objective is to address the question of how local actors can be empowered to use available assets for their development projects. In other words, the approach focuses on the stakeholders and the consequent mobilisation of local resources for territorial development through decentralisation. Similarly, it pretends to stimulate dialogue and social change. Resembling many other assistance projects, its key challenge (besides determining appropriate timeframe and needed human and financial resources) is to define indicators for the evaluation of interventions which show clear progress attributable to the PNTD process.

An adapted version of PNTD has been implemented in Bosnia (PLUD: Participatory Land Use Development), in particular in the municipalities of Srebrenica and Višegrad. The core of the PLUD methodology is to place the people (who belong or are linked to a particular territory) at the centre of the decision-making process (FAO, 2004). Different to what its name suggests, this model entirely focuses on the stakeholders rather than on the land use or the land use planning. PLUD aims to use the stakeholders' knowledge and experience of their own territory to understand their needs and priorities. Once these are determined, the next step is to assist them in reaching the goals that they have set. In this scenario, the role of the policy maker or practitioner is to communicate complex issues to a wide variety of stakeholders in order to build consensus and help them to establish mechanisms to achieve the objectives

they have formulated clearly. This raises some specific weaknesses related to the securing a balance between power differentials among diverse groups of stakeholders. According to the Bradford Centre for International Development (BCID) (2007), 'approaches which promote local participation in service-delivery and management are not necessarily effective at promoting wide community ownership and empowerment of the poor. Wealthier, older men will tend to appropriate new participatory spaces unless there is external facilitation of the rights and abilities of excluded people to do so'. From this description, this approach seems to mainly share the bottom-up and territorial approach with ABD's features.

iii. Community-Driven Development (CDD)

The World Bank's (2003) Poverty Reduction Strategy Paper Sourcebook defines CDD as an approach that gives control over planning decisions and investment resources for *local development* projects to community groups. Once again, the underlying assumption is that people (individuals or communities) are the best judges of how their lives and livelihoods can be improved and, if given adequate support, resources, and access to information, they can organize themselves to provide for their immediate needs (Asian Development Bank, 2006). Consequently, the focus is set on the target beneficiaries who are expected to contribute to the identification of local priorities and the actual implementation of development initiatives by supplying inputs directly (i.e. labour or funds) or indirectly (i.e. through management and supervision of contractors or operation and maintenance). In practice, the level of *community participation* can vary from simple information sharing, to social, economic, and political empowerment of community groups. According to the Asian Development Bank (2006) the differentiating characteristic of this approach is that it promotes community control of resources. However, the two previously discussed approaches also share and promote this trait. An additional difficulty in this respect

is to secure that community members engaged in the provision of local goods or services act in equitable and satisfactory manners (BCID, 2007). In this sense, one can wonder whether CDD seeks to include all groups within the community in the development process, an explicit criterion in the ABD concept.

This overview of participatory approaches in the rural context (IRD, PNTD – PLUD and CDD) has shed some light on key challenges to *bottom-up* local development. For instance, when seeking the involvement and commitment of stakeholders, it is important to take into account that various groups can have a different degree of influence and power in the decision-making processes. As a result, it is necessary to understand the nature of power differentials and make sure that ‘weaker’ stakeholders are also heard. Likewise, in case community members are asked to get involved and start leading or implementing specific project activities, it is mandatory to supervise that they perform their job in an equitable and fair manner (i.e. without excluding other community members). This is of relevance because, if discrimination takes place, the entire reputation of the programme may be jeopardised. Naturally, these potential pitfalls are inherent to approaches that have the stakeholders as the starting point of analysis. However, this also means that the selection process of the target population, strategic players, and/or any other development project participants must be carefully considered.

2.3.2 The EU approach to local rural development: Leader

In this sub-section, our review moves on to the Leader programme experience in the EU where the promotion of local action groups (LAGs) is a pivotal step in setting up projects that identify and solve local rural problems.

i. Description of the programmes

Leader stands for ‘links between actions of rural development’ (in French). It refers to a

method aiming at delivering development in local rural communities (EC, 2006). Three generations of Leader programmes have been implemented: Leader I (1991-93), Leader II (1994-99), and Leader+ (2000-06). The approach has now been ‘mainstreamed’ and fully integrated into the rural development policy (RDP) 2007-13 as a fourth transversal axis. A minimum of 5% and 2.5% of EU funding for each Rural Development Programme must now be reserved for a Leader component in the EU-15 and EU-12 respectively. Support is granted to local development strategies elaborated following the Leader approach and aimed at achieving at least one of the objectives of the RDP reflected in the three thematic axes: improving the competitiveness of the agricultural and forestry sector, improving the environment and the countryside, and quality of life in rural areas and diversification of the rural economy. Among others, because of its *area-based* and *bottom-up* features, Leader programmes tend to privilege issues referring to Axis 3 of EU Rural Development Policy, in particular the quality of life aspects (OïR, 2003).

The approach is based on the assumption that development strategies are more effective and efficient if decided and implemented at local level by local actors (LEADER European observatory, 1999). Among the seven (or eight, depending on authors) key features defining the Leader approach (listed in Article 61 of Regulation 1698/2005), the following are worth being discussed (EC, 2006; OïR, 2003; OïR, 2006):

- *area-based local* development strategies: the approach is implemented in areas that are small but with sufficient critical mass (5 000 up to 100 000 inhabitants), homogeneous, socially cohesive territories, sharing a common history and tradition, experiencing a common feeling of identity. Areas do not have to correspond to predefined administrative boundaries. The rationale of such area is linked to the importance of *endogenous resources* (rather than exogenous ones) in the promotion of sustainable development.

Every area has its own unique and typical mix of resources. Local actors are the best placed to define and implement the most efficient use of these local resources. The exact delineation of the area therefore needs to be carefully assessed in order to get the best suited delineation for mobilising endogenous resources. However, as opposed to the ABD approach, no unique and complex development problem is required.

- *bottom-up* approach: local actors (population, economic and social interest groups, representative public and private institutions) participate in decision-making about the strategy and the selection of priorities, and later to the management and evaluation of Leader programmes. However, *complementarities with top-down approaches* (national/regional development strategies) are not excluded, on the contrary.
- *public-private partnerships* realised through the local action groups (LAGs), associating public sector, private sector, civic and voluntary sectors (local administrations, professional organisations and unions, environmental associations, citizens and residents etc...). The LAG identifies and implements a local development strategy. Depending on the situation of each region/ Member State, they can be responsible for a large proportion of management responsibilities.
- *integrated and multi-sectorial* actions: the local development strategy must have a multi-sectorial rationale and should be based on the interaction between actors and projects of different sectors of the local economy. This should be combined with the definition of priority themes.
- Other key features are innovation, networking and cooperation (including transnational cooperation between LAGs), decentralised management and financing.

Before implementing Leader initiatives at local level, a succession of preparatory steps needs to be carried out (OïR, 2003):

- capacity-building: local actors must acquire capacity and know-how in terms of project designing, human resources and financial management skills. In the history of Leader programmes, this has often been done through ‘learning-by-doing’. The cumulative experience gained since 1991 in the EU now makes this capacity-building easier (networking, cooperation with existing LAGs). In addition, capacity-building activities also help to raise the interest of local actors in the design of a local development strategy.
- bringing together local actors: meetings and seminars locally help all actors to discuss issues of mutual interest and become aware of different opinions.

ii. Main outcomes of evaluations of Leader programmes (pre-2007)

From the three main evaluations available (ex-post Leader II in 2003 and mid-term Leader+ in 2006, ex-post Leader + expected in 2010) carried out by OïR and Metis, it appears that the Leader approach is considered to be efficient (OïR, 2003, p. 22) and effective, bringing, in different socio-economic and governance contexts, people to work together and closing the gap with top-down initiatives. Leader programmes seem to generate change and tangible improvements in rural areas, allowing to trigger a more efficient use of endogenous resources, either by ‘backward bonding’ (resources locally available are perceived in a new light and turned into assets) or by ‘forward bonding’ (with a view to achieve a common vision of future, improved use of the endogenous resources is sought through cooperative agreements). The recognised role of Leader programmes in the increased “adaptive capacity and resilience of the area” should be continued (Metis, 2010, p. 18), allowing

to reinforce local social capital and territorial competitiveness. The implementation of the leader approach contributed to the generation of new sustainable forms of local governance in rural areas. (OïR, 2006, p. XI) However, the rural-urban relations are often not within the scope of Leader areas and Leader-designed local development strategies rarely included this priority (OïR, 2006, p. VII).

The approach seems to fit particularly well to small-scale area-based activities and projects in lagging regions and vulnerable territories. It was found that Leader programmes in general complemented other development measures, targeting projects of smaller scale which also had a more experimental and innovative character as well as a broader range of beneficiaries (especially from the non-profit sector or female entrepreneurs). In other terms, Leader programmes often fill demand niches that would be neglected by mainstream programmes and act in addition as a pathfinder for Rural Development programmes.

However, Leader programmes are considered to be complex, thus requiring adequate human resources, political support and time. In particular, insufficient implementation time is quoted to be a major factor of efficiency-effectiveness reduction, as well as cumbersome administrative processes, lack of management skills, duplication with other existing initiatives, or weak-non-representative partnerships disregarding the participatory aspects (OïR, 2003, p. 22; OïR, 2006, p. III).

The *area-based* approach feature of the Leader approach is in general not seen to be problematic. The size chosen is not too small to avoid critical mass but also not too large to dissipate the personal interactions, seen as a key advantage of Leader approach (Metis, 2010, p. 20). The relations with urbanised parts adjacent or included to the territory of Leader areas might be often underestimated by local development strategies. Another aspect

discussed is the possible contradiction between targeting certain groups (women, young) and the area-based approach (OïR, 2006, p. VII). The Leader approach itself should allow deciding to target or not certain groups based on the area-based assessment of the situation in each area. However, the latest evaluation considers that the particular needs of certain target groups require additional arrangements (Metis, 2010, p. 15).

The *bottom-up* feature of the Leader approach depends on the existence of a viable, representative partnership, a skilled management and animation team, a favourable political environment and continuity of funding with financial participation of local authorities (long term – five to ten years at least - strategic vision). In addition, a good bottom-up approach needs to be supported by appropriate top-down approach (encouraging and enabling instead of commanding and controlling), avoiding paternalistic schemes where the national/regional authorities propose projects/measures simply endorsed by LAGs (OïR, 2006, p. IV). The setting of European priority themes (sometimes complemented by national/regional ones) was not seen as helpful in general. On the contrary, it might contradict the principles of area-based and bottom-up approaches. LAGs and leader areas are however called to better integrate the global macro-picture (Metis, 2010, p. 16).

Partnerships with a balanced representation of public, private and non-profit sectors are most likely to have the best results (OïR, 2003, p. 25). Capacity-building and guidance on good practices were stressed to be key points, requiring time and networking. Time is mentioned as the main constraint for the elaboration of a good local development strategy by the partnership.

Innovation: The main one is the implementation of the Leader method itself (OïR, 2003, p. 25). Innovative projects should however be more favoured, for example by specific budget for pilot and experimental projects.

Multi-sectorial integration is difficult to achieve. It needs the combination of a favourable administrative context, of a diversified economy, a viable partnership and a strong strategic multi-sectorial orientation in the local action plan (OïR, 2003, p. 26). However, this aspect contributes to the strengthening of the local economic and social capital in rural areas and should be privileged (Metis, 2010, p. 15). A certain balance between productive (competitiveness) and reproductive (quality of life) sides of life should be sought (Metis, 2010, p. 21).

Networking is needed to keep partnerships well informed and motivated.

Transnational cooperation mainly addresses networking issues. It rarely deals with effective cooperation projects. When these have been implemented, they might have been designed too ambitiously. It would have been easier to focus on linking neighbouring LAGs, in particular in the early phases. Lack of time and complex administrative procedures involving several national authorities added to the difficulties and made that transnational cooperation is still under-implemented. However, the idea of cooperation is valued by LAGs for the potential of attaining critical mass by pooling resources for a determined objective. (OïR, 2006, p. VIII). Cooperation between neighbouring areas and LAGs gave in latest phases (Leader+) stronger encouragement to joint actions and measures and this aspect is now even more emphasised (Metis, 2010, p. 15).

The specific features of the Leader approach have not been invented by the programme but the integrated nature of their implementation has been novel. In addition, Leader has created a common spirit or sense regarding how to successfully implement local development initiatives within the EU (EC, 2006). Such spirit is repeatedly evoked by actors involved in such programmes, although it is not precisely described. This seems to show that 'a little bit more' than good programme management

is required for the success of Leader-based programmes. (OïR, 2006 p. III)

Previous experience in Leader I and Leader II programmes is a very important element of the success of Leader+, thus demonstrating that this approach needs a long term stability to achieve its potential benefits.

Overall, the Leader approach shows a considerable overlap with the ABD. However, applying the Leader does not require a complex development problem particular to the region/area. Furthermore, the Leader approach is not necessarily all-inclusive; on the contrary, Leader programmes regularly target particular segments of the population (e.g. women). In addition, implementation of Leader is limited to areas with 5 000 up to 100 000 inhabitants (i.e. smaller than NUTS 3), whereas the size of a target area for the ABD approach is not specified. Finally, Leader, implemented within Rural Development Programmes, is not designed for implementation in cross-border areas, whereas the ABD concept can be applied cross-border. More importantly, Leader is explicitly limited to rural areas and does not take urban areas into consideration, and is weak on rural-urban linkages.

iii. Examples of interest for the Western Balkans

It is both useful and interesting to review recent extensions of Leader experiences in new areas (EU-10, EU-2: Bulgaria, Romania, candidate countries) in order to understand the main concerns for policy makers and researchers in such contexts.

In **Slovenia**, prior to accession, several rural development programmes included both *integrated* and *bottom-up* approaches. The nationally funded CRPOV programme (Integrated rural development and village renewal), active from 1990 to 2002, started with single villages local development elaborated through a participatory approach. Progressively, such projects have been upgraded into village

clusters or municipalities' participatory local development approaches. Such initiatives were followed by another national scheme (1996-2006) called Development Programmes for Rural Areas in the framework of which 31 partnerships and associated rural development strategies, covering each a larger territory than CRPOV projects (at least 3 municipalities) and in total most of the Slovenian territory (>75%), have been developed. The activities carried out in this framework were similar to the ones in Leader+ programmes and therefore, LAGs for the period 2007-13 are based on these partnerships, which however need to be extended to better reflect the private and non-profit sectors.

Difficulties encountered in the CRPOV projects (CIPRA, 2006) relate in particular to the weak capacity of population to participate (high age, low education level), which implied that the initial phases (planning) took a lot longer than foreseen. Other important difficulties should be mentioned: (i) networking (examples from other countries) did not work well, as local population felt too much distance with such examples, (ii) difficulties to overcome sectorial boundaries, (iii) deceptions caused by setting too high expectations in the programme and/or planning unrealistic time frames for complex operations, (iv) too strong focus on infrastructures. Despite these difficulties, the Slovenian experience of local rural development, in particular thanks to the progressive and cumulative implementation, is recognised as a success.

Concerning **Bulgaria**, no Leader approach had been implemented prior to accession and to the 2007-13 RDP. The first phase of the Bulgarian RDP will focus on capacity building for policy design, implementation, monitoring and evaluation, by assisting the few existing LAGs (see below) and helping the establishment of new ones (EAFRD, 2009). Several former activities have allowed the establishment of partnerships involved in territorial diagnosis and training for local populations. In particular, UNDP-funded projects, together with the Foundation

for Local government Reform (funded by GTZ, USAID, Swiss cooperation, etc.) from 2003 to 2008 helped setting of a dozen of LAGs. Other initiatives, such as the World Bank funded project 'Active Labour Market Services', included similar tasks. Also in **Romania**, the Leader approach was not formally implemented before accession and the RDP 2007-2013, but former initiatives such as the Rural Development Project funded by the World Bank (20-2006) or locally driven processes (RuralNet and CEDER) helped developing local initiative groups (LIGs), later transformed in community associations.

In **Croatia**, building on the previous experience of Regional Operation Programmes (ROPs) developed with the participation of local authorities and others stakeholders, the Croatian IPARD (instrument for pre-accession assistance in rural development) plan (approved in early 2008) included the Leader approach within its objectives. The Croatian authorities believe however that 'there is a huge need for enhancing social and human capital as well as skills among rural inhabitants on the one hand and to motivate them to join a local partnership on the other hand'. They decided to focus the IPARD support on capacity-building measures at this stage, i.e. 2010-11 (and on building the legal framework necessary for future implementation of the leader approach) (Directorate of Rural Development, 2009). Implementation of local development strategies will follow the selection of LAGs, tentatively scheduled from 2012 onwards. Beside difficulties related to the scarcity of data at municipal level, the approach is seen to potentially give advantages to the areas with a high level of democratisation and decentralisation, which have significantly higher social capital at their disposal, versus areas with scarce human resources and/or political antagonism at local level (Tosic et al., 2010).

2.4 Cross-border cooperation

The experience of cross-border cooperation initiatives in the EU and candidate or potential

candidate countries is addressed in the present sub-section. The main purpose is to obtain good-practice principles, examples and lessons in cross-border scenarios that may serve as key guidelines to the present 'Facilitating an ABD approach in rural regions in the Western Balkans' project.

Within the current EU framework, Interreg on cross-border cooperation (strand A) for the EU-27 (2.4.1) and IPA (instrument for pre-accession assistance) cross-border programmes (2.4.2), targeting candidate/potential candidate countries, are the main type of cross-border cooperation support mechanisms. They intend to promote integrated regional development through the establishment of *joint strategies for sustainable territorial development* between neighbouring border regions, with a view to help them overcoming their still observable 'isolation'. Isolation can be explained by the existence of borders that cut off communities from each other in economic, social and cultural terms, as well as by the fact that border regions tend to be marginalised by central authorities in their development priorities, tending thus to become even more peripheral. These two programmes are first addressed, immediately followed by an analysis of the Council of Europe cross-border initiatives in conjunction with other institutions (e.g. the EU Committee of Regions). Likewise, relevant examples from the Western Balkans will be outlined.

2.4.1 Cross-border actions in the EU-27:

Interreg-A

Interreg programmes started in 1989 as one of the Community initiatives looking for solutions based on Member State coordination to problems faced at EU level, in support of the structural policy. Within Interreg, three strands can be distinguished: *strand A* on cross-border cooperation, *strand B* on transnational cooperation, and *strand C* on interregional cooperation.

Three phases (with corresponding programming periods) succeeded one other:

Interreg I (1989-93), Interreg II (1994-99) and Interreg III (2000-06). These programmes aimed at the promotion of *economic and social cooperation between regions disadvantaged* because of their border location. Infrastructure investment (physical links) was a major component from the onset. Interreg programmes also helped applicant countries to prepare their accession. The programmes were from the beginning based on an *area-based* approach, allowing capacity building, greater local autonomy, enhanced targeting of action, and a greater ability to concentrate on areas of particular need; in this sense, the *bottom-up* feature was emphasised very early on. Nevertheless, evaluators considered that early Interreg programmes were often characterised by a lack of real involvement from local/regional authorities and social partners. Note that in one case Interreg was used in a post-conflict situation (the Special Peace Programme agreed in 1994 to support the peace process in Northern Ireland). In terms of territorial scope, actions had to concentrate on NUTS 3 (or smaller) areas immediately adjacent to the borders.

Interreg IIIA (2000-06) has been evaluated recently (DG REGIO - Panteia, 2010). This evaluation showed that these programmes have a true *potential for addressing specific development problems of border areas*. The relative small size of the areas eligible facilitates the elaboration of *integrated development* strategies. Territorial proximity reduces transaction costs for enterprises and facilitates inter-personal and inter-institutional links, thus allowing the emergence of trust between actors. In addition, in a lot of cases, there is a common history and tradition that ties people from both sides of the border (or at least common interests for them). However, the main difficulty lays, in addition to the relatively modest level of funding, in the fact that most of the day-to-day cross-border problems (cultural language barriers and even more legal and administrative barriers) are not solved by Interreg programmes. The competence for solving those usually lies at a higher level (national or supranational). Where

such difficulties (different systems of taxation, social security, public procurement, public services, or education) are still prominent within the EU despite the single market, difficulties are even more acute in areas with external borders to the EU (or recent internal ones).

The ex-post evaluation of Interreg IIIA identifies three types of factors that *favour successful and effective cross-border cooperation* (DG REGIO - Panteia, 2010, p. 63):

- an appropriate *legal framework* at national/interstate level allowing local/regional authorities to develop such *cooperation*.
- *the quality of the partnership*, linking stakeholders on both sides of the border and involving national authorities. Commitment and mutual trust of actors is key to the success of such initiatives. Joint and participatory preparation/elaboration of programme strategies and decision-making processes at the programme level are equally important factors of success.
- *the degree of institutionalisation*: binding and permanent cross-border institutions are sooner or later needed to ensure long-term sustainability of cross-border initiatives. Establishing joint management is demanding, because of heterogeneous legal frameworks on both sides of the borders. Programmes looked for pragmatic solutions to overcome such difficulties, but progress in joint management was less important than in decentralisation. In general, most successful situations included a cooperation structure with a legal personality based on national public or private law or on a specific Treaty (e.g. the case of Ireland and Northern Ireland).

On the contrary, the evaluation identified considerable differences in interpreting the 'joint character of programmes' (DG REGIO - Panteia, 2010, p. 67). In some cases, the joint character was entirely missing, as separate projects

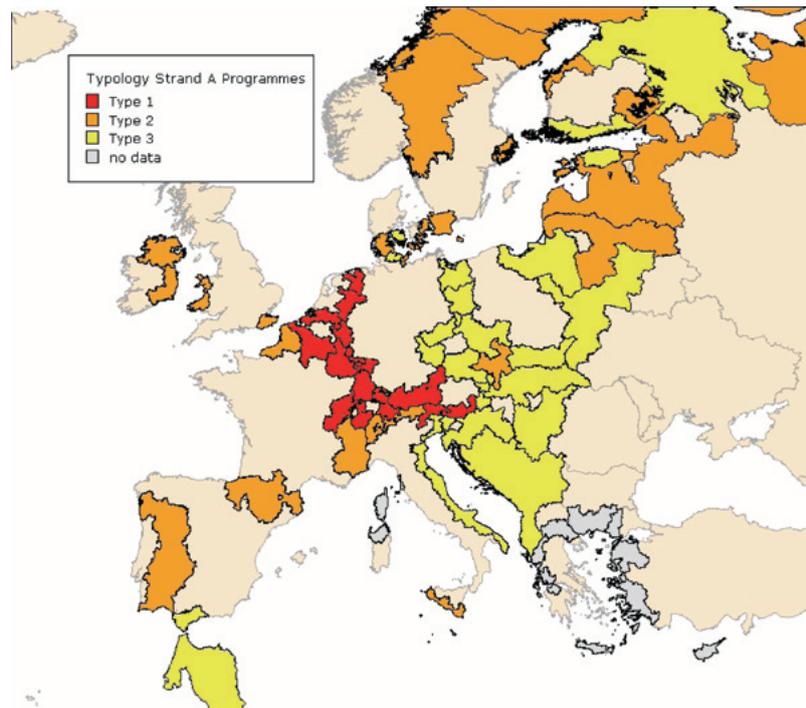
were run on both sides of the border. In one case, applications had to be made to different administrations on either side of the border (e.g. Czech Republic – Poland). In fact, the more sophisticated programmes, that is those including the highest share (more than 70%) of projects combining cross-border exchange of experience, joint development of strategies and their joint implementation, are all found within the EU-15.

Overall, *mature and experienced programmes* (e.g. PAMINA between Germany and France or the Ireland-Northern Ireland programme) generated a *strong socio-cultural and socio-economic added value*, bridging administrative, legal and cultural/language barriers (DG REGIO - Panteia, 2010, p. 71).

In *less mature and experienced programmes*, that is programmes covering external borders and new internal borders, which is the case for most new Member States and candidate/potential candidate countries, the value added focuses on *socio-cultural* aspects, based in particular on multiple micro-projects supporting people-to-people activities, which allow an increase in mutual knowledge/awareness about shared historical roots and/or local assets and a reinforced mutual trust. Socio-economic added value is much less achieved and barriers of legal/administrative nature, lack of knowledge on opportunities and language problems are still very high. However, noticeable achievements have been observed in the field of tourism (e.g. in the Czech-Polish Karelia programme). These experiences might serve to raise the awareness of national/regional authorities on the need to develop joint strategies and joint structures and improve the framework for cross-border initiatives.

The evaluators of the Interreg III programme issued a typology of cross-border programmes (Figure 3) based on their degree of cross-border integration (DG REGIO - Panteia, 2010, p. 75). They distinguished those making good progress towards cross-border integration (type 1), from those facing a less favourable framework

Figure 3. Typology of Interreg IIIA programmes based on cross-border integration



Source: DG REGIO - PANTEIA, 2010

(and therefore still candidates for cross-border integration) (type 2), and those characterised by an unfavourable framework, working hard for cross-border integration (type 3). At this stage, most cross-border programmes in the EU-12 Member States as well as the Western Balkans are classified as type 3.

In the period 2007-13 (Interreg IV), *territorial cooperation* (of which cross-border cooperation is part) has evolved from being the result of Community initiatives to being a full, separate objective of the cohesion policy. Within this objective, 52 new Objective 3 cross-border cooperation programmes are expected to continue to strengthen the EU territory integration, as a complement to convergence and regional competitiveness and employment programmes.

Within Interreg IVA (2007-13), the *territorial scope* of existing cross-border initiatives has been enlarged (principle of one border, one programme). For example, the area of the PAMINA programme is now included in the

wider area of the new French-German-Swiss area 'Upper Rhine'. Within these enlarged areas, without prejudice to further developments during this programming period, there are signs that cooperation remains intense only in those areas characterised by historically well-established cooperation. Territorial proximity and its advantages could unfortunately be undermined by this approach.

The issue of 'separate' projects has been addressed through the rule that any cross-border project must include beneficiaries from at least two countries, with at least two of the following *joint* activities: joint development, implementation, staffing, or financing.

2.4.2 Cross-border cooperation in candidate and potential candidate countries: IPA

Since 2007, the EU financial assistance to the countries of South-Eastern Europe with a view to their participation in the stabilisation and association process with the European

Table 3. IPA Cross Border component budget (M €)

IPA CBC	2010	2011	2012	%IPA
Croatia	16,2	16,5	16,4	10,5%
FYROM	5,7	5,8	5,9	5,9%
Albania	10,5	10,7	10,9	11,3
BiH	5,3	5,4	5,4	5,0%
Montenegro	4,8	4,9	5	14,1
Serbia	12,5	12,7	13	6,3%
Kosovo*	2,8	2,9	2,9	4,2
Total	57,8	58,9	60,1	7,7%

* under UNSCR 1244

Source: IPA MIFF (EC, 2008)

Table 4. Main priorities of IPA CBC programmes

	Ser-Mon	Ser- BiH	Cro-BiH	Cro- Ser	BiH-Mon	Cro-Mon	Alb-Mon	Fyrom-Alb
Tourism	X	X	X	X	X	X	X	X
SMEs & entrepreneurship	X	X	X					
Environment	X	X	X	X	X	X	X	X
People-to-people	X	X		X	X	X	X	X
Business & trade CB cooperation	X	X		X				
Community based services			X					
Rural development					X			

Union is grouped under the instrument for pre-accession assistance (IPA). Such support was previously granted through the CARDS (Community assistance for reconstruction, development and stabilisation) programme (2000-06), which had a modest cross-border component. However, the evaluations of the CARDS programme do not reveal much information on its performance (Deloitte Consulting, 2008; DG ELARG, 2009). For example, the evaluation reports on CARDS programmes in Montenegro and Bosnia do not mention any cross-border initiative. The evaluation on FYROM mentions one cross-border environmental programme in 2003, however without mentioning any detail. However, CARDS programmes have also

invested in border management issues (e.g. renovation and IT infrastructure for border crossing points).

As from 2007, IPA cross-border cooperation (CBC) programmes have been implemented (component II of IPA). For each Western Balkan country, a multi-annual indicative planning document (MIPD) describes the main strategic elements of IPA (including component II). IPA CBC programmes mainly support people-to-people contacts by financing joint activities involving local stakeholders from both sides of the border, as well as small-scale investments and preparatory activities to larger investments. Since 2006, a cross-border institution

building (CBIB) project supports the public authorities in preparing and implementing CBC programmes.

In total, there are 8 active Cross Border Cooperation IPA programmes between Western Balkans countries, namely Serbia - Montenegro, Serbia - Bosnia Herzegovina, Croatia - Bosnia Herzegovina, Croatia - Serbia, Bosnia Herzegovina - Montenegro, Croatia - Montenegro, Albania - Montenegro and FYROM - Albania. The five first ones listed above have recently opened their second call for proposals with deadlines for application in November-December 2011. The three latter are less advanced.

Funding is described in Table 3 below (in million Euro) representing 7.7% of total IPA funds in 2010-12.

Details of selected CBC programmes and corresponding SWOT analyses are described in Annex A. From these specific cross-border initiatives, it is clear that these regions share some general weaknesses and threats, particularly in terms of undeveloped institutional frameworks which are crucial to adequately support local development. Over-centralisation, lack of regional funds, unfavourable demographic trends and insufficient infrastructure hinder cross-border synergies in many respects. The main objectives of these projects have therefore been to strengthen previous cross-border economic and cultural contacts, while simultaneously focusing on key economic activities such as tourism and the strategic protection of environmental assets (both issues being specifically mentioned as a priority in all 8 programmes). Table 4 below recapitulates the main headings of priorities for these CBC programmes intra Western Balkans countries. To date, results have nevertheless been limited in their nature and not far-fetching in their long-term effects. Nonetheless, it can be argued that overall experiences have been positive as cross-border cooperation is essential to secure future higher competitiveness and increased productivity for these inter-dependent zones.

There are in addition 8 IPA programmes between Members States and Western Balkans countries, some of them being well-advanced (Slovenia - Croatia, Hungary - Croatia, Romania - Serbia and Hungary - Serbia, others less advanced (Bulgaria - FYROM, Greece - FYROM, Albania - FYROM and Bulgaria - Serbia). These programmes are usually more focused on determined priorities, with an emphasis on infrastructures in some cases (e.g. water and waste water between Romania and Serbia, public transport between Hungary and Serbia). Finally three wider regional programmes cover part or all the Western Balkans countries: IPA Adriatic, the South East Europe programme and the Mediterranean Programme.

2.4.3 Cross-border initiatives from the Council of Europe

The question of the legal status of cross-border partnerships/agreements has been extensively discussed within the Council of Europe.

In the early 1980s, the Council of Europe fostered the conclusion of the European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities (Madrid, 1980), by which signatories recognised the right of such communities to enter in cooperation and sign trans-boundary agreements. It is applicable to Bosnia-Herzegovina since 2008, Montenegro signed it in November 2009, while FYROM and Serbia have not signed it yet. This convention is implemented through bi(or more)-lateral treaties/agreements. (Council of Europe, 2010).

The Council of Europe, through its Directorate on Local Development has been active in assisting to municipality/region cross-border initiatives, particularly in South-East European countries. It ordered a full SWOT study to the Sociology Institute of Gorizia in 2001-02 on cross-border cooperation in the Balkan/Danube area. Despite being somehow dated, this study provides certain elements of reflection (Council of Europe, 2002).

In addition to traditional characteristics of cross-border areas being peripheral and isolated, this report identifies several features specific to the Balkan/Danube cross-border areas: state centralisation (deriving from the early stage of the democratisation process reached in the related countries), structural cooperation shortfalls (lack of communication from local to central authorities (and vice versa), poor state of the infrastructure including border crossing points), transitional economies (implying a low level of economic development), weakness of civil society (not involved in many cross-border initiatives confined to administrations, linguistic barriers, ethnical mistrust (if not conflicts) and presence of illegal trafficking and organised crime), and environmental issues (including poor environmental awareness).

In general, the current activity of the Council of Europe seems to be more dormant than it was in the early years of the decade. Since 2005-06, the activity seems low in what concerns cross-border cooperation. However, The Council of Europe, together with the UNDP (Bratislava's office) and the OSI/LGI (Open Society Institute – Local Government and Public Service Reform Initiative¹⁹), is since 2008 involved in inter-municipality cooperation (IMC), an initiative where Bosnia-Herzegovina, Montenegro and FYROM authorities have collaborated. The main purpose of IMC is 'to achieve the necessary scale and gather the required critical mass of human and financial resources to deliver better and cheaper public sector' (IMC, 2010). It therefore implies that neighbouring municipalities work together to perform municipal tasks, deliver

public services and promote local development in a more efficient manner. In the case of Central and Eastern Europe (CEE) where local self-government has recently been introduced and the legacy of centralisation is still strong, the consolidation of horizontal municipal links is rather challenging. For this reason, the IMC initiative has recently launched a draft toolkit for local government reform practitioners in CEE aimed at improving public service delivery and cross-municipal cooperation. Other activities in the area include a joint initiative from the European Commission and the Council of Europe on 'strengthening local self-government' in Serbia (phase 2: 2009-12) and Montenegro (phase 2009-11). There is no on-going assistance programme with FYROM and Bosnia-Herzegovina. (Council of Europe, 2010).

In addition, a large number of structures, so-called 'Euroregions', following different legal formats, have been created. Among them, some are worth being mentioned: the DKMT region (Danube-Kris-Mures-Tisza) between Hungary, Romania and Serbia, created in 1997 and having developed a full strategy for the region in 2005; the Euroregion Danube-Drava-Sava between Croatia, Bosnia-Herzegovina and Hungary the Euroregion 'Euro Balkans' grouping since 2003 66 municipalities in Bulgaria, Serbia and the FYROM; the Euroregions Blasiica-Beles (FYROM, Greece, Bulgaria) and Danube 21 (Romania, Bulgaria, Serbia).

The level of activity of these Euroregions seems to be unequal, ranging between some degree of organization and interaction to virtually inexistent. In the case of the DKTM there is evidence of very poor performance despite the existence of a permanent secretariat (i.e. the region is characterized by poor information flow, absence of any information on this Euroregion in the Council of Europe database of Euroregions and hardly any concrete realisation in the field).

In general, literature on the above-mentioned programmes/initiatives is not focused on ex-post

19 Established in 1997, LGI supports the OSI mission by working to promote democratic and effective local government and public administration, and by advancing policy analysis as a tool for decision making in public affairs. In partnership with The Council of Europe, LGI has been present in 10 different states of South-Eastern Europe. There are key areas of interventions: democratisation & decentralisation; fiscal management, transparency and accountability; delivery of public services and urban management; and local economic development. from: http://www.municipal-cooperation.org/index.php?title=Inter-municipal_cooperation.

evaluations of cross-border programmes and therefore gives few hints as to lessons learnt from previous experiences.

2.5 Preliminary lessons drawn for the ABD approach in rural / cross border setting

From the above experiences, lessons can be drawn for applying the ABD in rural, cross-border settings. With respect to the design of an ABD intervention, care should be taken that:

- the intervention, including the selection of the target area, is well focused and geared to the needs and priorities of the area;
- the real capacity of the population to participate and get involved is adequately assessed;
- all stakeholders and potential donors are involved, respectively informed, from the onset (participatory) and public-private-civil society partnerships are encouraged;
- power differentials are negotiated and social exclusion is avoided (inclusive), so that resulting socio-economic advantages are equitable;

- the multi-sectorial aspect is respected to the degree that the ABD intervention designed matches the resources (time, budget, human resources) available. This coherence will also avoid raising false expectations regarding the output of the intervention;
- the ABD intervention fits within the macro-situation (e.g. higher-level institutions, policies, markets) (vertical integration);
- the potential advantages of any existing cross-border initiative (at public or private level) are strategically incorporated into the ABD programme activities. Additionally, any rebuilding of traditional connections and multi-ethnic confidence in the area should be addressed;
- issues that have a shared positive impact in the delineated area (such as environmental initiatives) are addressed.

Each of the above mentioned items have implications for the management of ABD interventions. It is essential to coordinate the distinct activities (possibly funded by different donors), monitor and evaluate programme progress at regular intervals, to reduce transaction costs, and foresee an exit strategy to secure sustainability of the activities.

■ 3 Case Study: Drina Valley -Tara Mountain Area

The present section describes a case study carried out in a determined area across the borders of Serbia, Bosnia-Herzegovina and Montenegro. The objective was to test *in situ* the implementation of the ABD approach in a rural and cross border setting. For this purpose, the SWG-RRD, DG AGRI and FAO had pre-selected two main areas with such features (rural and cross border) where the implementation of the ABD could be seen *ex ante* feasible. The final selection of the area has been subject to further investigation, the results are available upon request to the authors.

3.1 Definition and Delimitation of the ABD target area of the case study

3.1.1 Principles for delimiting the target area

The definition and delimitation of a target area is a sensitive and crucial step in any ABD initiative. According to Harfst (2006) the opportunities and limitations for local development, the existing exchange patterns, migratory flows, value-chains and any other type of socio-economic linkages should be considered and mapped. In other words, understanding the actual structure and inter-dependencies within the area from a holistic perspective will help to better motivate local involvement and focus future policy enactment processes. Moreover, it is also convenient for project managerial purposes that the ABD area of intervention coincides with existing territorial administrative units (Harfst, 2006). This allows for a more straightforward participation strategy of local authority representatives and/or association leaders. In the present case study, the cross-border context originally implied that different administrative organisations had to be involved, making the delimitation process even more complex as

a balanced presence of municipalities from the different countries engaged also had to be ensured. Likewise, in the delimitation process (i.e. the selection of municipalities to be involved in a cross-border rural ABD programme) two aspects were evaluated in detail: (1) the proximity of people concerned by the ABD intervention, and (2) the existence of a common but highly complex development problem or problems.

i. Proximity of people concerned by the future ABD

Because of the cross-border dimension, the target area should consist of local economies which are close to national borders. Proximity to national borders decreases the influence of the centre (capital city) in favour of cross-border cooperation (i.e., local communities are more likely to see benefits from the cooperation with cross-border communities, than from remaining in the periphery of a development model concentrated on the capital), which at the same time provides an additional momentum for area-based development. From the previous literature review (e.g. Interreg programmes limited to NUTS 3 areas adjacent to the border, Leader programmes focusing on smaller areas between NUTS3 and NUTS4) and further elements from literature (e.g. Perkmann, 2002; Bacsi and Kovacs, 2006; Curran and Gleeson, 2009) or expert knowledge, it appears that a distance of about 50 km to the border (around one hour road transportation time) is a reasonable dimension to ensure border vicinity and therefore a better potential for cross-border cooperation and interaction. Consequently, infrastructure network characteristics and their quality should be taken into account to assess the border vicinity; particularly in mountainous regions.

ii. Existence of a common but highly complex development problem or problems

Because of the main features of the ABD approach, aiming at giving answers to a common problem existing in a determined territory, it seems important to focus on homogeneous socio-economic/geographic areas. In a cross-border setting the identification of common traits (such as agro-ecological settings, demographic structures, and economic sectors of activity) and shared challenges are essential to ensure that the border will not impede joint development initiatives. Given the historical background of the Western Balkans region socio-economic linkages are still latent.

Setting aside managerial considerations concerning the size and number of municipalities and the analysis of the development challenges particular to the rural cross-border target area, it is also absolutely necessary to evaluate whether a participatory approach is feasible or not. To evaluate the latter, a list of criteria jointly developed by DG AGRI, FAO and SWG RRD were introduced and re-arranged in the present case study under the following three categories:

- a. *the 'openness' of the society (firms, civil organisations, people and political organisations) and*
- b. *the dynamism of the economy (public and private sector employment ratios and the levels and sources of skills)*
- c. *the local (institutional, financial and human) capacity to design and implement local comprehensive strategies and the wider (regional, national, international) context.*

Under the first set of criteria "openness and dynamism" the following aspects are considered:

Communities and stakeholders that are likely to be able to take initiative, where there are dynamic people with new ideas

Communities that are not marked by a single specific problem, which dominates the priorities in the community and where no success can be achieved in the framework of a project

Communities having the growth potential, but temporarily undergoing economic difficulties

Communities which have not passed the threshold beyond which the decline in growth may not be reversed

Location within a designated economic growth area in a cross-border region or inside a country

In other words, the capacity of a community - understood as people, civil society organisations and private sector actors (i.e. firms) – to be proactive and get involved is of utmost importance for an ABD development approach because of its participatory character and the inherent need to mobilise local inputs and capital during the entire process. In this respect, the demographic situation, the level of educational attainment and the degree of civil society activity within potential target areas must be evaluated. Likewise, communities which face a single or priority problem (as is the case in emergency situations or in immediate post-conflict/post-disaster situations) would not be in a position to engage in an ABD approach, which addresses complex (usually multi-sectorial) development situations. Lastly, the development situation of the target area must be one which allows ABD initiatives to be implemented at the local level of a cross-border rural target area.

Under the second set of criteria "diversity of economic activity" the next aspects were raised:

Communities which have development potential in various sectors that can serve as entry points for developing economic activities (agriculture, tourism, recreation, private sector, cultural heritage, etc.)

Existence of a farm sector with potential for commercial farming

Agro-ecological conditions (e.g. soils, climate, etc.) with good potential for agricultural production

Good access to market for agricultural products/food processing industry

The issues above refer to a target area whose economic sector has strong potential to develop linkages between its farm and off farm economies. The latter is considered essential in the development of rural economies. For this reason, it is important to assess how sectorial activity is distributed within the region and whether there is scope to improve intra and inter linkages between sectors. Equally, specific challenges to different sectors must be identified and root causes examined. The latter include: market access, trade barriers, training needs, infrastructure, value chains, etc.

In the third and last set of criteria “*local and higher levels capacities/frameworks*” the main issues evaluated included:

Initiative and commitment from local government, including the willingness and capacity of the municipalities to take active part in the project implementation

In order to have a demonstration effect, the selected communities should not be isolated, but should have interaction with other areas

Existence of national or regional strategies/plans/measures for sustainable development and infrastructure improvement

The issues above are directly referring to the institutional and human capabilities present at local level (municipalities including satellite structures such as local economic development offices (LEDs), local partnerships, regional structures such as regional development agencies (RDAs)) which are necessary to initiate, lead and support an ABD approach. Likewise, the degree of de facto cross-border cooperation through the existence of institutional relations, day-to-day exchanges and/or private cross-border relations is assessed. The last criterion, reflects the institutionalisation aspects of both the existence of an adequate top-down development framework complementary to possible local

development initiatives, as well as the existence or not of institutional arrangements concerning cross-border cooperation. It will be judged on the basis of qualitative judgement on the existence of national/regional frameworks (with caution as to their complementarities/consistency with local strategies) and on the existence of cross-border cooperation structures.

The criteria dealt under each of the three categories introduced above have been used as the basis to prepare a preliminary development situation assessment of the target area presented below (Remark: a more thorough development situation assessment follows in section 3.3).

3.1.2 Delimitation of the Drina Tara target area

Building on these criteria, 14 municipalities (6 Bosnian, 2 Montenegrin, and 6 Serbian) that are all peripheral to the current economic centres in their respective countries and that are bound by the natural setting of the Drina Valley and Tara Mountain area were selected to become the ABD target area for the present case study. In addition to their marginalized location, they all share a certain degree of uniformity in terms of their current development situation, socio-economic drivers (i.e. shared cultural and social history, socio-economic linkages and dynamics, similar geographic and demographic traits, etc.) as well as a post-conflict background. The detailed delineation of the target area is presented in Map 1.

This results in a total of 14 municipalities, covering around 410 500 inhabitants and a surface of 7 110 km²).

Concerning the dynamism of communities in the area, it can be noted that, in the Drina-Tara region, the population density is rather characteristic of rural areas. Looking at the age pyramid, the share of age groups potentially participating in local development (20 to 45 years old) is below the EU-27 average (36%). The population of the area can

Table 5. Municipalities included in the Drina-Tara target area

Participating municipalities		
SERBIA (RS)	MONTENEGRO (ME)	BOSNIA-HERZEGOVINA (BA)
Ljubovija Bajina Bašta Užice Čajetina Priboj Prijeopolje	Pljevlja Bijelo Polje	Bratunac Milići Srebrenica Višegrad Rudo Goražde
Population (number of inhabitants)		
208 400	86 090	115 883
Area (km ²)		
3 723	2 257	1 126

be described as less aged and with relatively higher educational attainment than other areas in the Western Balkans.

Although, the area in general has been heavily affected by the events of the 90s in Bosnia Herzegovina, in Višegrad as from 1992, and in Srebrenica later on (1995), the Drina-Tara area is not anymore characterised by such a specific conflict situation (which could severely restrict cross-border cooperation and/or local and/or rural development exercises). Communities in this area are not marked anymore by a single crucial issue as there are no explicit prominent socio-ethnic problems. Even Srebrenica and Višegrad are moving forward and Bosnians have started to return (although there might be local problems to be taken into account).

Concerning the diversity of its economic activity, all municipalities are considered to have at least some potential for economic development. In general, the labour forces present in the area are rather active (with medium employment rates) and despite some poverty-characterised areas (high unemployment in Priboj, dependant population in Višegrad), there seem to be relatively good conditions for potential growth. Several alternatives to agriculture are present in the Drina Tara area: mining in Srebrenica (the word 'Srebrenica' means 'silver mine'), hydro-electricity in Višegrad, Bajina Bašta and in the south of the

Zlatibor district, manufacturing in Užice and Priboj (the latter is the seat of the main bus and truck Serbian constructor, the competitiveness of which is however unknown). In addition, tourism potential is high in the region. The Zlatibor mountains are known to be an important destination in Serbia (spa, ski resorts), in particular in municipalities not assessed (such as Čajetina); the Tara mountain National Park offers even more potential. Interesting cultural heritage (including one UNESCO world heritage site) is present and, together with potential tourism linked to the river Drina, the region presents an interesting prospect. The agricultural sector is still underdeveloped but increasing tourism opens perspectives for developing a tourism-oriented agriculture (with ecological/organic production). However, the region has a lower agricultural potential due to its natural and geographical characteristics (mountain / forests). The region is also characterised by a rather low share of agricultural land (between 15 and 50% of total area) and, cultivated land is rather limited in comparison with pastures and meadows (15-40%).

Concerning the institutional context, in all the municipalities of the Drina-Tara area, local governments have at least some capabilities to start, advance and sustain an area-based development approach. The Serbian municipalities seem better equipped in this respect, with involvement of USAID

in municipal development projects (LEDO in place and supported in Užice and Prijepolje). In Bosnia-Herzegovina, there is a recent past history of donors' intervention in local development (Višegrad: *Cooperazione Italiana* initiated the drafting of a local development strategy; Srebrenica was included by the UNDP ABD programme SRRP carried out in 2002-2005, further phases being still implemented nowadays). A similar USAID local development support programme to the ones in Serbia has just started in June 2010 in northern Montenegro.

A key indicator is the presence of a 'local partnership that includes state and non-state actors and whose objective is to design, implement and monitor and evaluate an integrated local development strategy'. The development agencies in Užice and Višegrad have established centres for training of SME staff, support family businesses, or small-scale projects for transfer of knowledge have been implemented. The SME support centre of Užice has transformed itself into the 'Regional Development Agency Zlatibor', supported by the Swiss Cooperation, and intends to cover 80% of the municipalities in the Zlatibor district (of which Užice, Bajina Bašta and Priboj are included).

Likewise, there is a good basis for cross border co-operation in this area. All of the municipalities have staff with some experience in international and cross-border co-operation and basic language skills. Local actors (stakeholders and administrations) started to implement cross-border projects (Uzice-Srebrenica). The municipalities are fully aware of the need for cross-border co-operation and the related potentials and short-term gains. Again, the Tara Natural Park links the municipalities and its political and economic actors with each other. Three IPA CBC programmes exist between the three countries involved in the Drina-Tara area and they all benefit from a permanent joint technical secretariat, present in the area itself for the two IPA CBC programmes involving Serbia (respectively in Uzice for Bosnia and Prijepolje

and Bijelo Polje for Montenegro). Equally, the dynamics of cross-border economic, cultural exchanges and environmental risk dependence were examined. For example, both Montenegrin municipalities and Prijepolje in Serbia are more commercially directed to Goražde than to Višegrad (and even less Srebrenica). Geographically, a possible upstream pollution of the Čehotina River (going through Pljevlja) would affect Goražde. Tourism operators in Pljevlja informed that they developed some relations with other stakeholders along the Upper Drina (including Goražde). Cultural exchange programmes set up in Pljevlja, Bijelo Polje and Prijepolje are directed to Goražde rather than to the northern part of the area. Therefore, although Goražde is not directly neighbouring the other municipalities in the target area, its inclusion was justified since it increased the likelihood of successfully developing and implementing a local strategy and action plan for economic development in the target area. Indeed, the success of such development strongly depends on existing infrastructure and cooperation (e.g. trade, institutional cooperation, concerted responses to environmental challenges). Such dynamics become even more important in a cross-border setting.

In summary, the Drina Tara target area is considered to have key characteristics which make a rural cross-border ABD programme highly feasible:

- *appealing potential for growth in terms of human and social capital*, both in agriculture and other rural/urban economy sectors (tourism, other primary sector activities, manufacturing);
- *absence of major post-conflict/post-disaster/exclusion problems* impeding participatory approaches to start immediately on the whole territory;
- *political commitment, existence of cross-border relations and interest of local authorities.*

Map 1 - Delineation of the Drina-Tara target area



Sources: FAO (2008) – GAUL (administrative boundaries) for the municipality boundaries in Bosnia-Herzegovina and Montenegro, and for the district boundaries in Serbia; own drawing (intermittent line) based on the administrative map of Serbia from the Statistical Office of the Republic of Serbia for the municipality boundaries in Serbia.

In order to take into account the criterion on proximity described in section 3.1, the 14 municipalities included in the area are manageable from the project administration point of view. A maximum size, both in terms of number of municipalities (to allow an optimum manageability of the stakeholders group) and area (for easily gathering people to common meetings in the area) were also considered. Another criterion taken into account should be mentioned: the need to have a reasonably balanced coverage of each of the three countries concerned, in order to keep the political commitment, in particular

at national level. Although some travel distances may imply more than 4 hours drive, there is a sense of common identity, history and tradition in the case study area, which are important factors to ABD implementation.

This approach might present some drawbacks: addition of many administrative actors (14 municipalities, 2 entities on the Bosnian side, 3 national administrations), making the participation process more complicated as more top-down frameworks must be factored into the organisational process; and exclusion

of certain neighbouring municipalities sharing similar features as to their socio economic development situation.

3.2 Implementation of participatory approach

In accordance with the principles of an ABD intervention, several participatory instruments have been established and utilised to support the implementation of the project in the Drina-Tara target area. The key objective of these participatory mechanisms and activities was to create the basis for a multi-stakeholder approach to local development, which is ultimately expected to increase the sustainability of the ABD application in the project region. A secondary objective is to obtain valuable complementary information for the development of an accurate baseline assessment, both from community surveys and interviews of local experts.

Under the animation of the project team (composed of the IPTS and the School on Local Development of the University of Trento, as well as

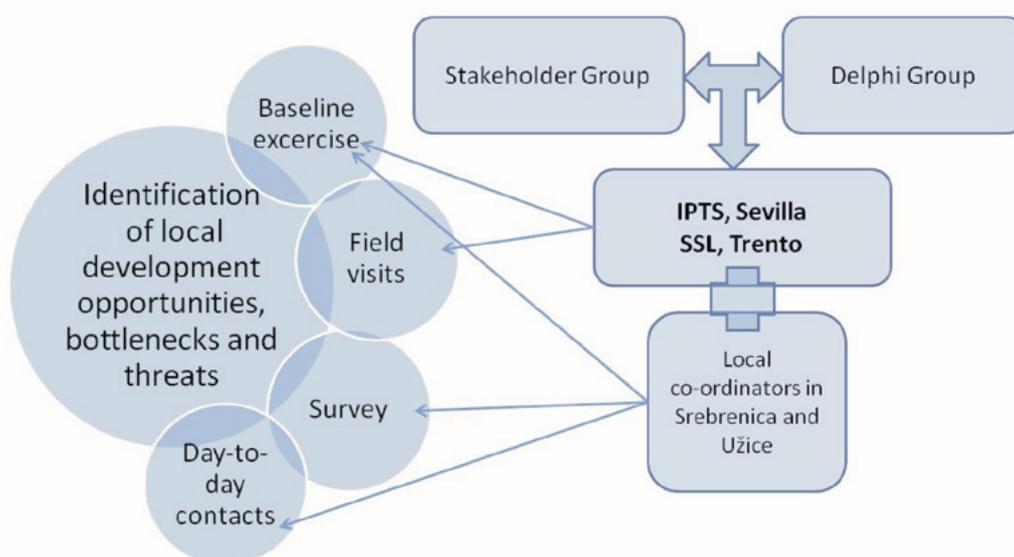
local coordinators), the key participatory mechanisms for this project are based on the involvement of:

- a group of selected individuals, representing different types of stakeholders in the area (local governments, civil society and business sphere), thereafter called stakeholder group (SG);
- a group of academic experts and representatives of national administrations, thereafter called Delphi group (DG);
- sample of community representatives, through a questionnaire-based surveys.

Figure 4 shows how these instruments work together and what linkages are used to collect information and run the daily operational activities of the project.

The Stakeholder and Delphi groups have been established during several field missions to the target area and the day-to-day contacts developed by project coordinators *in situ*. The consolidation of these two groups allowed strengthening the commitment of local and

■ Figure 4. Participatory Approach and Project Implementation Framework



Source: Own elaboration.

national actors to the ABD initiative in the Drina – Tara target region. Surveys were also of strategic relevance to both raising awareness on the ABD initiative and securing valuable information with which to contrast the analysis performed by both the SG and DG. This sub-section of the report thus gives an overview of these three main types of participatory tools/mechanisms used throughout the ABD programme implementation, while the details (selection of participants and description of associated tasks) are presented in Annex B.

3.2.1 Stakeholder group (SG)

The choice in this case study was to rely on selected stakeholders. Three members from each of the 14 project municipalities were invited to take part and a key challenge in this stage was not only to secure participation but to have a wide representation of the Drina-Tara target area society. Local authorities as well as representatives from all relevant areas of the private sector as well as major players within the civil society organizations, including top player NGOs, were counted in. The challenge was to be inclusive without reaching a too large number of stakeholder group members, which would have made consensus too costly to achieve in terms of time or too vague in its development action proposals.

All municipalities delegated one public senior staff member of their choice to participate in the SG. In order to identify representatives of the civil society and business sectors, criteria were established by the project team (IPTs, University of Trento): participants were bound not only by structural characteristics (such as age, gender, sectorial distribution, geographic and cultural background, etc.), which would allow for a balanced sample of members, but also by the individual's ability or capacity to express and defend his or her own point of view. Clearly, this implies that the selection process was far from following a democratic procedure, but it nonetheless ensured that members would be proactive in their contributions and highly motivated.

Ultimately, a simple three-sector view on the SG composition was embraced, a notion based on the good practice identified in Leader partnerships with a balanced representation of each category of stakeholders (OïR, 2006). Consequently, 32% (14) of SG members belonged to the public sector (i.e. project municipalities), 38% (17) to civil society organizations (CSO), and 30% (13) to the private sector. The latter implied a substantial improvement of ABD programs; particularly compared to those previously implemented in the Western Balkans region (see Annex B) where a strong focus was placed on local governments and therefore not systematically integrating the views from other social segments. The good practice adopted from the Leader experience concerning the composition of public-private partnerships proved to be very useful in the Drina-Tara target area experience. By putting the business sector and NGOs together with municipal authority representatives, it was ensured that priorities relevant for the society as a whole could be more easily identified.

The main tasks of the SG were to acknowledge and discuss the baseline development situation, as well as to identify common development needs and priority interventions (along with the expected outcomes and correspondent actions) and to support the area-based development approach in the region.

Beyond plenary meetings of the SG, thematic working groups were derived from the SG, in order to facilitate the identification of concrete local development needs and priorities, while simultaneously assessing how different areas of development can be coordinated and complemented into a common working plan. In other words, stakeholder group members assessed potential development interventions which must be addressed in an inter-related and holistic manner within the target area, as the ABD approach principles dictate.

The thematic working groups were in charge of preparing:

- SWOT analyses of the socio-economic sectors related to the common development needs and priorities identified in the target area. This exercise will also include issues which are transversal to the different themes-sectors (i.e. environment, tourism, etc.), such as the development of labour skills (i.e. education and research) and adequate institutional framework and coordination.
- proposals for actions that would address the critical development needs and priorities. This included a definition of objectives, milestones and resource allocation (own local resources, government resources, private sector resources, and international donor funding).

The establishment of the SG started mid-September 2010. The SG met five times and organized a 'local project workshop' at the end of February 2011 in Višegrad (Bosnia-Herzegovina) that had the objective of disseminating the achievements of the SG to the other relevant stakeholders in the ABD target area, and validating them.

3.2.2 Delphi group (DG)

The DG had 11 members, of which four represented secretariat and member countries of the Standing Working Group on Regional Rural Development (SWG-RRD), five came from academia, and two were experts in fields related to environmental engineering, agriculture and sustainable development. Specifically, the group included representatives from the Ministry of Foreign Trade and Economic Relations of Bosnia-Herzegovina, the Ministry of Agriculture of Serbia, and the Ministry of Agriculture in Montenegro.

Its main objective was to provide a 'helicopter view' that combined oversight and insight in terms of: (i) helping to identify the core issues for a bottom-up approach to local development, that is, opportunities and challenges, and (ii) harmonising the project's objectives and

development activities with the wider regional/national development programmes of all participating countries. The main idea was to facilitate the introduction of a top-down perspective, so that an adequate synergy between the bottom-up and top-down perspectives can be ensured and the ABD intervention's potential of success can be increased as a consequence.

The DG did not meet physically but was intended to meet for regular interaction via email and/or through a web-based platform.

3.2.3 Questionnaire-based surveys

Two questionnaires were developed throughout the ABD programme implementation in the Drina – Tara target region. The first survey (thereafter called 'exploratory') was developed in the early stages of the case study to gain a general understanding of the development situation as perceived by a wider audience than the selected stakeholders. Open questions were then prepared in order to assess what were the most pressing development needs as perceived by the average citizen. The results were particularly useful to the discussions of SG members when deciding on key priority areas. A second questionnaire developed at later stage (thereafter called "Validating") was launched in order to assess whether the proposals made by the SG were compatible and acceptable to a larger group of multi-sector representatives from the target area.

i. Exploratory Survey

The questionnaire contained six questions (Box 3) on opportunities, challenges and bottlenecks in local development in terms of drivers and actors. The sampling was done by the local coordinators following partly a snowball approach to identify opinion leaders from the public, private and civil society sectors. From each of the project municipalities, approximately 20 persons were selected according to their sector affiliation, age (25-35 years; 35-45 years, and older than 45 years) and gender. A total of 234 questionnaires were collected. The questions were as follows:

Box 3: Exploratory survey questionnaire

1. Are you satisfied with the socio-economic development progress in your municipality? (Yes/No)
2. Which are the main obstacles to socio-economic development in your municipality and/or your sector of activity? (Open answer)
3. What do you think are the main assets for socio-economic development in your municipality in terms of economic sectors and in terms of people and institutions? (Open answer)
4. What are in your opinion the present limitations of cross-border interaction with neighbouring countries? What are the possibilities/opportunities? (Options)
5. Which of the following should be a focus of cross-border interaction with neighbouring countries? (Options)
6. List three priority actions for promoting development in your area. (Open answer)

Questions 1 through 5 were directly fed into the baseline assessment exercise (section 3.3 below), while question 6 was used to assist in the identification of critical development needs, priority interventions and general objectives of the ABD programme in the pilot area (section 3.4 below). Although subjective in nature, the survey was an important tool to gather valuable qualitative information in the development of the ABD programme. Full details of the questionnaire and the results, including the methodology for analysing answers to open questions, are presented in Annex C.

ii. Validating Survey

The aim of this second survey was to gain feedback from community representative on the key/strategic development actions identified by the SG in its thematic working groups. Likewise, the survey also complemented the baseline assessment exercise. In contrast to the exploratory survey, the second questionnaire focused on receiving an institutional and expertise feedback from the institutions, which were in charge of addressing the priorities identified by the SG. By having open, semi-structured questions (with precise options to choose), the aim was to see whether the actions proposed were the appropriate ones.

The sample was “institutional” in the sense that it included representatives from all local institutions (stakeholders both from local institutions, business groups and civil society). This was also a way to increase the participatory approach by including in the project all those local experts/institutions not part of the SG. The open questions aimed also at collecting some qualitative information in order to have a clearer picture of the socio-economic situation at the local level considering the lack of available data.

The sampling approach for the selection of respondents was as follows. Four respondents were randomly selected from each of the six categories of representatives: municipalities, branches of central government offices; chambers of commerce, business development organizations; farmers, and representatives of agricultural associations; hotel and restaurant owners and other tourism operators; higher education organisations (universities, technical schools); training providers. Some minor exceptions are possible with regard to small municipalities. The “country” sample is, however, equally distributed amongst the six groups, and age and gender are also equally distributed among the sample. (For more details on the results, see Annex C).

Box 4: Validating survey questionnaire**Question 1: (Open question)**

What would be for you an attractive label (a logo with a slogan) for the Drina-Tara region that could be used to promote local products, tourism in the area, and attract investment?

Question 2a:

What do you think are the potentials of the following “tourism products” in your municipality?

Spa tourism; Special adventure sports tourism (paragliding, rafting, climbing...); Summer mountain tourism: hiking, camping; Winter mountain tourism; Cultural tourism, religious and patrimonial or local traditions (food etc); Rural tourism staying farms/rural facilities.

(Open follow-up question)

Are there any other potential “tourism products” in your municipality?

Question 3a:

What are in your opinion the important activities to be undertaken in order to realise the potentials in tourism?

- Utilise biodiversity and natural resources for tourism
- Increase environment protection
- Promote regionally labelled food and beverages
- Promote organic food production as a means to attract tourists and increase trade of food
- Increase collaboration in managing the assets of the Drina-Tara Park or other parks in the region (BiH and Montenegro)
- Joint tourism signage in the entire region
- Joint institution and website and other promotion material (brochure) to increase the attention on tourism possibilities in the Drina-tara region
- Increase the quantity of hospitality services
- Increase the quality of hospitality services
- Increase accessibility to the Drina-Tara region including public transport possibilities to better connect different parts of the region

Extra question

What do you think are potentials of the following agri-food sectors in your municipality?

- Fruit
- Dairy
- Meat products
- Honey

Question 3b:

Are there any other, not listed her, important activities that need to be promoted to realise the potentials in tourism? Please name the two for you most relevant activities.

Question 4a:

What are in your opinion the important activities to be undertaken in order to realise the potentials of the agri-food sector and rural development?

- Improve the skills level of the agricultural workforce (i.e. technical: pest/fertiliser/soil management skills; and/or organisational/business related/entrepreneurial skills, including market-oriented/supply chain-related knowledge to be acquired?)
- Improve the endowment of physical capital (machinery) of agricultural production – specify: tractors? Irrigation systems? Storage facilities?
- Improve market infrastructure for local sales – what type? In terms of location of local markets? Facilities on site? Roads? – name the roads...
- Improve market infrastructure for national sales (i.e. associations?)
- Improve market infrastructure for international sales (i.e. networks?)
- Promote organic food production – give an example of the particular good
- Increase linkages between the tourism and agricultural industry – give example

- Improve local rural public infrastructures and services other than transport (e.g. water access)
- Improve the transport infrastructure (roads, transport) specify the road or transport mean

Question 4b:

Are there any other, not listed here, important activities? Please name the two for you most relevant activities:

- Private sector development – business creation and growth of existing firms

Question 5a:

What are in your opinion the important activities to be undertaken in order to realise the potentials of the private sector development – business creation and growth of existing firms?

- Create awareness amongst the young, highly skilled and talented (e.g., university graduates) about entrepreneurial opportunities in the Drina-Tara region / how? Through a conference, a website, local meetings?
- Support business creation by young, highly skilled and talented (e.g., university graduates) building an incubation centre? What else?
- Increase links between research (also in very applied contexts, such as agricultural production) and existing firms – identification of key research topics or potential connections? What is the need they have? Specific seed to cope with agro-climatic constraints?
- Facilitate the placement of university graduates and young researchers in local firms
- Increase access to finance for SMEs (guarantee funds, subsidised loan schemes)
- Provide training for SME managers – could think of specific courses / needs
- Provide training for SME staff language – writing skills?
- Facilitate diaspora investment in local businesses

Question 5b:

Are there any other, not listed here, important activities? Please name the two for you most relevant activities:

Question 6a:

What are in your opinion the important activities to be undertaken in order to realise the potentials of natural resources for local development?

- Improve waste collection
- Improve waste management
- Improve the protection and conservation of biodiversity
- Improve water sewage treatment
- Improve river and springs protection
- Increase eco inspection and other forms of law enforcement

Question 6b:

Are there any other, not listed here, important activities? Please name the two for you most relevant activities.

3.3 Baseline assessment of the development situation

The aim of this section is to provide an overview of the socio-economic context of the project municipalities in terms of actors, connectivity and the general situation of development. The objective is to discuss background information which facilitates an external judgment of the current

circumstances in terms of key challenges and (hidden) opportunities for developing general and concrete ABD-guided initiatives.

Defining a socio-economic development baseline for the 14 project municipalities poses several challenges, resulting from the socio-economic differences of their local economies. Their size, for example, varies from 9 242 (Rudo) to 80 087 (Užice) inhabitants. Nonetheless, the

economies of the municipalities involved in the project are all border or peripheral economies, and all find themselves in an underprivileged situation with regard to the core of the respective national economies to which they belong. In this context, convergence with the core as well as the reduction of growing regional disparities seems a particularly salient objective to pursue (Smallbone *et al.* 2007). Regarding the latter, it can be argued that the transition in the Western Balkans of the last twenty years has increased regional disparities in the various countries in the region (UNDP 2009); and while urban and metropolitan areas have been relatively favoured, rural and old industrial areas are threatened to be increasingly marginalized. These peripheral border regions are often considered as less attractive for investors (in particular to foreign ones), not least because economic activity is much less dense in such regions but also due to the precise obstacles in terms of competitiveness as highlighted by Dimitrov (2003: 5 – 6):

1. low population densities and lack of agglomeration economies,
2. a peripheral location and an isolated position with respect to the economic and political heartland of their country, resulting in relatively high transportation costs,
3. limitations to physical flows of commodities, truncated markets, and distorted trade relations,
4. a relatively poor infrastructure endowment because of their geographical location on peripheral arteries of transport and communication networks,
5. less developed social and business service provision and large differences in legal, administrative, and social welfare systems as well as in language and cultural traditions, which altogether hamper communication and cooperation with regions across the border.

Most if not all of the disadvantages addressed by Dimitrov have immediate relevance for the Drina-Tara region. The population density in the Drina-Tara area is not only low, but annual population change has been negative in the past five years. All municipalities in the project find themselves in relatively peripheral positions with regard to the economic core of their respective countries. Important barriers to agricultural commerce (infrastructural deficiencies), tourism (accessibility of the region), and general trade (fiscal and physical barriers) are experienced with regard to cross-border flows. The infrastructure and connectivity is moderately developed, but requires substantial improvement. In terms of local government capacity and general social and business services available, there is a large variation in the region. Pljevlja, Uzice, Bjelo Polje, and Prijepolje have relatively larger financial and human resources; although significant capacity is available, it does not translate into improved governance.

Gorzela (2009) offers a typology of regions in transition countries (mainly post-communist societies) (Table 6). In this classification, the following aspects are partially considered: ability to connect with other (including international) markets, degree of innovative potential, the significance of legacies from the past (e.g., old industrial areas, depopulated rural areas), and whether the main obstacles for further opening up involve hard borders (between sovereign states) or soft borders (of a variety of forms).

The distinction in Table 6 draws attention to the fact that (border) regions and localities have different legacies to deal with, different positions within their national economies, distinct obstacles to overcome, and specific potentialities to strengthen. Therefore, while it would be tempting to include the entire Drina-Tara region under the label of negative continuity/'laggards', i.e., experiencing continuity with a mostly peripheral, rural, and isolated economic situation in the past, this would not be entirely faithful to reality. For instance, the Uziče municipality could be

Table 6. A typology of regions in transition countries

		Reaction to transformation	
		positive	negative
Position in the socialist economy	good	LEADERS positive continuity Metropolises and capitals Diversified economy, skilled labour, good infrastructure and rich institutions	LOSERS negative discontinuity Industrial regions Specialised industry, derelict land, biased qualifications
	bad	WINNERS positive discontinuity Tourist & re-industrialised regions External demand	LAGGARDS negative continuity Rural, peripheral Poorly accessible, obsolete structures, low qualifications

Source: Gorzelak (2009)

said to be in a somewhat privileged position regarding the rest of municipalities in the target area, due to its ability to attract significant public investment and, even more, by its potential status as a 'macro-regional centre' in the Serbian developmental context (Zivanovic 2009). A very different case is that of Goražde, which more evidently fits into the negative continuity/laggard category, in the sense that it was an industrial centre in the southern part of the Drina-Tara region up until 1992, but has since then suffered rapid decline (Ateljevic *et al.* 2004). These differences within the target area require that the development strategy of the ABD programme complies fully with the flexibility principle of the approach.

In order to depict the current development situation in the Drina Tara region, statistical indicators and qualitative information (gained from field visits and expert knowledge) has proved rather useful to understand the starting point of the participating municipalities, and to further interpret the key/strategic local development needs and priorities raised by the SG.

The statistical data present in this baseline assessment were collected from statistical yearbooks (Statistical Office of the Republic of

Serbia, 2009; Statistical Office of the Republika Srpska, 2009; Statistical Yearbook of the Federation of Bosnia and Herzegovina 2009; Statistical Office of the Republic of Montenegro, 2009 and 2010) and local authorities, whereas the qualitative information and additional reflections resulted from the field visits, expert knowledge, and selected literature review.

We need to take into consideration that the availability of robust statistical data is a well-documented problem in the Western Balkans, in particular at municipal level. Hence, it was not feasible to collect data for the best identified indicators; in particular GDP and GVA (total and/or per sectors) are not available at municipal level. Consequently, working groups in the SG have discussed and commented on available statistical indicators. Simultaneously, their qualitative interpretation of available (and missing) information as well as expectations on future trends has been considered.

The baseline assessment indicators are structured in three parts/categories following the groupings described in section 3.1.1. above: (i) openness and dynamism of the society, (ii) diversity of the local economy, and (iii) local institutional capacity.

3.3.1 Openness and dynamism of the society

As mentioned in section 3.1.1., this item aims at covering the capacities of the communities understood as people, civil society and private actors to be proactive and ready to involve themselves in their development. Accordingly, elements relative to the local human and social capital (demography, educational attainment and potential, importance of civil society, degree of social exclusion) will be discussed, along with the available elements related to physical capital (transport and water infrastructure).

i. Demography

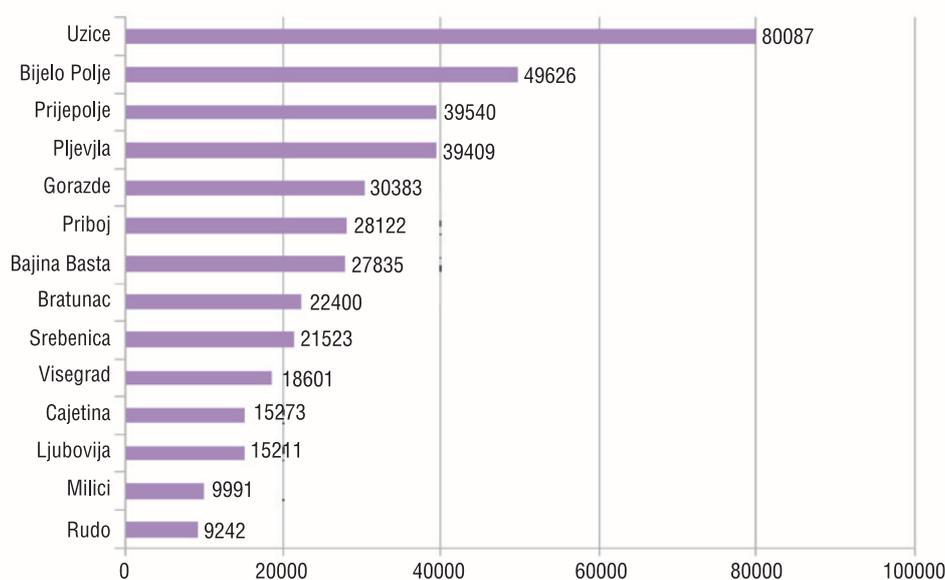
In this sub-section, information on population size, density, vital statistics, migratory movements, age structure and ethnic background for the municipalities (and countries) of the target pilot area is discussed.

Information on population size for 2008 (latest available year) at municipality level was only obtained for 9 of the 14 municipalities of the target area, since statistical data was not published for the municipalities of Republika

Srpska, local authorities were consulted in order to obtain reliable estimates. Figure 5 presents the number of inhabitants per municipality in decreasing magnitude. Užice is by far the largest with 80 thousand, followed by Bijelo Polje with approximately 50 thousand. Prijepolje and Pljevlja both have around 40 thousand each, while Goražde, Priboj and Bajina Bašta - around 30 thousand. Čajetina and Ljubovija have a population of 15 thousand inhabitants each.

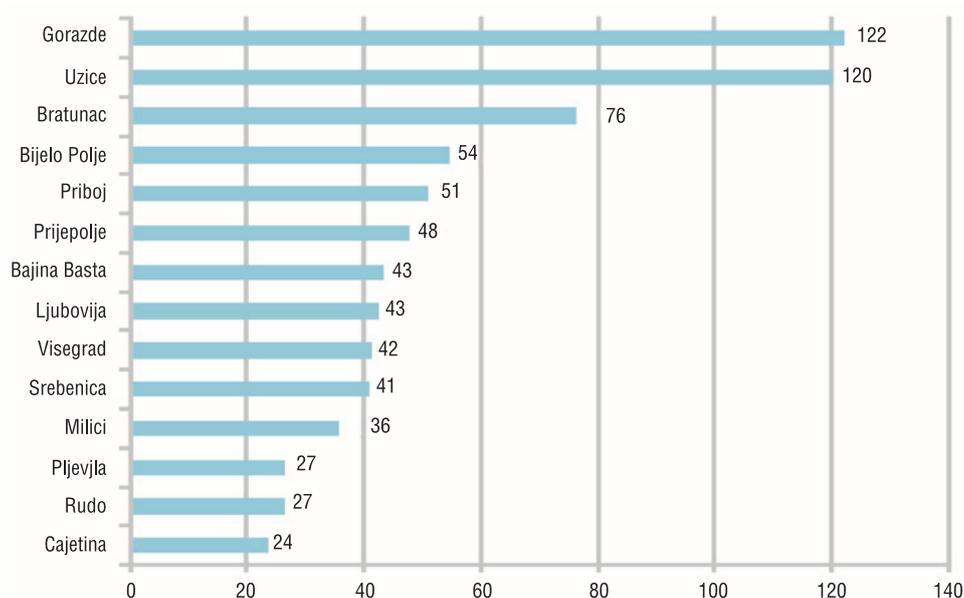
The population density (with an average of 54 inhabitants per km²) varies from 24 in Čajetina to 122 in Goražde (Figure 6). The average density is rather characteristic of rural areas (30-50 inhabitants/km²). Some of the larger municipalities are more densely populated (Goražde and Užice). Their population density still fits with the definition of rural communities in the EU, whose population density does not exceed 150 inhabitants per km² (Gligorijević and Stepić, 2010). Other municipalities (such as Pljevlja, which has the same population density as Rudo, but more than three times its inhabitants) are sparsely populated. Milići and Ljubovija are small cities, but well populated.

Figure 5. Estimated Population for target area municipalities (2008)



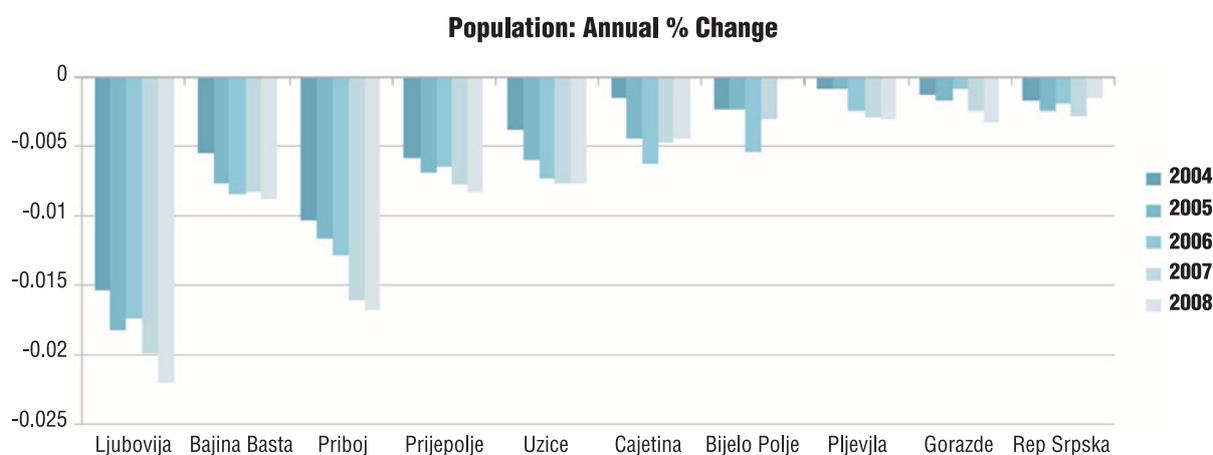
Source: Statistical yearbooks, local authorities.

Figure 6. Population Density for target area municipalities (2008)



Source: Statistical yearbooks, local authorities.

Figure 7. Annual Population Change (%) 2004 - 2008



Source: Statistical Yearbooks.

Figure 7 depicts the evolution of population growth (i.e. annual percentage change) in all municipalities of the pilot area, with the exception of those belonging to Republika Srpska (for which the average was included). Negative growth rates appear to have increased in recent years, particularly for Gorazde and Serbian municipalities (with the exception of Čajetina). In the Montenegrin side, the highest decline was registered in 2006. For Republika Srpska, the

smallest negative change is reported in 2008. Overall, the target area is clearly experiencing a negative population change in the past five years.

Table 7 provides a detailed analysis of the sources of population change in the target area municipalities in terms of natural change (i.e. live births – deaths) and migratory movements. In all municipalities (except Čajetina, Pljevlja and Srebrenica) the decrease in population is

Table 7. Population Change in 2008: Natural Change and Migration

	Population Change 2007- 2008	Migration (In + / Out -)	Natural Change 2008
LJUBOVIJA	-343	-229*	-114
BAJINA BASTA	-246	-84*	-162
PRIBOJ	-481	-379*	-102
PRIJEPOLJE	-329	-303*	-26
UZICE	-613	-439*	-174
CAJETINA	-67	29*	-96
BIJELO POLJE	-4	-289*	285
PLJEVJLA	-120	0*	-120
GORAZDE	-99	-504*	405
BRATUNAC	-627*	-102	-525
VISEGRAD	-186*	-90	-96
MILICI	-23*	-54	31
RUDO	-76*	-2	-74
SREBENICA	98*	128	-30

Note: * own calculation

Source: Statistical Yearbooks

dominated by negative migratory movements. Only in the case of Bijelo Polje, Goražde and Milići this negative impact is partially compensated by a positive natural change. In the rest of municipalities natural change is negative.

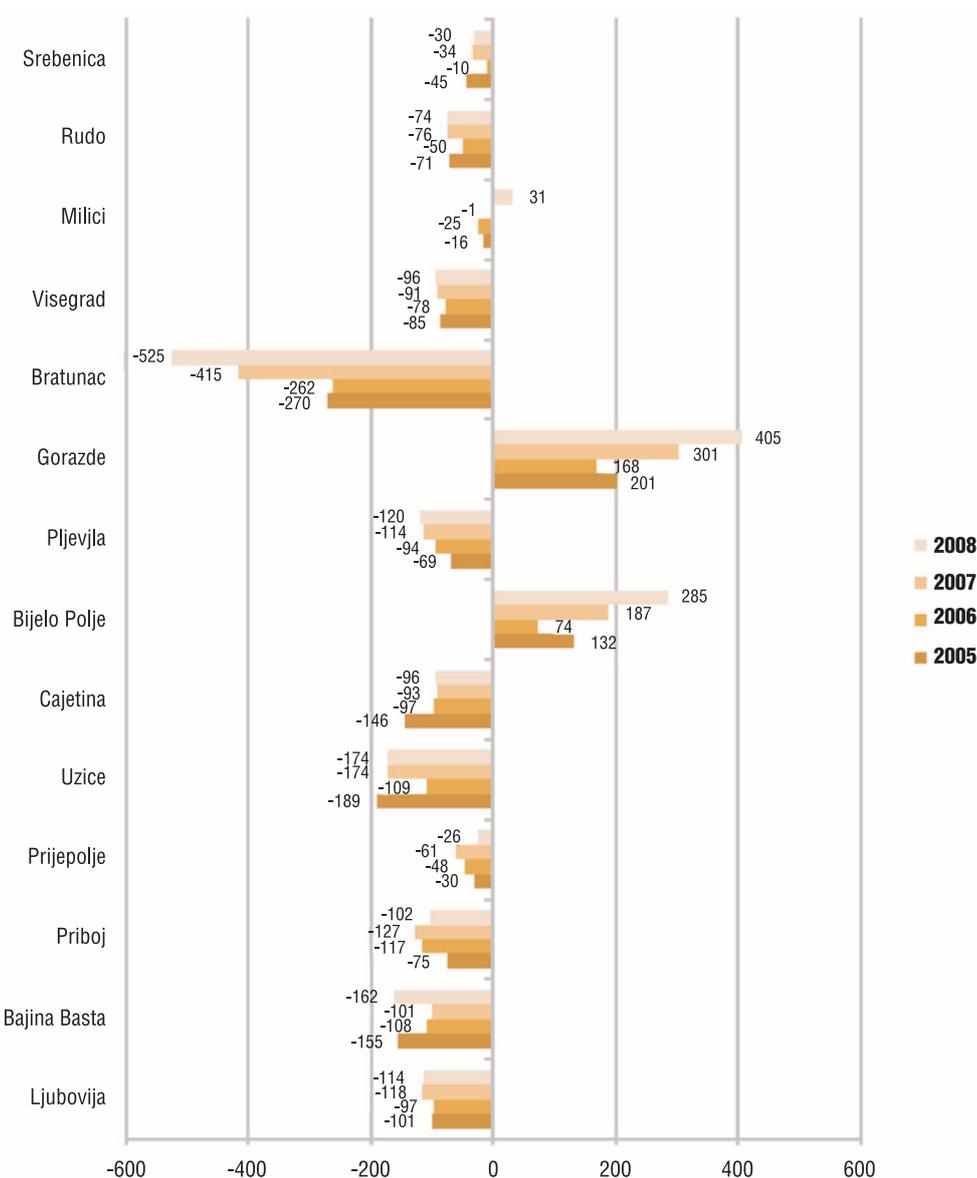
Figure 8 presents an overview of the evolution of natural change (live births – deaths) for all municipalities in the target area between 2005 and 2008. Most of them depict negative evolution (i.e. values of natural change below zero) with Bratunač particularly low in 2008 (-525). As stated, only Bijelo Polje and Goražde report overall positive trends for these years. Milići reports a small positive number only in 2008 (31).

To complete the review on demographic statistics at the municipal level, Figure 9 presents the yearly variation of migratory and natural change as percentages of total population in 2008 for each of the municipalities of the target area. The results indicate that few municipalities have reported a positive increase in natural change

for 2008 (i.e. Goražde, Bijelo Polje and Milići). Likewise, migratory flows were positive during 2008 only for Čajetina and Srebrenica 2008. Figure 9 also highlights which municipalities were particularly affected by out migration (such as Goražde, Ljubovija, Priboj and Prijepolje) and which portrayed negative natural change (Bratunač, Rudo, Ljubovija, Čajetina, Višegrad). Annex D presents detailed evolution of vital statistics for all municipalities in the target area (and their respective countries) between 2005 and 2008.

In order to further complement the present demographic analysis of the target area, it is useful to analyse trends related to ageing. However, the construction of such tendency is hindered as official data are based on 2002, 2003 and 1990s census for Serbia, Montenegro and Bosnia respectively. Therefore, information on age segments of the population will be presented for specific years (i.e. based on the latest available census years or government estimates).

Figure 8. Natural change per municipality (2005-2008)

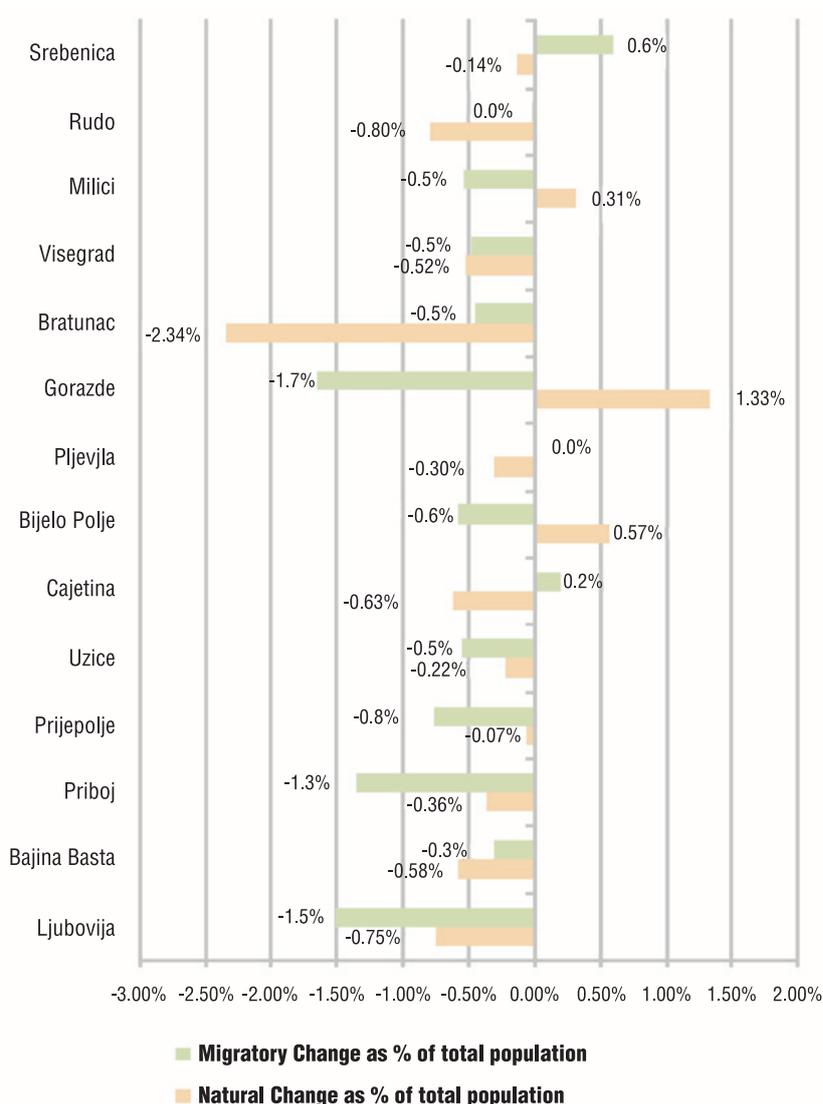


Source: Statistical Yearbooks.

For most project municipalities, the share of the age group 20-45 years (with the highest potential of participating in local development) is around one third of the total population, with the highest shares in Priboj, Bijelo Polje and Pljevlja. This average (36%) corresponds with the EU-27 average. Nonetheless, the largest population age group is concentrated in the ages of 45 to 55. To illustrate these findings, age pyramids at municipal level have been prepared (Annex D). (Age pyramids are also included at country level). No information was available for municipalities of Republika Srpska.

The age pyramids in Annex D show that in 2002-2003 (date of the census used) the most numerous age groups were between 40 and 54 years old (40-49 yrs in more rural areas such as Bajina Bašta, Ljubovija, Čajetina, Prijepolje and Pljevlja; 45-54 yrs in more urban and industrialized area such as Užice and Priboj). In 2011, it has to be assumed that the age group 50-65 is now the largest. In all municipalities where the data is available (except Bijelo Polje), the base of the age pyramid is in addition very reduced, the age group 0-4 yrs (now 10-14 yrs old) being 30 to 50% less numerous than the age

Figure 9. Natural change and migratory change as % of total population per municipality (2008)



Source: Statistical Yearbooks.

groups 20-24 or 25-29. Finally, in certain border areas of Serbia, the intermediate age groups 25-29 and 30-34 are subject to a very reduced amount, particularly for the males, probably due to outmigration of youngsters during the war (20-30 yrs at the time of war).

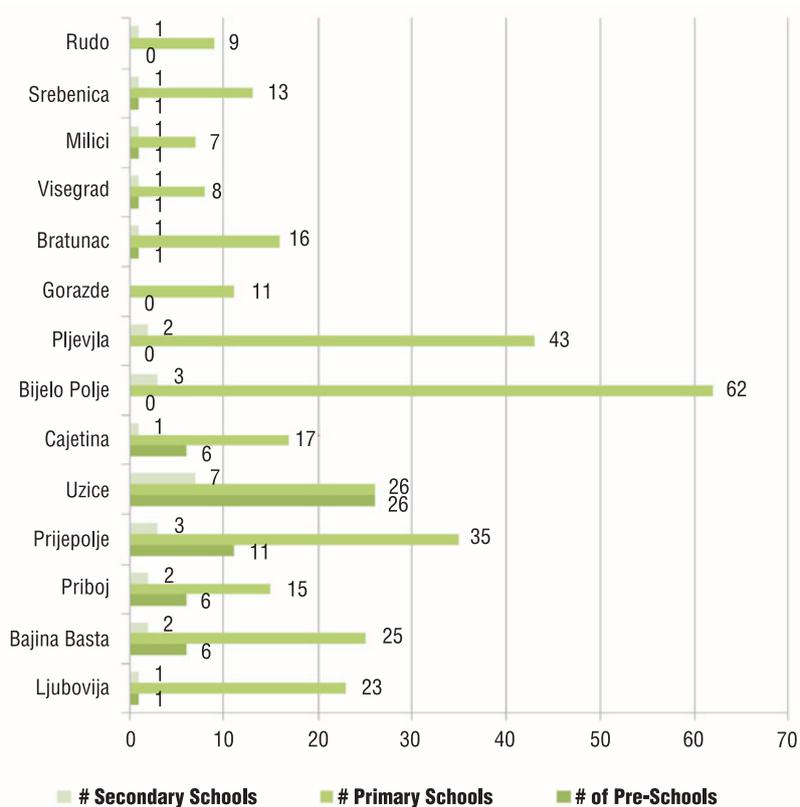
In summary, it appears that the general decline in population growth of the Drina Tara area is a mixture of high out migration, low birth rates and reduced percentage of the population in reproductive age (particularly in comparison to the segment of individuals between 45 and 55 years old).

ii. Education and skills

In this second subsection, education attainment and social cohesion issues are being analysed within the target area.

The share of upper-secondary and university graduates in the labour force (15-65 years) ranges from 5.8% (Ljubovija) to 13.9% (Užice). These figures are low and suggest that the majority of the labour force is low-skilled, that is, without upper-secondary education. Throughout the Drina –Tara pilot area there were, in 2009, 60 pre-schools with 4735 students, 310 primary schools with 32877

Figure 10. Number of educational institutions in the target area (2008 – 2009)



NB: In the case of Gorazde, the 11 educational institutions account for both primary and secondary schools.
Source: Statistical Yearbooks.

students and only 26 secondary schools with 14364 students. In other words, the opportunities to access secondary school (and consequently higher education) are limited.

Figure 10 below indicates the number of existing schools at secondary, primary and pre-school level per municipality, while Figure 11 depicts the corresponding number of registered students for the academic year 2008 - 2009.

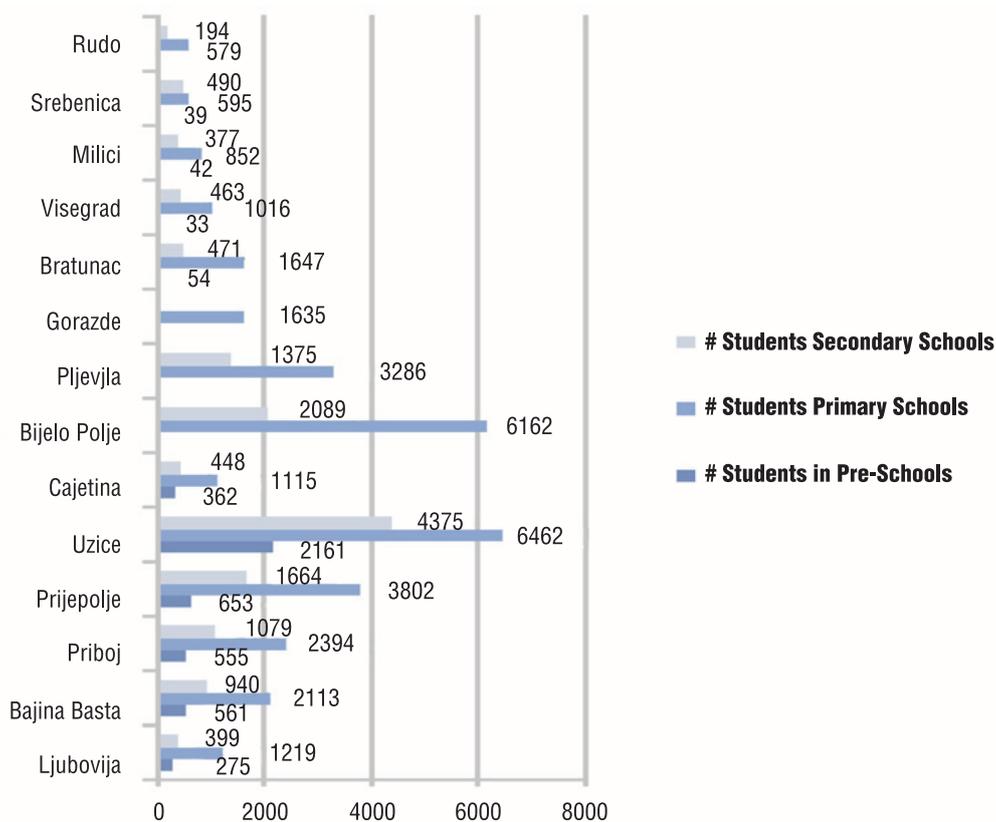
Figures 10 and 11 indicate that in the Bosnian side, both facilities and number of registered students are smaller in number to the levels registered in the Montenegrin and Serbian side. The latter is particularly preoccupying in terms of long term development needs (i.e. requirements for qualified labour force, increased human capital, etc).

In terms of number of schools Užice has seven secondary schools; the Montenegrin

municipalities of Prijepolje and Bijelo Polje follow with 3 secondary schools each. In the rest of Serbian and Bosnian municipalities, the number of secondary schools varies from 2 (in Pljevlja, Bajina Bašta and Priboj) to 1. In terms of primary schools, the largest numbers are found in the Montenegrin municipalities (62 in Bijelo Polje and 43 in Pljevlja), followed by Prijepolje (35) and Užice (26). The smallest numbers are found in Milići (7) and Višegrad (8). Regarding the number of pre-schools, the largest number (26) is found in Užice, followed by Prijepolje (11). Bajina Bašta, Priboj and Čajetina report the same number (6). One pre-school facility is found in Ljubovija and in all municipalities from Republika Srpska (except Rudo). No pre-school facilities were reported for Gorazde and the Montenegrin municipalities.

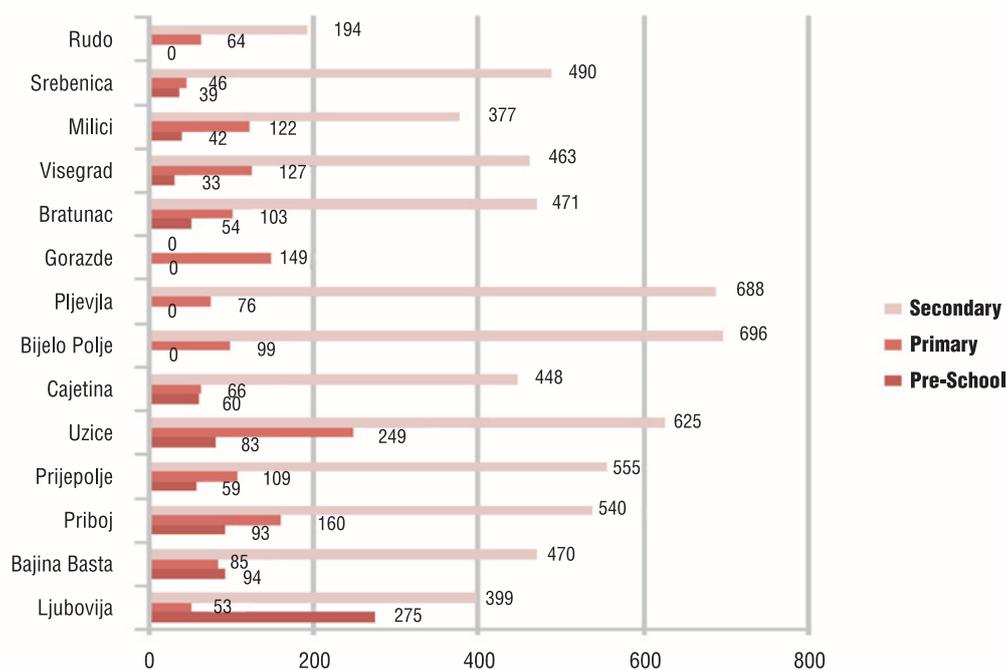
Concerning the number of students, 89% of pre-school students are registered in Serbian

Figure 11. Number registered students in the target area (2008 – 2009)



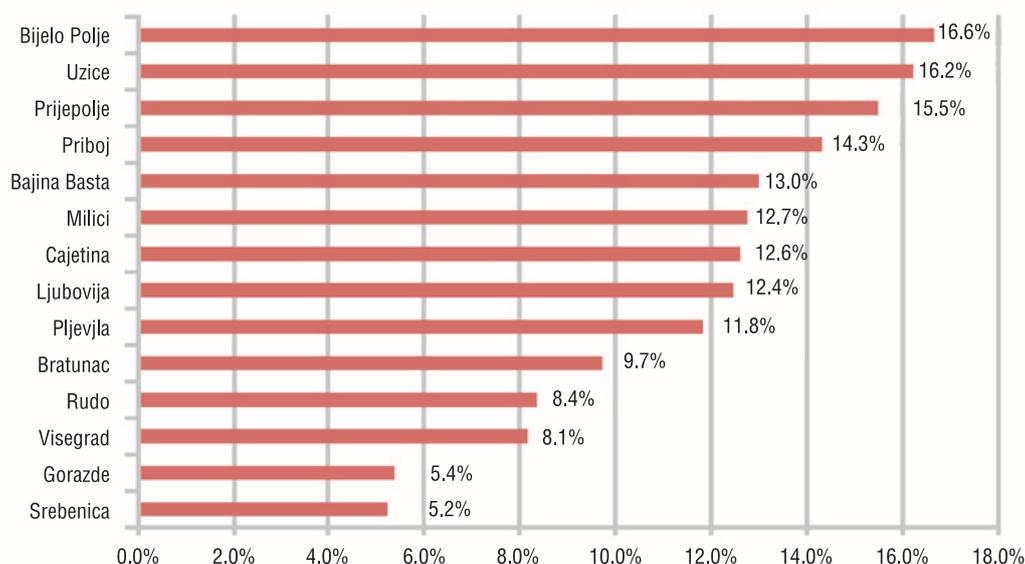
Source: Statistical Yearbooks

Figure 12. Number of registered students per Education Institution per Municipality



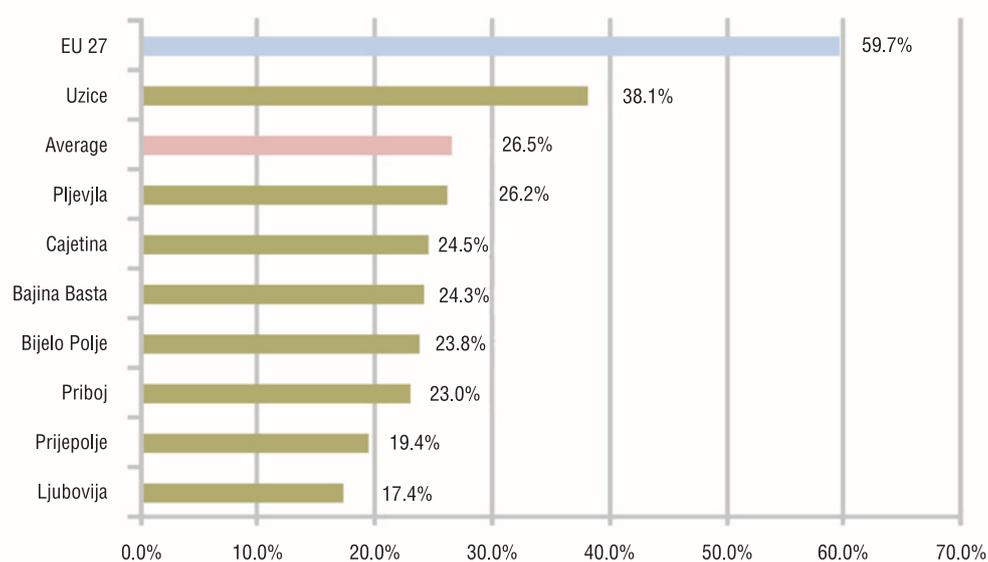
Source: Statistical Yearbooks

Figure 13. Percentage of total registered students over estimated total population 2008



Source: Statistical Yearbooks

Figure 14. Participation Rate in Secondary Education



Note: Total registered students in secondary education over 15 – 20 age group.

Source: Statistical Yearbooks & Eurostat

schools, with almost half (46%) based in Užice. In the case of primary school students, the proportion is somewhat more equally distributed among municipalities with 20% in Užice and 19% in Bijelo Polje. At secondary education level, 62% of registered students are found in

Serbian municipalities, 24% in Montenegrin schools and only 14% in the Bosnian side.

In order to further visualize the relative pressure on the educational institutions in the target area, it is useful to compare the

Table 8. Professional Diplomas & Vocational Training Programmes

	Priboj	Prijepolje	Uzice	Cajetina	Ljubovija	Visegrad	Srebrenica	Milici	Bratunac	Gorazde	Bajina Basta
Gymnasium	X	X	X		X	X	X	X			
Electrical engineering ; Electrician	X	X	X					X	X	X	
Mechanical engineering and metal processing	X	X	X								
Manufacturing of textiles, leather and wood		X	X					X		X	X
Economics, law, administration	X	X	X		X	X		X		X	
Trade, catering, tourism		X	X	X	X	X					
Traffic engineering			X								
Chemistry, non-metals and Graphics			X				X			X	
Geology, mining, metallurgy			X							X	X
Surveying and Construction			X							X	
Cosmetics						X				X	
Other activities and personal services			X								
Art			X								
Health and social care			X			X					
Special Section			X								

Source: SG / Local coordinators SSL

amount of students registered per school. Figure 12 presents the information per type of school and municipalities. Results suggest that in Montenegrin municipalities and selected Serbian municipalities (i.e. Užice and Prijepolje), secondary schools deal with above average (552) numbers of students. In terms of registered students per primary school, the following municipalities are above

the sample average of 106: Priboj, Prijepolje, Užice, Goražde, Višegrad and Milići. Lastly, regarding the number of students per pre-school facilities, Ljubovija, Bajina Bašta, Priboj and Užice are above the average of 79 registered student per pre-school.

It is important to consider the amount of registered students as a percentage of total population

(Figure 13). In the Bosnian side, the percentages are decisively lower. The largest municipalities (Užice and Bijelo Polje) obtain the highest rates.

Lastly, Figure 14, compares the participation rates at secondary level education of selected municipalities and their average with the EU 27. Only Užice is above target area average with Ljubovija portraying the lowest participation rate. Information was not available for the municipalities from Republika Srpska.

Even though the level of professional skills is unknown (and can only be measured by a firm level survey or census), it can be assumed based on the elements above concerning education, that measures for improving the skills of the local labour force will be crucial for stimulating economic development. In this respect, one key issue to address is the timely coordination between the educational system and the needs of the economy. It seems that in the region, skills essential for the job are mainly acquired by practice and schools do not provide the necessary empirical components in their curricula. For instance, although vocational educational qualification accounts for 28% of the employees in the Serbian municipalities of the target area, private sector representatives claim that their curricula and the duration of studies do not match private sector demand. Consequently, upgrading, adapting and widening skills at individual level are essential for meeting employment opportunities. In turn, a well trained and highly motivated workforce is essential for companies to perform well and to be competitive.

Likewise, the absence of training or formal education in “agriculture” and “environmental science” can be seen as a threat to regional development. Table 8 presents the type of professional diploma / vocational programmes available in selected municipalities of the Drina Tara. In other words, this means that competences required for the strategic development of the area are not available on the local labour market.

From the available data and the qualitative information compiled by local coordinators in

the field, it is possible to conclude that the labour force in most of the municipalities of the project area do not have adequate access to training and acquiring skills which are in line with the potential development of the region or the demands of the private sector.

In order to summarize the situation on access to education and training in the target area, it is useful to quote the weaknesses of the education and training system as identified under the “Human Resource Strategy” of the Zlatibor region in Serbia (RDA Zlatibor, 2008):

- late involvement of young people in work processes, lack of quality programs for practical training
- insufficiently developed programs for adult education
- reduced access to general and vocational education
- inconsistency between educational profile created by the national education system and the needs of the local labour market.

iii. Civil society organisations and private sector

Another important indicator of dynamism is the number of entrepreneurs, for which only Serbian statistics are available from the statistical yearbooks; comparable data were retrieved from FORS (2008) for the Montenegrin municipalities. However, it is not clear whether the counts were made based on the same concept of ‘entrepreneur’; in addition, the moment of counting is different (see notes below Table 9); hence, the Serbian and Montenegrin data are not directly comparable. Therefore, the comparatively low numbers in the Montenegrin municipalities might be due to methodological differences. In comparison with national Serbian counts per 1000 inhabitants, Ljubovija and Užice excel and are at the same time leading within the target area.

Table 9. Entrepreneurs: total numbers, total numbers per 1000 inhabitants, and total numbers per 1000 inhabitants in the 25-54 years age group

	Serbia	Ljubovija	Bajina Bašta	Užice	Čajetina	Priboj	Prijepolje	Pljevlja	Bijelo Polje
Entrepreneurs	571019	1477	1785	6296	1066	1755	1773	750-800	1000-1050
Entrepreneurs per 1000 inhabitants	78	97	64	79	70	62	45	20	21
Entrepreneurs per 1000 inhabitants in the age group 25-54 years ^c	183	228	151	206	171	145	109	49	50

Sources: statistical yearbook, 2008 data for the Serbian municipalities; FORS (2008) for Montenegrin municipalities, source: Commercial Entrepreneurs Courts' Central Register; all population 2008 data from statistical yearbooks

Notes: a, for the Serbian municipalities described as 'Entrepreneurs, sole proprietors and their employees', the annual average of which is calculated on the basis of the states as of 31 March and 30 September; b, for the Montenegrin municipalities described as 'Number of registered entrepreneurs', state as of 1 February 2008; c, proxy for the economically active part of the population; x, municipality average higher than national average

All municipalities for which information was available have civil society organizations (CSOs). Goražde and Bijelo Polje have the highest presence of civil society organizations; both have 57 CSOs per 5 000 inhabitants. No further information was available on their characteristics, in terms of working areas, staff and volunteers, and financing. The gathering of qualitative information, for example, via a survey, is needed to obtain this kind of information. However, Annex E presents a qualitative assessment undertaken by the project local coordinators in selected municipalities of the target area. The results include the local perceptions of the experience of organized civic participation concerning youngsters. The general feeling is that the young do not really have the opportunity to engage in civic participation and that further support is needed for their active integration.

On the whole, despite the relatively large number of CSOs in the target area, there is reduced commitment and ability to launch citizen initiatives. Likewise, as stated by the "Human Resources Development Strategy" of the Zlatibor District, there is an underdevelopment of partnerships between governmental and non-

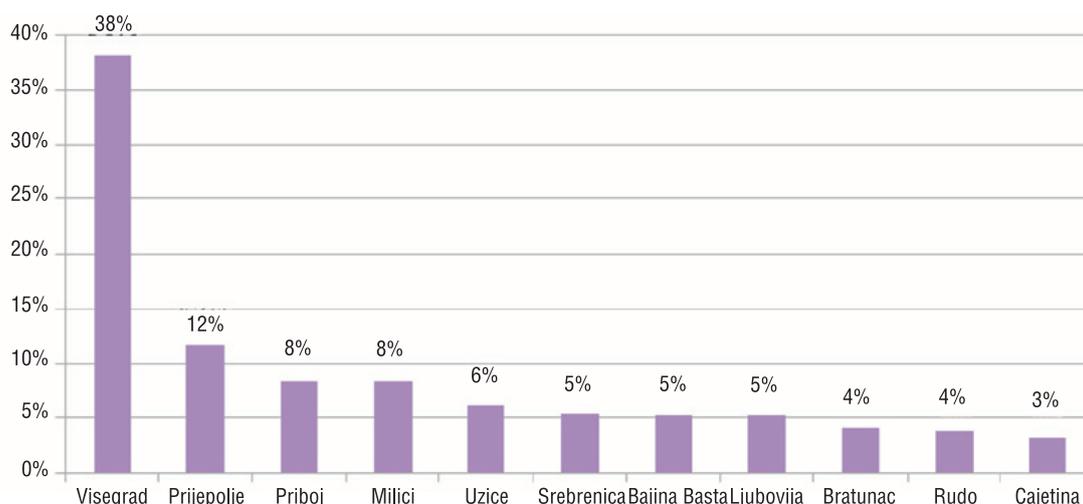
governmental sector which exacerbates the sense of lethargy in the local communities.

Some data on private sector were available, such as number of registered legal entities and self-employment rate. Both, however, depict only a (minor) share of private sector activity. This suggests that informal economic activities are widespread, presumably in agriculture and tourism (accommodation). So, a large share of the activity of CSOs and the private sector may not be fully known as it is the result of unregistered community organizations or micro-scale business activity. This would hint at the presence of vivid communities that have an interest in engaging in and supporting an area-based development approach. This is also supported by the CSOs and private sector actors, who are participating in the SG.

iv. Social exclusion

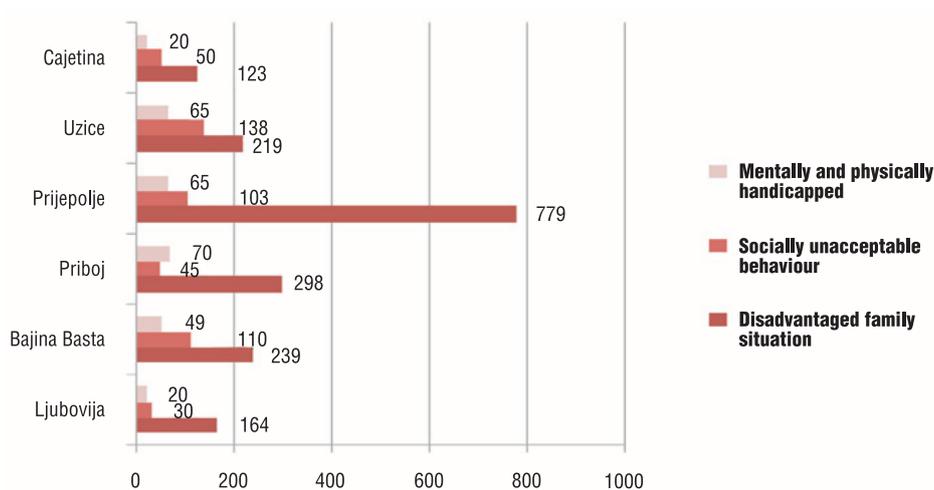
Information on the number and type of welfare beneficiaries was used to understand the level of social exclusion. Data was collected on the number of individuals within each municipality of the target area who received welfare benefits during 2009. Unfortunately, for the Montenegrin municipalities, welfare data is

Figure 15. Percentage of welfare beneficiaries in the Target Area



Source: statistical yearbooks

Figure 16. Number of Minor Welfare Beneficiaries in Serbia per type of benefit (2009)



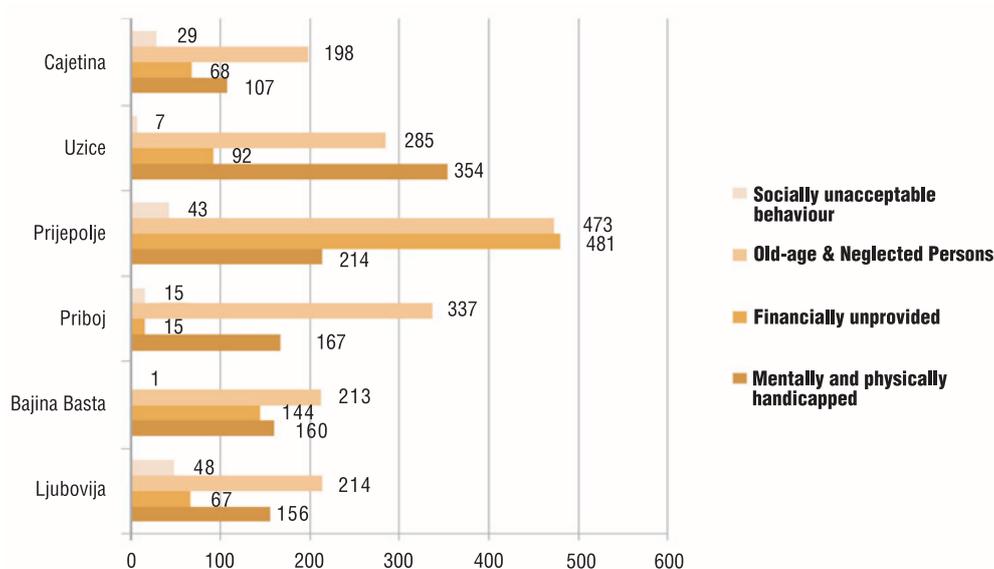
Source: Statistical Yearbooks

not available at the desired level of disaggregation but one level above, while in the case of Goražde, no welfare beneficiaries' records were published.

As a result, Figure 15 presents the percentage of total welfare beneficiaries in the target area per municipality (only from Serbia and Republika Srpska). Results indicate that around 40% of total recipients are located on the Serbian side while the other 60% is registered in the municipalities of Republika Srpska; with the majority of welfare beneficiaries (38%) located in Višegrad.

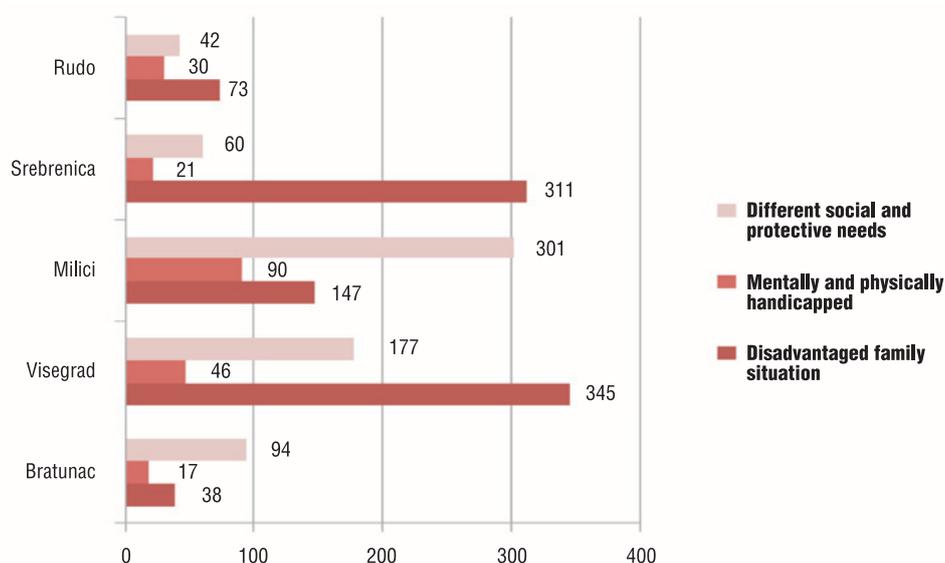
If beneficiaries are clustered per type of benefit and per municipality, it is possible to distinguish that among Serbian Municipalities, 70% of minor beneficiaries are under the category of "financially disadvantaged family" (and in Prijepolje it reaches 82%) (Figure 16). In the case of adult welfare beneficiaries in Serbian communities, the highest percentage is that of elderly (and neglected individuals) with 41%. The category of "mentally and physically handicapped" represents 29%. Again, the majority of beneficiaries are based Prijepolje (Figure 17).

Figure 17. Number of Adult Welfare Beneficiaries in Serbia per type of benefit (2009)



Source: Statistical Yearbooks

Figure 18. Number of Minor Welfare Beneficiaries in Republika Srpska per type of benefit (2009)



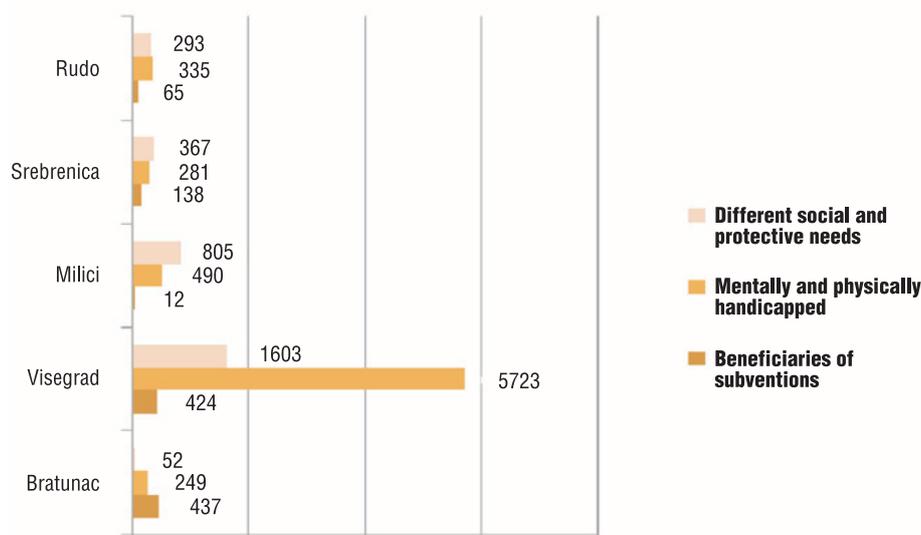
Source: Statistical Yearbooks

In the case of municipalities from Republika Srpska, (where different welfare categories are used), half (51%) of minor welfare recipients are clustered under “disadvantaged family situation” followed by “different social and protective needs” (37%). 61% of minor welfare beneficiaries are based in Višegrad and Milići (Figure 18). Concerning adult

welfare beneficiaries, the amount of beneficiaries from Višegrad within the “mentally and physically handicapped” category is striking - it accounts for 50% of registered beneficiaries (Figure 19).

Another issue to take into account is that the area has been affected by the events of the 90s

Figure 19. Number of Adult Welfare Beneficiaries in Republika Srpska per type of benefit (2009)



Source: Statistical Yearbooks

in Bosnia-Herzegovina: in Višegrad as from 1992 and in Srebrenica later on (1995). The number of internally displaced and the general effects of the warfare might explain the large number of beneficiaries under the “mentally and physically handicapped” category in Višegrad.

v. Infrastructure and connectivity

To understand the degree of connectivity between the project municipalities and beyond, the road coverage of the territory was used as a proxy. The highest road coverage (km/km²) is in Bajina Bašta and the lowest - in Rudo. The lowest share of roads with modern surface is in Milići and Srebrenica (10% of the roads); the highest shares are in Užice, Čajetina and Bijelo Polje (Figure 20).

The SWG-RRD (2009) report on the wider Drina-Tara region assesses the road network as moderately developed – most local roads are categorised roads with asphalt or macadam surface – and mentions 10 road bridges over 346 km of the Drina River. Border crossings in the target area are limited to nine in total: five between Serbia and Bosnia-Herzegovina, three between Serbia and Montenegro and one between Montenegro and Bosnia-Herzegovina

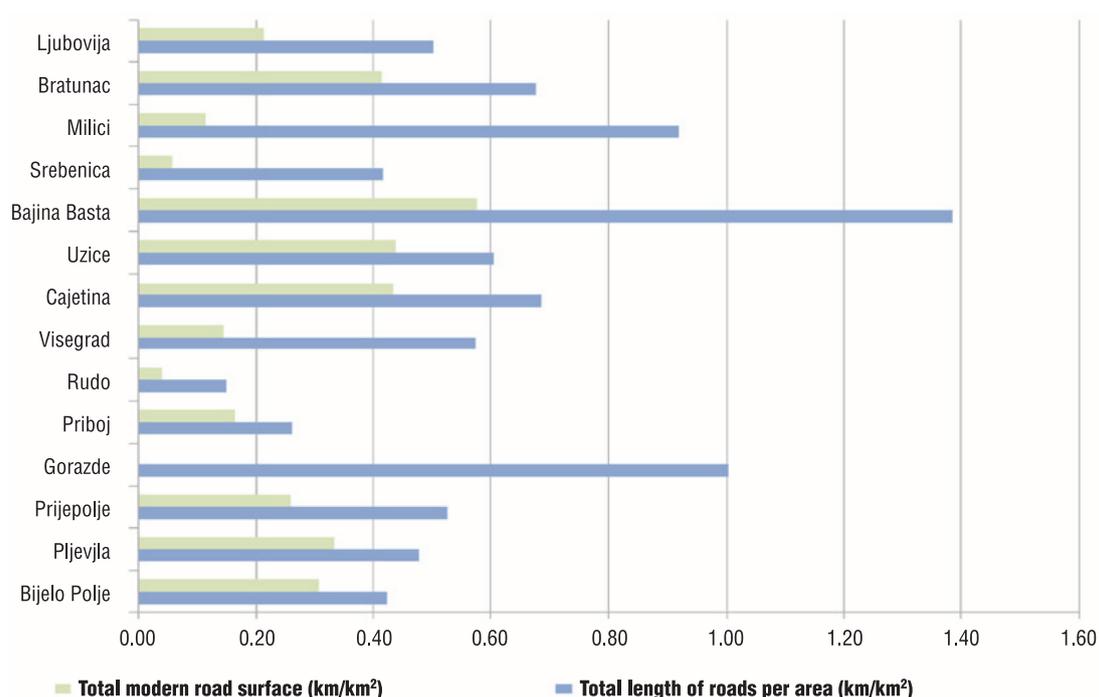
The region has no airports; the closest international airports are located in Sarajevo (116 km from Goražde, at least 2h drive) and Mostar (250 km from Goražde) (BA), Dubrovnik (HR) (225 km from Goražde, 260 km from Pljevlja), Podgorica (120 km from Bijelo Polje, 195 km from Pljevlja) and Tivat (ME), and Belgrade (RS) (153 km from Bajina Bašta, 2h30 drive). Public transport links between the region and these airports are mostly poor.

Train infrastructure is also poor. The international line Belgrade-Podgorica (Bar) (via Užice, Prijepolje and Bijelo Polje) crosses the area; it is still in use, but of low standard, even though electrified.

Navigability of the Drina is not a key issue, because hydropower plants are already present downstream (Zvornik) and within the region both on the Drina and on its affluents. A few years ago, the EC financed a touristic boat cruising on the river Lim (in Rudo), which however does not function any longer for lack of maintenance.

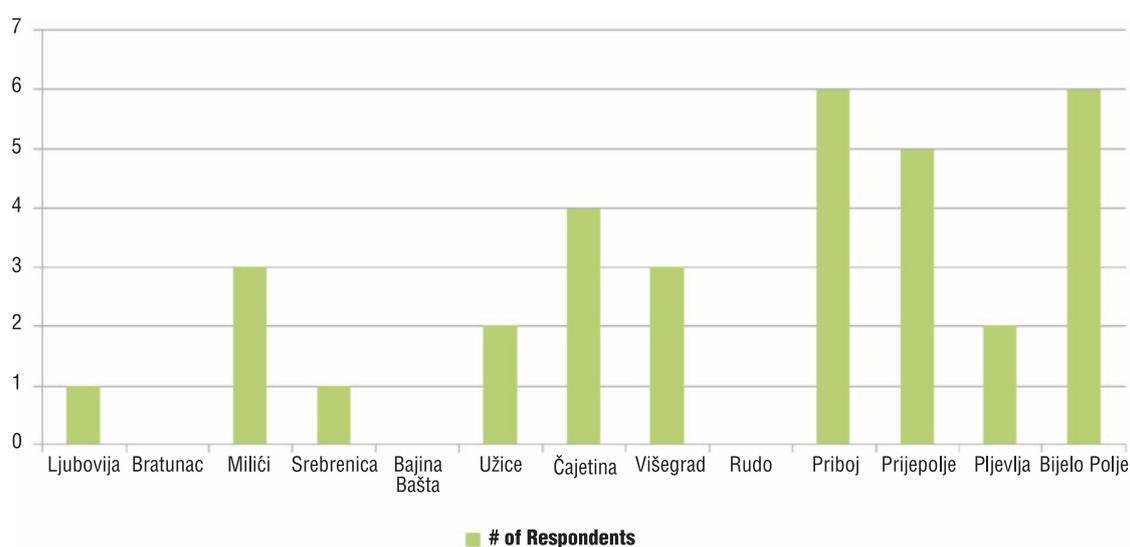
Perceptions from the local community shed some light on the situation described above (Figure 21). In the October questionnaire, 14%

Figure 20. Road coverage and road quality in the project municipalities



Source: statistical yearbooks, local authorities

Figure 21. Infrastructure as main development obstacle



Source: own survey in the target area, October 2010 (question 2)

of the respondents saw infrastructure as the main obstacle to development (see section 3.2.3.i, question 2). In Bijelo Polje, Priboj and Prijepolje, one out of three respondents shared this view. Infrastructure was not considered as an obstacle in Bajina Bašta, Bratunac and Rudo.

Overall, infrastructure and connectivity seem to be particularly perceived as a key development issue along the main transport axis Belgrade – Podgorica, south of Užice (Čajetina, Priboj, Prijepolje, Bijelo Polje), despite the existence of a large and rather good interstate

Table 10. Registered vehicles

	Serbia	Ljubovija	Bajina Bašta	Užice	Čajetina	Priboj	Prijepolje	Federation Bosnia-Herzegovina	Bosnian Podrinje Cantona
Registered vehicles	1740705	2741	5825	20138	3390	4582	5970	519690	5411
Registered vehicles per 1000 inhabitants	237	180	209	251	222	163	151	223	163

Sources: statistical yearbooks, 2008 data; Serbian household and age distribution data according to 2002 census; Federation BiH age distribution data following national statistics of the 1991 census

Notes: a, includes Goražde, whose population makes up about 91% of the Bosnian Podrinje Canton population

road. On the contrary, infrastructure seems less perceived as an issue in smaller, more rural project municipalities, where it is (comparatively speaking) much poorer.

Data on number of registered vehicles could be retrieved for the municipalities in Serbia and the Bosnian Podrinje Canton, which includes the municipalities of Goražde, Foča and Pale). Numbers of vehicles related to population statistics (i.e. numbers of inhabitants or households) are slightly above the Serbian average in Užice and slightly below the Serbian average in Čajetina (Table 10). Priboj and Prijepolje show the lowest relative numbers, which are comparable to those in the Bosnian Podrinje Canton. The ranking of the municipalities in terms of registered vehicles relative to their population somewhat follows that of the total length of modern road surface per municipality (Figure 20).

Concerning water infrastructure, statistical data at municipality level are piece-meal and limited to the Serbian municipalities (Table 11). However, comparable data for the Montenegrin municipalities could be retrieved from FORS (2008), even though there might be differences in the measurement of the data. According to the data retrieved, Serbia consumes on average 72% of its water captured, whereas Montenegro and the Federation of Bosnia and Herzegovina

use only 47% of their resource. The Serbian municipalities in the target area exceed the national use rate, with the exception of Užice and Priboj.

On average, 57% of the Serbian households in the target area are connected to public water supply, with Čajetina having a record connection rate of 90% (even exceeding the national average), as opposed to Bajina Bašta where only 33% of the households are connected to the mains. Water use per inhabitant per day is accordingly also highest in Čajetina; the tourism activity related to the Tara National Park and Zlatibor mountain resorts is partly responsible for, if not the main driver of, its high water use. Water use per inhabitant is also relatively high in Užice, an urban centre, and Priboj, both with close to average connection rates. In Priboj, this relatively high figure is probably driven by its high manufacturing activity (employing half of the labour force). In comparison, water use per inhabitant per day is relatively low in the Montenegrin municipalities, close to or below that in the Serbian municipality with the lowest consumption, Ljubovija.

On average, only 14% of Serbian urban waste water is treated, compared to purification rates of 40% and 5% in Montenegro and the Federation of Bosnia and Herzegovina, respectively. However, none of the Serbian municipalities in the target area treats its waste

Table 11. Water taken, supplied, used, and discharged, and waste water treated

	Serbia	Ljubovija	Bajina Bašta	Užice	Čajetina	Priboj	Prijepolje	Montenegro	Pljevlja	Bijelo Polje	Federation BiH
Water captured (103 m3 a-1)	708496	299	1000	8984	2462	2116	1458	106579	n/a	n/a	233305
Water supplied (103 m3 a-1)	507103	250	805	5326	2237	1193	1185	49829	348	854	109303
Water supply/capture	72%	84%	81%	59%	91%	56%	81%	47%	-	-	47%
Households connected to public water supply	1986259	3073	3140	16000	4600	5510	5522	n/a	n/a	n/a	n/a
Households connected to public water supply in % of households	79%	57%	33%	59%	90%	56%	46%	n/a	n/a	n/a	n/a
Water use per inhabitant (l d-1)	189	45	79	182	401	116	82	218	24	47	47
Waste water (103 m3 a-1)	380300	230	805	5326	2237	1193	1185	35849	n/a	n/a	78535
Waste water treated (103 m3 a-1)	54938	0	0	0	0	0	0	14189	n/a	n/a	3887
Waste water treated	14%	0%	0%	0%	0%	0%	0%	40%	n/a	n/a	5%

Sources: statistical yearbook 2008 data for the Serbian municipalities, and national/entity data from Montenegro, and the Federation of Bosnia and Herzegovina; FORS (2008) for Montenegrin municipalities; all population data from statistical yearbooks 2008; Serbian household data based on 2002 census

Note: n/a, data not available; x, municipal average higher than national average

water discharge; no data are available for the Montenegrin municipalities.

3.3.2 Diversity of the economy

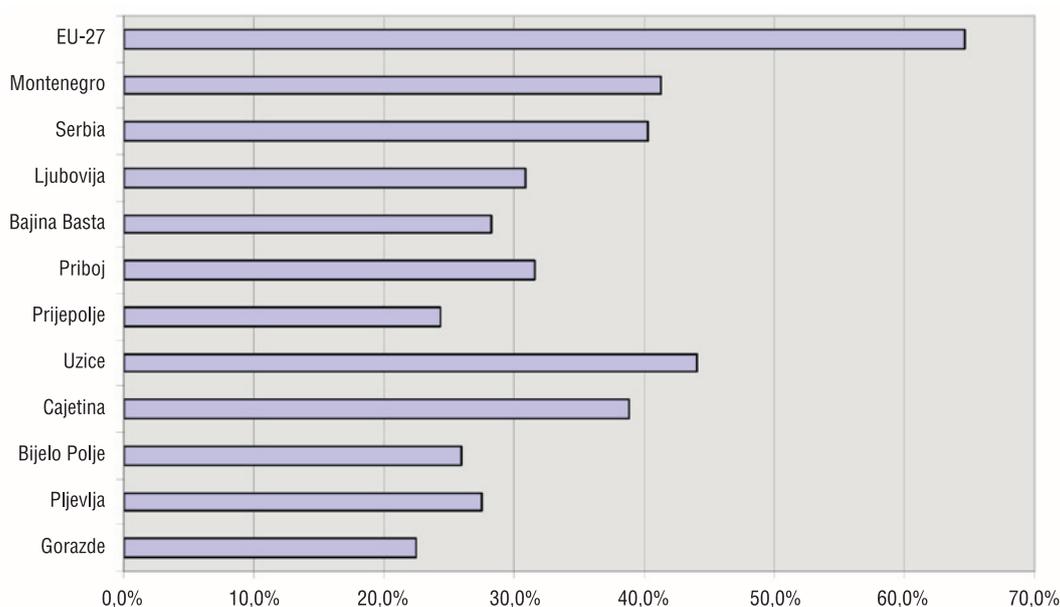
This second aspect of the baseline development situation assessment aims at describing the economic potential. The potential of each economic sector will be discussed, with a particular focus on agriculture and tourism.

Some elements concerning the labour forces are presented in a first subsection.

i. Employment

Employment rates, describing the share of population in age to work (15-64) effectively employed, are constructed by the authors on the basis of data available in the statistical yearbooks (therefore without data concerning

■ Figure 22. Employment rates (2008)



Source : own calculations

the Republika Srpska, in the absence of information concerning the age structures of population). The employment rates in the region (figure 22) are extremely low in southern part of the area (20 to 25%), slightly higher in the northern rural parts (Bajina Bašta, Ljubovija, around 30%) and close to the Montenegro / Serbia average in Čajetina and Užice (40-45%). These levels are anyhow much weaker than in the EU 27 (66%). This confirms the fact that this region is characterized by a poor capacity to create jobs and a prevalence of informal and subsistence activities.

No data were available on international migration and the relevance of remittances for household income.

The registered unemployment rates in the project municipalities range from 12.2% (Ljubovija) to 26.8% (Bijelo Polje). It is well known from other studies in the Western Balkans (e.g. ILO, 2006) that the real unemployment rate is often far beyond the registered unemployment. No data were available for youth unemployment. However, as outward migration of the young was mentioned by almost half of the respondents in

the survey to community representatives, we can assume that jobs that provide young people with a career opportunity are rare.

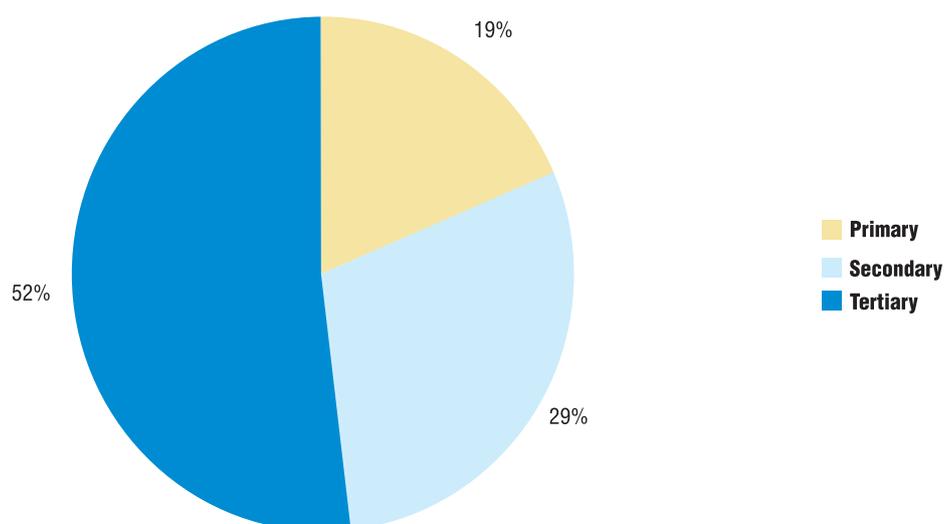
The ratio between female and male employment rates is somehow balanced in most of the municipalities (between 39 and 43% of employed people are female in most municipalities). Only in Srebrenica (29.9%) and Milići (28.5%), female employment accounts for less than one third of total employment, while, on the contrary Čajetina and its large tourism sector is characterized by a proportion of nearly 50% of women in the employment.

In conclusion, all municipalities in the Drina-Tara area (except for the Republika Srpska where data were insufficient) have at least some human potential for economic development and growth. However, this potential is unevenly distributed, as some Serbian municipalities seem to benefit from a better employment potential.

ii Sectorial distribution of the local economy

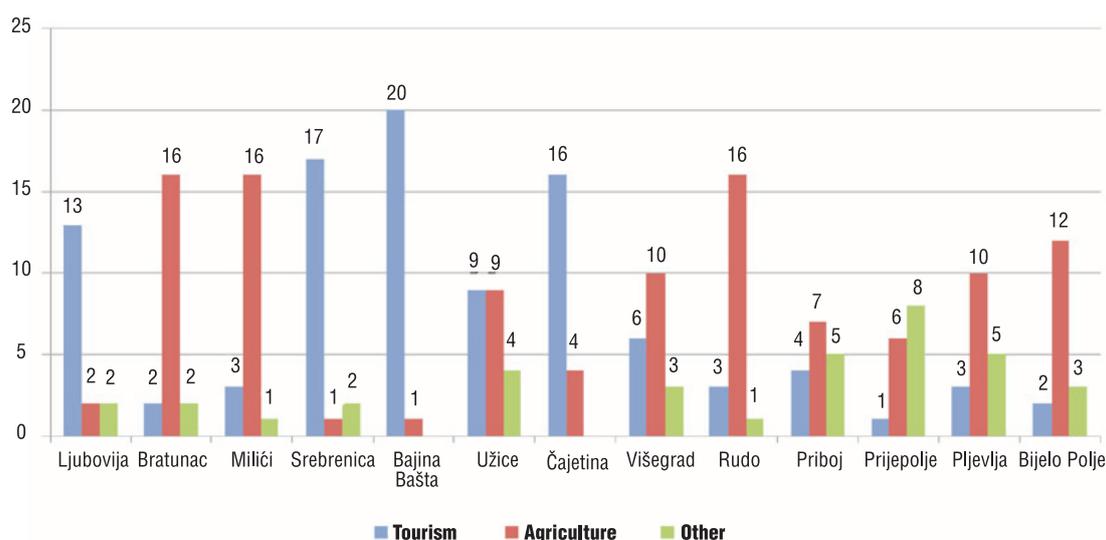
Formal employment is distributed amongst several sectors; key employers are in

Figure 23. Sectorial employment distribution in the target area



Source: statistical yearbooks, local authorities

Figure 24. Sectors with key development potentials



Source: own survey in the target area, (question 3)

manufacturing (24%); wholesale, retail and repair (11%); electricity, gas and water (10%); and construction (9%). In total (figure 23), the primary and secondary sectors remain very important in the region, showing that the economic structural change is not very much advanced in the case study area.

Agriculture and tourism are important formal employers in some of the project municipalities.

At several occasions during the field visits, individuals (local actors, mayors and senior representatives of local authorities) indicated both agriculture and tourism as sectors with key development potentials. The exploratory questionnaire also provided useful information on this (question 3): 42% and 47% of the respondents considered agriculture and tourism (respectively) to be strategic sectors for local development; 11% indicated other sectors and

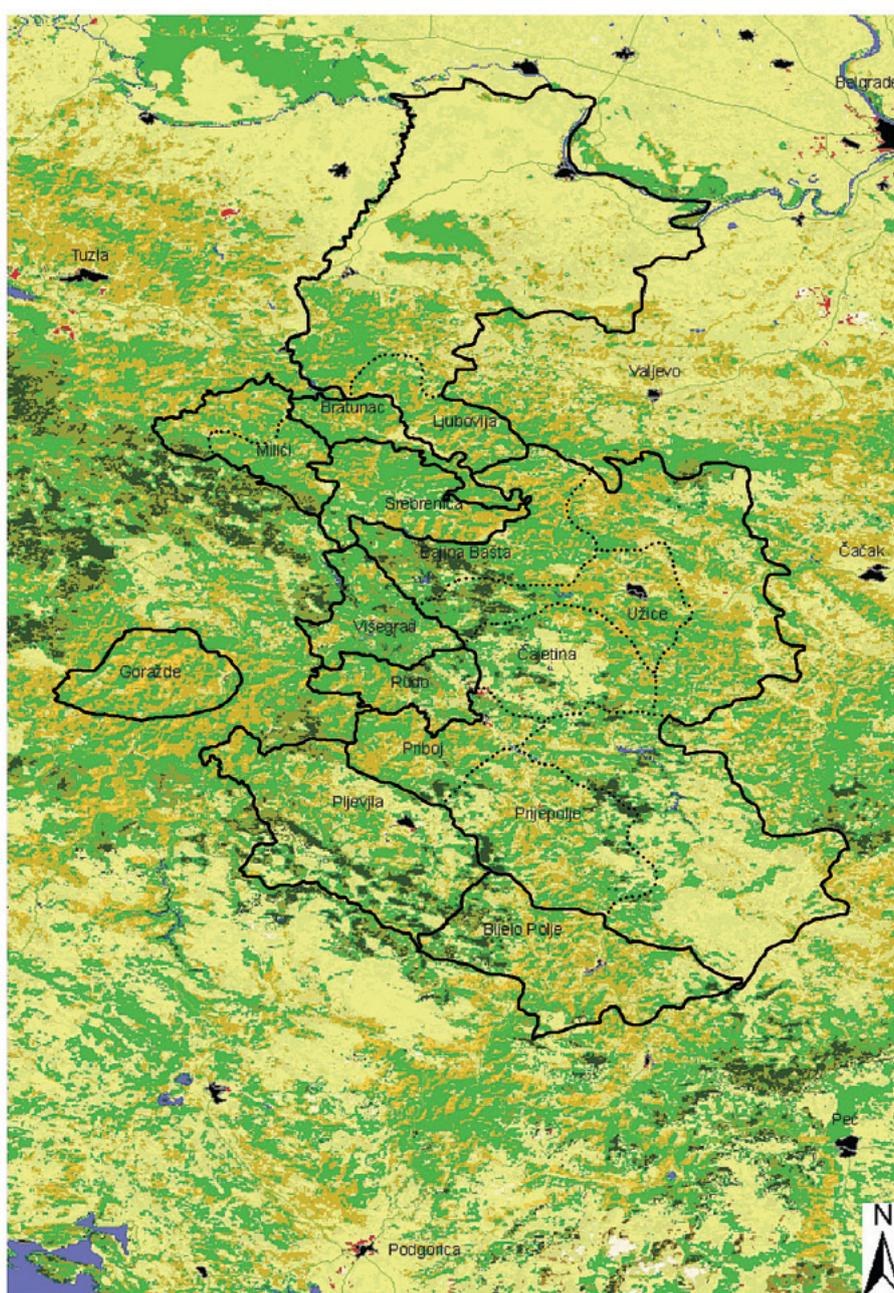
specified forestry, power generation, mining, textile, food and metal industry. Figure 24 shows the responses at municipal level.

iii. Land use

Map 2 gives an overview of the land cover within the Drina-Tara target area.

In total, land cover in the area is split according to the following proportions: 48% as forest, 46% agricultural and the remaining 6% being other types of land use. This shows an extensive forest cover, similar to those of Sweden, Finland, Slovenia or Austria (EU, 2010). (Figure 25).

Map 2. Land cover map of the wider Drina-Tara area





Sources: European Space Agency Ionia GlobCover 2009 for the land cover data and GAUL (administrative boundaries) for the municipality boundaries in Bosnia-Herzegovina and Montenegro, and the district boundaries in Serbia; own drawing (intermittent line) based on the administrative map of Serbia from the Statistical Office of the Republic of Serbia for the municipality boundaries in Serbia.

Within the area, the share of forests is even higher in several sub-areas (Milići-Srebrenica 57-58% / Višegrad – Priboj – Rudo 55-60%), while it is a lot lower in more agricultural areas such as Ljubovja (39%) or Užice-Čajetina (37-42%).

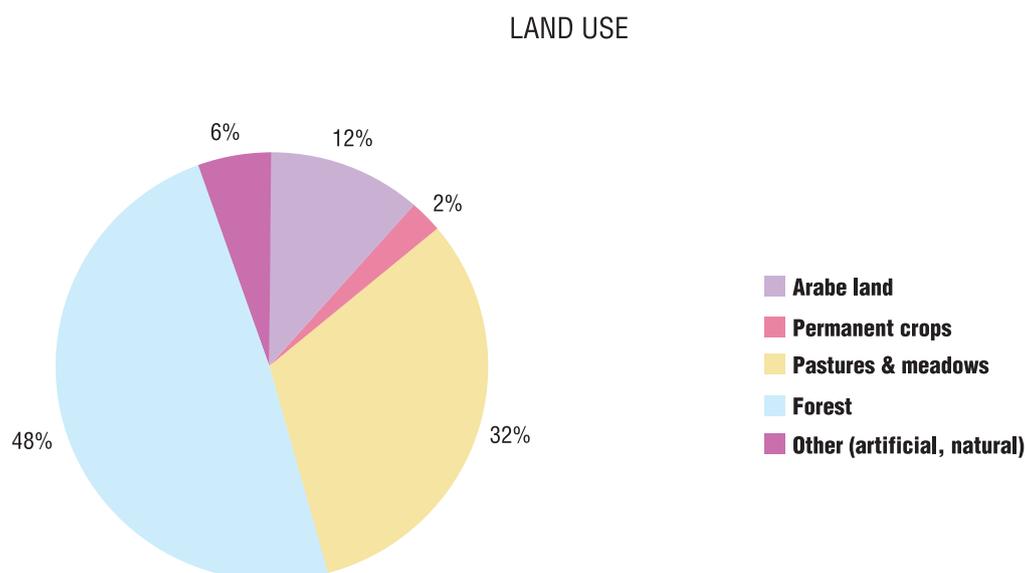
In total, 46% of the land in the target area is agricultural land; figures vary from 13.5% (Višegrad) to 57.7% (Čajetina).

Roughly half (mainly the north-eastern and eastern part) of the land in the target area is assessed as having medium limitations for rain-fed agricultural production (based on an assessment of combined climate, terrain and soil conditions), whereas the other half of the

area (mainly the south-western corner of the area) faces medium to severe limitations (IIASA, 2010 – GAEZ) for agricultural production. However, considering climate, terrain and soil constraints separately, topography/slopes represent the major challenge to agricultural production in the area.

The agricultural land is shared between arable land (including permanent crops and arable land not seeded) and pastures and meadows. Overall, the arable land is very limited and represents only 26% of the UAA in the target area. The region can therefore be described as being predominantly covered by forest and pastures, with reduced arable area.

Figure 25. Land Use & Forest Area (%)



Source: own elaboration from statistical yearbooks

Within the area, there are again some differences: the northern part of the area contains a higher share of arable land on UAA (Miliči-Srebrenica-Bratunac-Ljubovja), the three first ones however with a bigger presence of forests. On the contrary, the area of Čajetina is characterized by the absence of arable land (Figure 26).

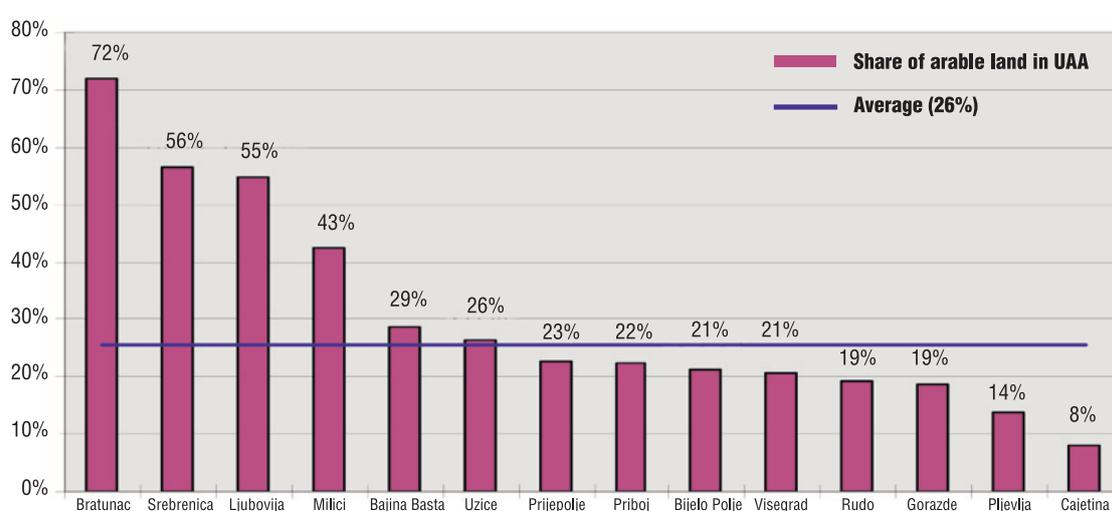
The SWG-RRD (2009) assessment of the Drina-Tara region (with a wider delineation – stretching roughly from the Durmitor Mountain in the south to the banks of the Sava River north of Loznica in the north – than the present target area) gives complementary indications about the type and location of the land use in the area.

- The upland areas of the region are dominated by forests (both deciduous and coniferous) and meadows. Wood production is an important source of income in the war-devastated part of the Republika Srpska.
- Pastures are suitable for traditional, extensive livestock breeding, but also for modern, intensive breeding of sheep, goats and cattle. Pastures also occur in the lower parts of the area, on land that has been deforested. Breeding of autochthonous stock (pramenka

(Zeckel) sheep, busha cattle and its cross-breeds such as Gatachko cattle, water buffalo, and the Bosnian mountain horse/pony (with a stud farm close to Rogatica), mangalitza pig) still happens in the mountains; the (processed) produce is sold on regional markets.

- Orchards are common in the undulating areas of the central and northern part; the most important fruit is plum (fresh, dried, jam, brandy), but also walnut, cherry, sour cherry, pear, and apple (Višegrad and Goražde produce well-known varieties) are significant. However, areas of individual orchards are relatively small; trees are old and yield small quantities. In contrast to plum, the other types of fruit mentioned remain largely unprocessed. Berries have become an increasingly important export product for the region: from wild blackberry, forest strawberry, and blueberry in the past, to plantations of high-quality raspberry nowadays. Also vineyards have a long tradition in the region. Overall, despite the limited market orientation of the fruit production, the produce is generally healthy and of high quality, and processed according to local traditions.

Figure 26. Share of arable land and permanent crops in UAA



Source: own elaboration from statistical yearbooks

- Fertile and cultivated areas are located in the alluvial plains, along the meanders of the Drina. Maize and wheat are the most important crops; most of the maize is used for domestic food processing and livestock. Industrial and fodder crops are traditionally represented in the northern and central parts of Drina-Tara region. In the past, dominant cultures were flax and hemp; now, they are beet and sunflower (north of the area), and tobacco (Ljubovja, Bratunac).

The combination of these elements allows identifying roughly 6 different sub-areas:

- Bratunac and to a lesser extent Ljubovja, predominantly arable along the Drina river, with significant orchards, despite some presence of mountainous forest area (south of Bratunac and North of Ljubovja);
- Milići and Srebrenica, with large forest coverage and some enclaves of mixed arable land and permanent pastures, but without significant orchards;
- an area predominantly covered by permanent pastures with less forest coverage

than the previous group, with significant permanent crops (Užice and Bajina Bašta);

- a similar area in terms of forests and predominance of pastures but with relatively few permanent crops and arable land (Čajetina, Pljevlja);
- an area heavily covered by forests with some reduced enclaves of pastures (Višegrad, Rudo, Priboj) and sometimes orchards;
- balanced mixed forest – pastures with some orchards with Bijelo Polje, Gorazde or Prijepolje.

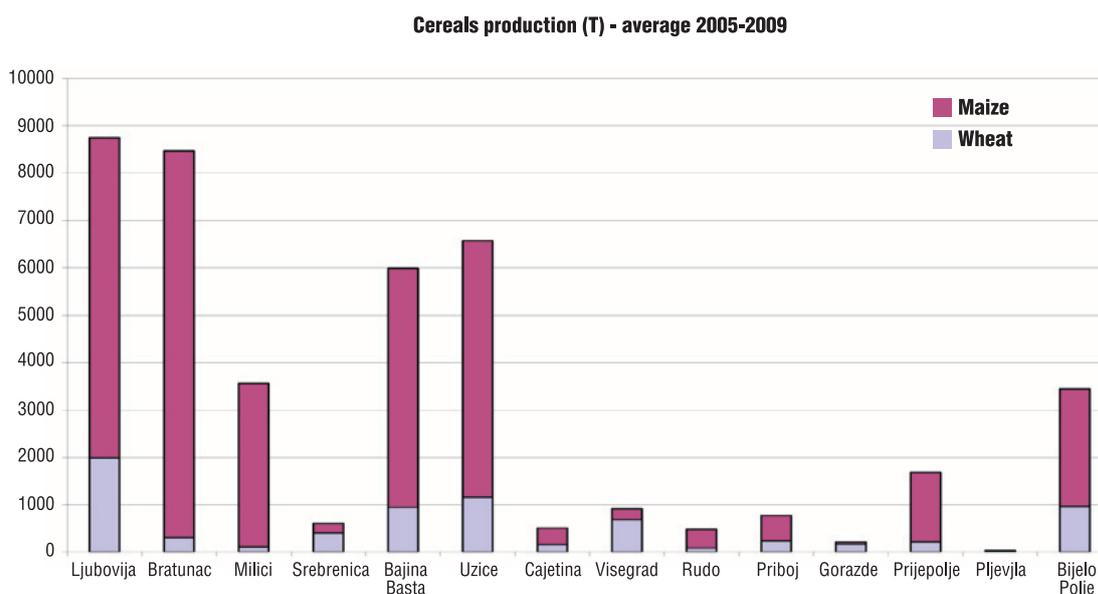
iv. Agricultural sector

Concerning determined production, the following information can be presented:

* Cereals

The main production of the area is maize and is concentrated mostly in the Northern “agricultural” municipalities (Ljubovja, Bratunac, Uzice and Bajina Basta), with a secondary production area along the Lim river (Bijelo Polje and Prijepolje) (Figure 27).

Figure 27. Cereal Production (2005 – 2008 Average)



Source: Statistical yearbooks

Cereal yields are in general lower in the area than average in the EU. Concerning maize, with an average yield of 3,715 T /ha, the area is only reaching 45% of the average EU 25 yield (8,3 T/ha), with better levels (4 to 5 T/ha) only in Bijelo Polje and Bratunac – Milići, and very poor performance in Gorazde and Pljevlja (1 to 1.5 T/ha). The situation is less contrasted for wheat (average yield of 3.2 T/ha, 57% of EU 25 yield and with less inter municipalities variations).

Compared to the Yugoslavian times (data available for Zlatibor county: 1986 statistical yearbook for the Republic of Serbia), production seems to have significantly decreased concerning wheat, mainly following a strong decrease in areas sown. Concerning maize, production remained stable (with exception of very strong decrease in Čajetina). However, as yields have increased since 1986, production stability means a decrease in total surface of maize sown.

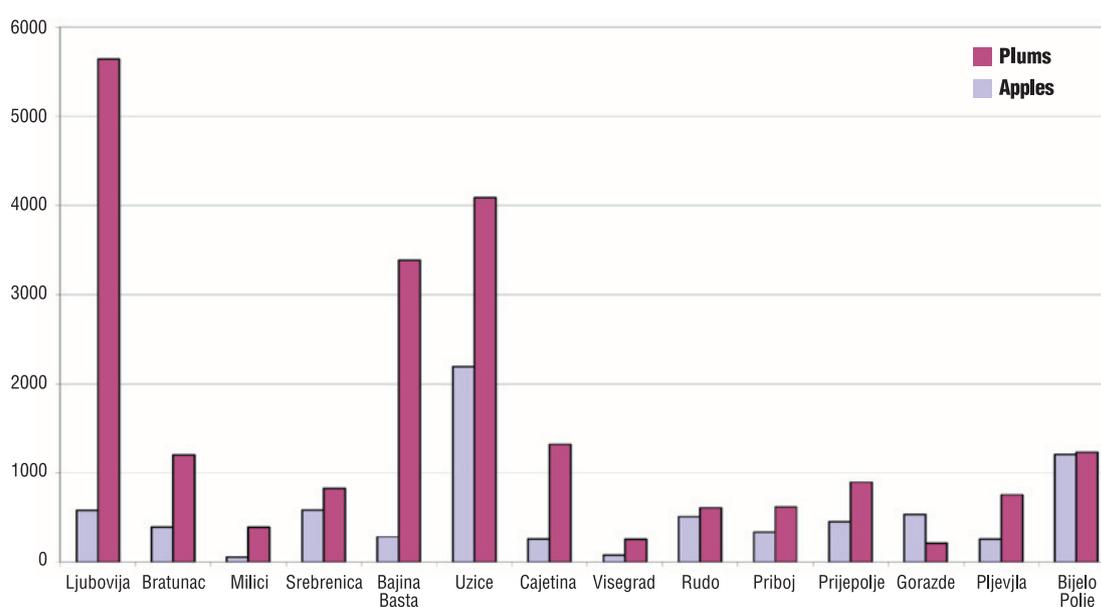
* Fruit production

A significant proportion of the production of plums is located in the Northern Serbian part of the area (Ljubovija, Bajina Bašta and Užice).

These three municipalities are characterised by a very low yield per tree (5 to 8 kilos per tree), representative of extensive production. Most varieties grown are old ones, such as Pozegaca Zwetsche and Ranka (RDA Zlatibor, 2008). Newer varieties (Cacak beauty, Stanley etc.) have been planted in the neighbouring municipality of Arilje. It seems that the vast majority of the production goes to brandy production (90% in Arilje), essentially home-made in registered or unregistered distilleries, the remaining being used domestically (jams, stewed fruit, desserts) or dried (in mostly small drying facilities, the bigger ones being in Milići or Priboj of a capacity of 2T of fresh plums per day).

Uzice is the major location of apple production (as well as Bijelo Polje) (Figure 28). However, this production is still much less than in the neighbouring municipality of Arilje (>10.000T). The yield per tree (6 to 16 kilos/tree) is characteristic of extensive production and the production in the area is coming from small orchards located on individual holdings. The main variety grown is Idared, together with local varieties, the latter mainly used for production of brandy (RDA Zlatibor, 2010). There is apparently

Figure 28. Production of apples and plums (T) – average 2005-2009



Source: Statistical yearbooks

Table 12. Raspberries Area, Production and Yield in selected Zlatibor municipalities

	Area (ha)	Production (T)	Yield (100 kilos/ha)
Užice	406	3074	75.8
Prijepolje	89	800	89.9
Priboj	100	505	50.5
Čajetina	50	302	60.4

Source: RDA Zlatibor, 2008

no commercial packing station in operation in the area (a former one seems to have discontinued its work recently due to financial difficulties); therefore all the production is sold directly, not graded, by growers in outdoor markets or to wholesalers immediately after harvest and few weeks of storage.

Concerning berries, the area is very close to one of the main production area of raspberries in Serbia (namely around the municipality of Arilje). The production of raspberries is reported in all the municipalities of the area. Data has however been found for some municipalities (Table 12) (RDA Zlatibor, 2008), acknowledging the qualitative information that Užice is the main place of production of raspberries within in the area. In

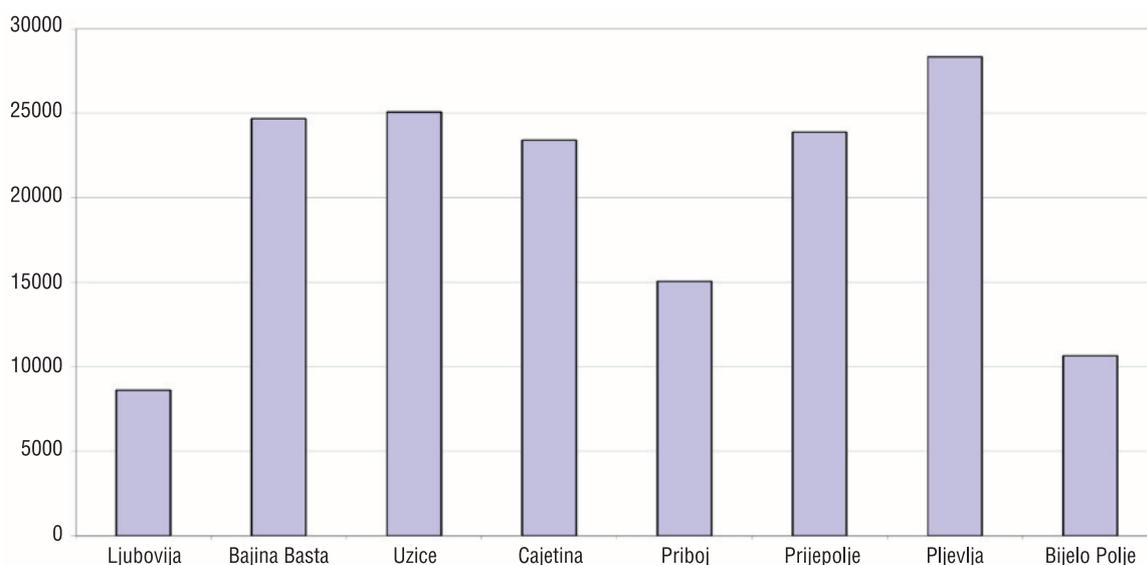
the region the main destination of raspberries is the freezing industry (95% of the production), only a limited share being sent to the fresh market. Contrary to apples and plums, berries are subject to a more elaborated supply chain, the central figure being cool stores / refrigeration plants, present in many Serbian municipalities, and to a lesser extent in some Bosnian ones. Most of the berries are bought by refrigeration plants at their own premises and producers have to bring them at their own costs (for such a perishable products, this implies important costs and complication for growers). The refrigeration plants are commonly “pre-financing” growers, providing them with inputs, such as fertilizers, in advance. In terms of employment, the harvest is very demanding (12 people full time per ha), leading to high seasonal

migration of labour. It is common that unemployed people and employees of other sectors pick raspberries in May-June, including during their vacations. In addition, labour force from the least producing areas (e.g. Priboj) or from other areas in Serbia (Eastern Serbia) is usually employed in the main production sites (Arijlje and Užice).

* Feed

Data on fodder crops and hay production (not available for Bosnian municipalities) reflects the higher specialisation of municipalities like Čajetina and Pljevlja in animal production (Figure 29).

Figure 29. Hay production (T) from meadows and pastures (average 2005-2009)



Source: Statistical yearbooks

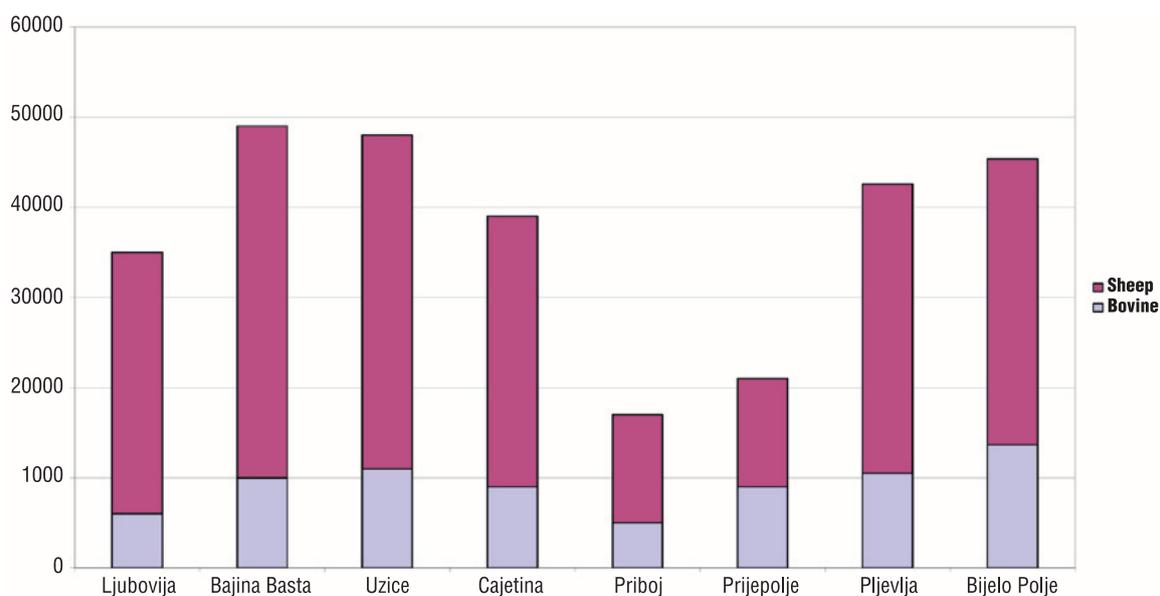
* Cattle

Data is scarcer for animal production than crops. In recent years it is only released officially in Montenegro, while the statistical office in Serbia considers that their samples do not accurately represent anymore the actual situation of production and that the results of the future agricultural census to be carried out in 2011/2012 will allow elaboration of new samples (in the graphs below, unpublished data facilitated by the Serbian Statistical Office is used). Data are unavailable for the Bosnian municipalities (though it is common opinion that cattle has been drastically reduced in the Bosnian municipalities during the war and is still very far from having recovered since 1995).

The total number of animals present in the region is shown in Figure 30 for Serbian and Montenegrin municipalities. Grazing livestock is concentrated in the region of Bajina Bašta, Užice and Čajetina as well as in Montenegro, while pigs and poultry are more present in the Northern part of the area (Ljubovja, Bajina Bašta and Užice).

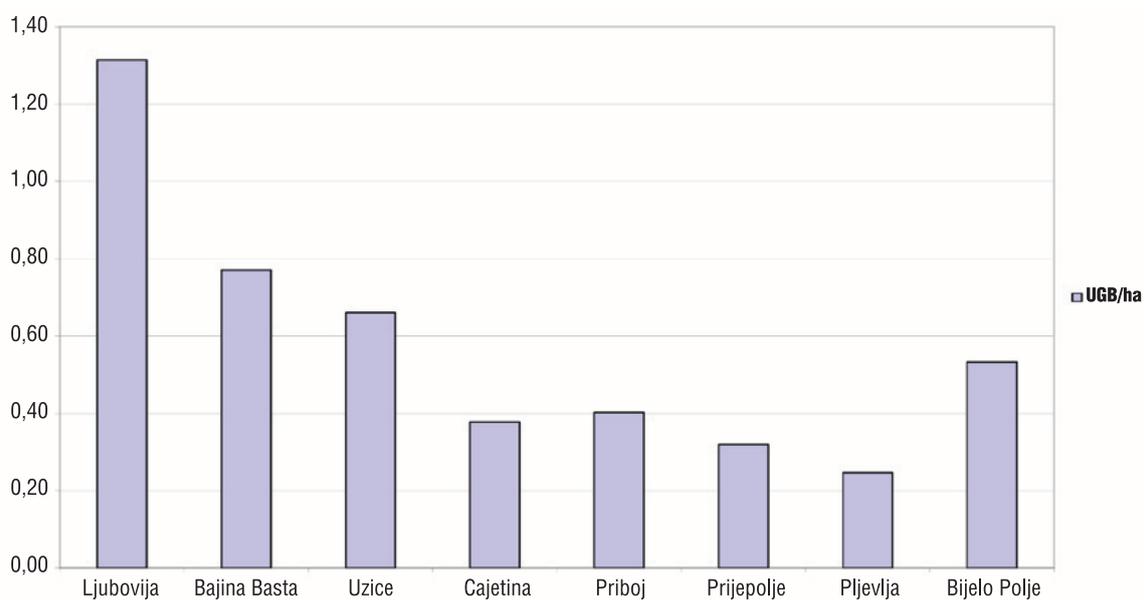
In terms of livestock density (Figure 31), a very rough estimate of livestock unit per ha of fodder crops, pastures and meadows shows that cattle is bred (very) extensively in the Southern part of the area (<0.4 livestock unit per ha) while more intensively in Užice – Bajina Bašta and even more in Ljubovja (marked by a higher number of pigs – concerning bovine and sheep only the density of livestock in Ljubovja is below 1 unit /ha).

Figure 30. Total number of bovine / sheep (2007 for Serbia; 2010 for Montenegro)



Source. Montenegro Census of agriculture 2010 / Statistical Office of Republic of Serbia.

Figure 31. Estimate of total livestock density (bovine, sheep, pigs and poultry)

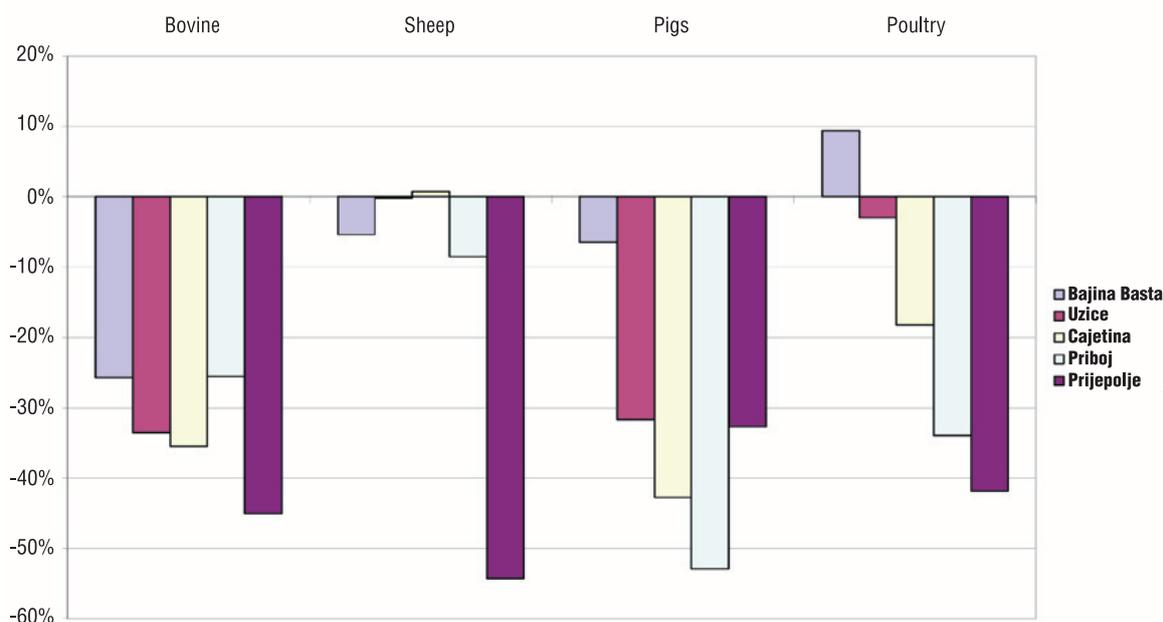


Own elaboration from Statistical yearbooks

Lastly, it has been possible to access historical data concerning pre-war livestock situation, showing that the number of animals has strongly decreased throughout the area

concerning bovine (- 20 to -40%) as well as poultry and pigs. Total number of sheep in the area has been less affected and remained stable in the major producing areas (Figure 32).

Figure 32. Evolution of livestock (total number of animals) from 1987 to 2007



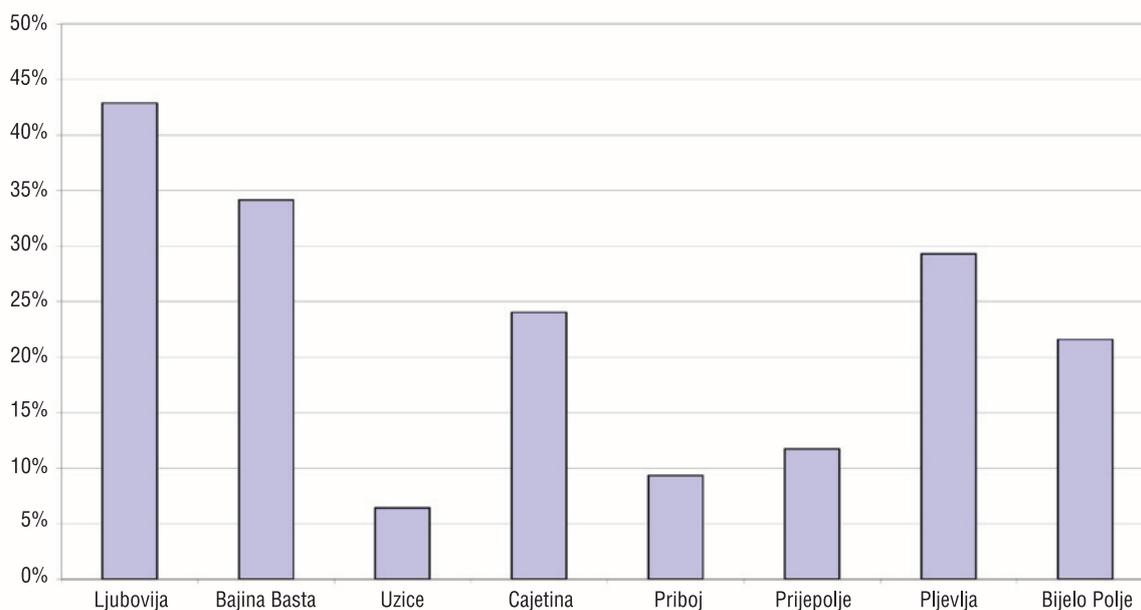
Source: Statistical Office of Republic of Serbia

*** Agricultural Employment**

In terms of employment, the agricultural sector as formal employer is not of equal importance in all project municipalities. On

average 6.7% of the economically active people in the target area are employed in agriculture, hunting and forestry (ISIC A). This varies from 0.1% in Priboj to 27.6% in Pljevlja. However, these data need to be treated with caution: in

Figure 33. Active agricultural population over total active population (15-64)



Own elaboration from statistical yearbooks / FORS, 2008

Bosnia-Herzegovina and Serbia they do not include self-employment, family work force and subsistence farming.

Figure 33 below shows the results of further calculations aiming at evaluating the relation between the active agricultural population and the total working population (15-64). This gives an idea of the differences within urban / industrialised sub-areas (Užice / Priboj) where agriculture represents less than 10% of the employment, and other municipalities where the share of the agricultural sector is much more important (35-45% in Bajina Bašta and Ljubovija).

Data on the degree of agricultural mechanization (the reliability of which is questionable) is extremely low, with on average one tractor per 100 individual farmers. However, these data might not fully reflect the actual mechanization, as not all vehicles used for agricultural purposes are registered and anecdotal evidence suggests that remittances in rural areas are often used to increase the degree of mechanization. Overall, the situation suggests nevertheless that a lack of mechanization hampers agricultural production.

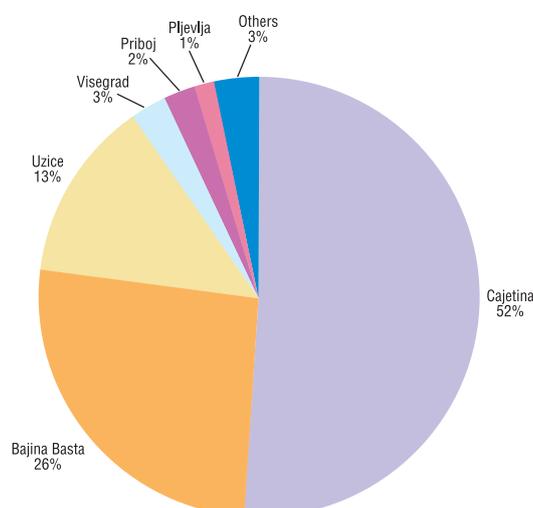
v. Tourism sector

The average share of formal employment in the tourism industry, in terms of hotels and restaurants is 4.8%; employment rates vary between 1.0% (Užice) and 23.7% (Čajetina). In the target area hotels and restaurants account on average for 2.6% of all registered legal entities, with a maximum of 9.2% (Čajetina) and a minimum of less than one percent (Bratunac).

There are important differences within the area in terms of tourism activity. Three municipalities represent over 80% of total overnights in the area (total estimated: 830.000 nights per year, average 2005-2009), covering the two main touristic sites that are the Tara National Park and satellite attractions and the Zlatibor mountain resort (figure 34). Višegrad comes next with only 3% of total overnights (around 22.000 nights).

Recent evolution of total overnight in the area shows a moderate growth from 2005 to 2008 (RDA Zlatibor, 2008): the total increase is of around 10%; however, 2009 has seen a significant decrease due to financial crisis (back to 2005 total overnights). The share of foreign tourists increased from 5% in 2005 to more than 10% in 2009. The vast majority of foreign tourists

Figure 34. Total overnights – Share per municipality



Source: Statistical yearbooks

are cross border tourists (e.g. Montenegrin and Bosnian tourists in Serbia).

Investment in tourism is below 5% in the project municipalities, except for Čajetina and Bajina Bašta, where 39.9% and 19.3%, respectively, of the total investments made in 2008 went into hotels and restaurants. These figures are still above the relatively high Montenegrin average of 8.6%.

The touristic value of the region is described in the SWG-RRD (2009) assessment report as well as in the market analysis carried out in the framework of the Swiss financed private sector project in Zlatibor in 2010 (RDA Zlatibor, 2008).

Important attraction poles are the area's natural environment and resources, with mountains such as the Tara and the mounts Zlatibor and Zlatar, the latter renown to be both summer and winter mountain tourism resorts; rivers and canyons (Drina, Lim, Tara, etc.) and lakes (Perucac and other). The Tara NP represents in this sense a key asset for all of the project municipalities.

There is also a significant health-related tourism offer, with spas and rehabilitation centres, still in function (e.g. Pribojska spa) or on their way to be rehabilitated (Crni Guber in Srebrenica).

Sports and recreational activities as well as special interest sports, such as rafting, cycling caving and hunting, are regularly offered to tourists in the area.

Cultural heritage (churches, monasteries, mosques) and rural tourism (ethno villages, such as Mecavnik in Mokra Gora) complete the description of touristic attractions in the area.

vi. Other sectors

* Food Manufacturing

Food-related industry exists in almost all urban settlements in the area, however, as mentioned above (iii. Land use), is limited so far.

As mentioned, most municipalities have significant numbers of cold storage, freezing and/or processing facilities for berries (even with foreign investments: the Nordic Fruit (DK-NL capital) group invested in Srebrenica). However, another example of recently established fruit and vegetables processing plant is the fruit wine plant based in Srebrenica. Few small-sized drying facilities for plums are present in the area, as well as many registered (or not) distilleries for plums, apples and other fruit. Another example mentioned is a small processing unit for apple stuffing. In average, the local industrial capacities would not be able to process the full production of fruit and vegetables. In addition, the supply chain is hardly organised at all: most fruit and vegetables production is self-consumed, self-processed and/or marketed within the area through direct sales. The only sector escaping from this situation is the raspberries sector; however in this sector, intermediaries (freezing facilities) dominate the supply chain. Nevertheless, the production of red fruit seems to be a sector of great potential given previous productivity and output levels, which in the 1980s were above those of southern Europe (Lampietti et al., 2009, p. 31). It does not seem that other processing of red fruit is performed in the area: on the contrary, producers seem to try to get more value added by switching as far as possible into marketing raspberries for the fresh market.

Concerning dairy products, a small dairy line is present in Bajina Bašta and another one, unused for legal conflicts reasons, in Goražde; most milk deliveries are made to companies in Sarajevo and Gradarčak (the latter in the framework of the UNDP financed project "road of milk") in Bosnia or even Belgrade in Serbia. Local cheese products, such as Kajmak, are usually home-made and their production and marketing at larger scale would pose important problems of compliance to national and European hygiene rules.

Meat products are also renown in the area, in particular in Čajetina and neighbouring areas: the flagship of the area is dried smoked beef meat (Pršuta), traditionally smoked with beech wood, but other local specialties are subject to production

by local SMEs, such as Kobasič (cured and smoked beef sausages), Stelja (dried sheep meat). One of the difficulties mentioned by producers is the quality and quantity of raw material. Traditionally, small holders were selling their animals (old milking cows allowing for a high fat content meat, male veals) to butchers of the area for processing (the main race being Simmental). However, in recent times, the decrease in the number of available animals and the increased amount of imported meat has led some local producers to rely on imported meat (Brazilian meat).

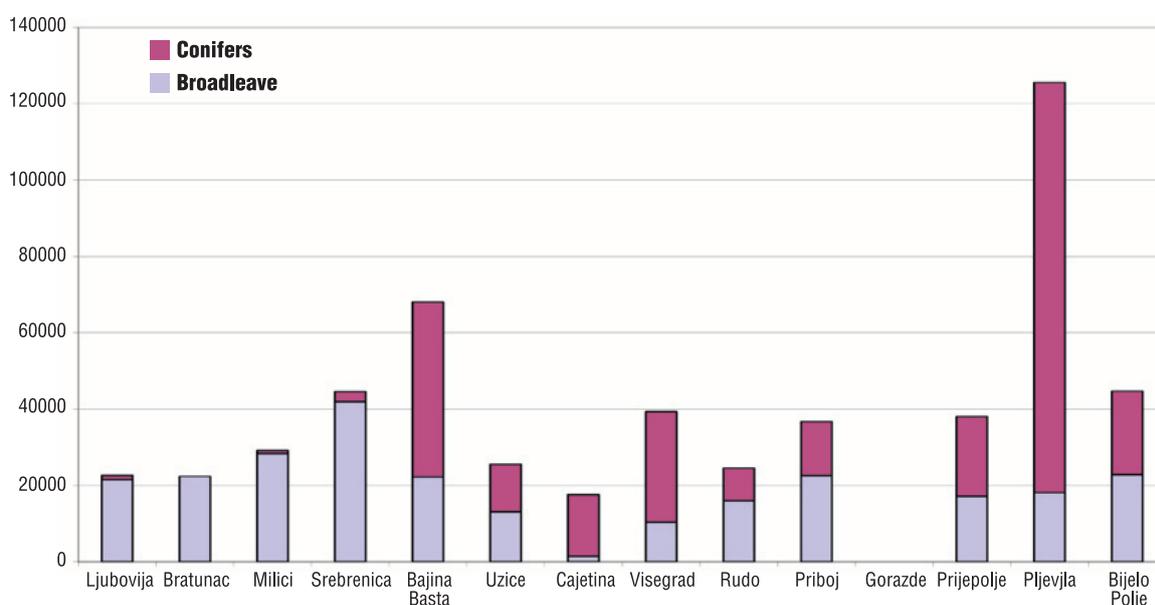
Products are also produced from pig meat (bacon, sausages, Slavina (dried half-pig) or Cvarči (overcooked pig fat). However, most pig meat processed in the area is originating from Vojvodina or other parts of Central Serbia, but marginally from the area.

Several food products registered as geographical indications (in Serbia) (as well as any product attempting to obtain such certification) could benefit from an appropriate framework in Montenegro and Bosnia; this mostly applies to animal products (e.g., Pršuta in particular, as well equivalent products made of pig meat).

* Forestry and wood industries

Traditionally, the Drina-Tara region has produced building and construction materials, and processed wood and agricultural products. Within the target area, the wood processing industry is mainly located in Rudo, Višegrad, Srebrenica, Milići, Bratunac, Bajina Bašta, and Ljubovija. The factories are mainly specialised in primary wood processing and production of semi-products. The number of big factories for furniture production is limited, despite the high amount of quality timber produced in the area. Overall, the area is primarily a producer of raw material. Every municipality in the area has several saw mills and artisanal wood industries. They rely on local production of wood (see Figure 35), both broadleaves (in particular in the Northern part of the area) and conifers (in the central parts of the area: Pljevlja, Bajina Basta and Visegrad). As mentioned above, forests represent close to half of the territory of the area. One important aspect is the strong representation of coniferous forests in certain municipalities of the area (50% for the Zlatibor county, (Milic, 2010)).

Figure 35. Gross timber annual harvesting (m^3) – average 2005-2009



Source: Statistical yearbooks

Forests are widely managed by public or semi-public firms in the area. On the Serbian parts of the area, there are two Forestry Management (FM) departments based in Uzice and Prijepolje. FM Uzice is in charge of 37.119 ha of state forests and performs technical activities also on 60.655 ha of private forests in the Tara and Zlatibor forests. FM Uzice also owns a seedling centre based in Pozega (east of the area). The other FM service, based in Prijepolje is in charge of forests on the municipalities of Priboj, Prijepolje and Nova Varos (out of the area): managing 65.500 ha of state forests and participating to the management 43.400 ha of private forests. In

addition, the Tara National Park is involved in the management of 19.00 ha of forests in the National Park (Milic, 2010).

The wood industry is consisting essentially of small industries. In Zlatibor, half of them are saw mills, the other half being involved in handicrafts (production of containers, parquet, construction, wood cabins, etc). The equipment of such industries is old (1970s) and in general their capacities are not used to its full (Milic, 2010).

The employment in the wood industry is analysed by Milic (2010) in detail concerning 4 municipalities of Serbia (Table 13):

Table 13. Employment in the wood industry

	Number of firms	Number of workshops	Estimated employees	Estimated share of the sector in employment	Estimated share of wood industries on total manufacturing
Užice	32	83	750	4%	13%
Čajetina	9	30	250	9%	35%
Priboj	16	20	210	5%	10%
Prijepolje	8	35	140	3%	9%

Source: Milic (2010) and own elaboration

* Other manufacturing and mining

Within the target area, textile industry is developed in Goražde, Višegrad, and Bajina Bašta. Important industrial centres are Goražde, Višegrad, and Bajina Bašta. Goražde was the leading industrial centre in the southern part of the Drina-Tara region until 1992. The main drivers were the military industry 'Pobjeda' and the chemical industry 'Azot', both with associated/secondary industries. However, the war and the unfavourable geographical position after establishment of the new borders, together with a difficult and long transition including a privatisation process, dramatically decreased the city's pivotal role over a very short period of time: the chemical industry definitively closed while the military one is still present (SWG-RRD, 2009).

The company 'Boksit' in Milići (represented in the SG) has driven development in the entire Zvornik area (Republika Srpska). Along with exploitation of the aluminium ore, this company significantly contributed to development of secondary/derived industries while also pursuing diversified activities (drying food products, hotels and restaurants, facility for producing large eggs); they are now investing in the renewal of a large saw mill, previously public, thus continuing with their strategy of covering a wide range of economic activities of the municipality of Milići.

The seat of the main Serbian bus and truck constructor is located in Priboj, the competitiveness of which is however unknown. Automobile parts industry is now growing in importance in Priboj (Fiat). Industries formerly based in Srebrenica (batteries) are however now

closed. *Manufacturing* is a key sector in terms of employment in all of the project municipalities, varying from 7.4% and 6.4% (Rudo , Pljevlja), to 46% (Priboj).

Mining and quarrying is a relevant sector for employment in Milići (33.8%) and Srebrenica (32.0%). Indeed, the zone covering Bratunac, Milići and Srebrenica is recognised as the most important metallurgical belt in the Spatial Plan of Republika Srpska (1996) (SWG-RRD, 2009). The mines in Sase (near Srebrenica) exploit and process lead-zinc ores, with silver and cadmium as associated metals; they are exploited by firms with foreign capital (from Russia and Slovenia). The mine has been reactivated after destruction during the war, but modernisation is required to establish an economically viable production. Bauxite deposits (appearing at shallow depth) in the vicinity of Milići have been exploited since 1959; the mine is amongst the leaders in Europe. Deep deposits (over an area of 30 km²) of bauxite are exploited south and southeast of Srebrenica. The large lead open mine of Pljevlja is exploited by a Slovenian capital firm.

The *electricity, gas and water (utilities)* sector employs around 5% of the labour force in Čajetina, Priboj, Rudo, Pljevlja and Bratunac and 16.1% in Višegrad. Hydroelectric power facilities have been in place for decades in the target area (Bajina Bašta, Zaovine [the lake is located just south of the Tara NP], Višegrad, Radoinja and Uvac [near Priboj], as well as Potpec [near Prijepolje]) (SWG-RRD, 2009). The plant in Bajina Bašta has been operational since 1966, and produces on average 1 620 GWh of electricity per year. Its artificial lake 'Perućac' is 50 km long and covers an area of 12.4 km². The (reversible) hydroelectric power facility in Bajina Bašta inaugurated in 1982 produces 1 700 GWh of electricity per year. The plant near Višegrad has worked since 1989, and produces on average 1 040 GWh per year; its accumulation lake is 17 km long. Hydroelectric power plants on the Drina River

produce on average 4 770 GWh of electricity per year. An additional five hydropower plants in the watershed of the Drina River on the rivers Uvac, Lim and Piva produce on average 1 575 GWh of electricity per year. There are also projects for building new dams and artificial accumulation lakes: 14 on the Drina (amongst which in Goražde and Višegrad), and another 12 on one of its tributaries, the Lim (passing through the municipalities of Bijelo Polje, Prijepolje [where two dams projected would flood most of the best agricultural land and where berry growers consider that the climate would change and would not be as fit for berries anymore], Priboj and Rudo), as well as some less advanced projects on the Cehatina (Pljevlja) and the Tara (Pljevlja) Rivers.

* Trade, construction, transport and other services

The *wholesale, retail and repair sector* is of some importance for employment; it ranges from 4.1% (Srebrenica) to 20.7% (Višegrad). In Čajetina, which is with 9 000 inhabitants the smallest municipality in the project group, 18.3% of employment is in this sector.

Both *transport, storage and communication*, and *construction* play less important roles in terms of employment, with little more than 5% average rates in the project municipalities.

Employment in the *education sector* is on average 9.8% in the project municipalities. In the majority of municipalities, it ranges between 5.1% (Pljevlja) and 14.6% (Prijepolje). The highest employment rate in this sector is in Rudo (17.9%). Employment in *public administration and defence* accounts for 8.0%, ranging from 3.7% (Priboj) to 14.6% (Goražde). Investment in the sectors of public administration and social insurance, and health and social work is in all Serbian municipalities below 5%. Investment in education however is relatively high (around 10%) in Ljubovja, Bajina Basta and Prijepolje.

3.3.3 Local institutional and Cross Border capacities

The last set of elements considered for the baseline assessment addresses the local institutions in place to guide a development process, as well as the existing grounds for cross border cooperation.

The number of employees in the project municipalities varies from 39 (Rudo) to 150 (Užice). Field visits gave the impression that local governments in the target area have at least some degree of capability to cooperate across borders and thus to contribute to area-based development in a cross-border context. All of the municipalities have staff with some experience with international and cross-border cooperation and basic language skills.

The exploratory questionnaire (Figure 36) provides useful information about the role of local authorities and other core local development actors in promoting socio-economic development. Of the 158 respondents belonging to the private sector and civil society, 40% considered local authorities to be key assets for socio-economic development, whereas 15% saw this role played by political parties, 18% - by NGOs, 23% by - regional development agencies (RDAs), and 4% - by others.

In general, the Serbian municipalities seem better equipped in this respect, with involvement of USAID in municipal development projects (LEDO in place and supported in Užice and Prijepolje). In Bosnia-Herzegovina, there is a recent history of donor interventions in local development (*Cooperazione Italiana* initiated the drafting of a local development strategy in Višegrad; Srebrenica was included by the UNDP ABD programme SRRP carried out in 2002-2005, with a similar on-going programme still supported by the UNDP in Bratunac, Milići and Srebrenica). A USAID local development support programme similar to the ones in Serbia has just started in June 2010 in northern Montenegro. A

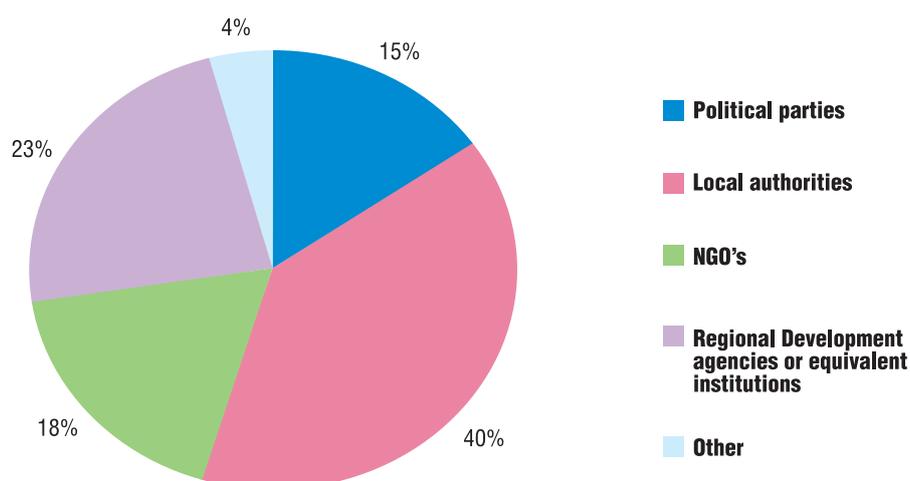
key indicator of local capabilities to initiate and sustain an area-based development approach is the presence of a 'local partnership that includes state and non-state actors and whose objective is to design, implement and monitor and evaluate an integrated local development strategy'. The field visits gave an impression that all municipalities have at least to some degree established such partnership.

For more information on local strategy documents and a mapping of existing donor initiatives in the area refer to Annex F.

There seems to be great interest in cross-border cooperation. The Serbian municipalities appear to be at an advanced stage compared to the others, both in terms of political willingness and local strategy, as well as in financing projects. However, also in Višegrad, Srebrenica and Pljevlja commitment is high, despite less human and financial resources. The Tara National Park can be considered to be a good institutional engine for the local economies. The exploratory survey revealed useful information on the current barriers to cross-border cooperation (Figure 37). The recorded open answers were grouped into ten summary headings or categories of answers. Lack of information and communication was perceived by 24% of respondents as a key barrier, followed by the way cooperation is currently organised. While 17% perceived the current legal framework as hindering cross-border activities, 11% raised the issue of limited opportunities for cross-border cooperation. Lack of personnel was only mentioned by 4%.

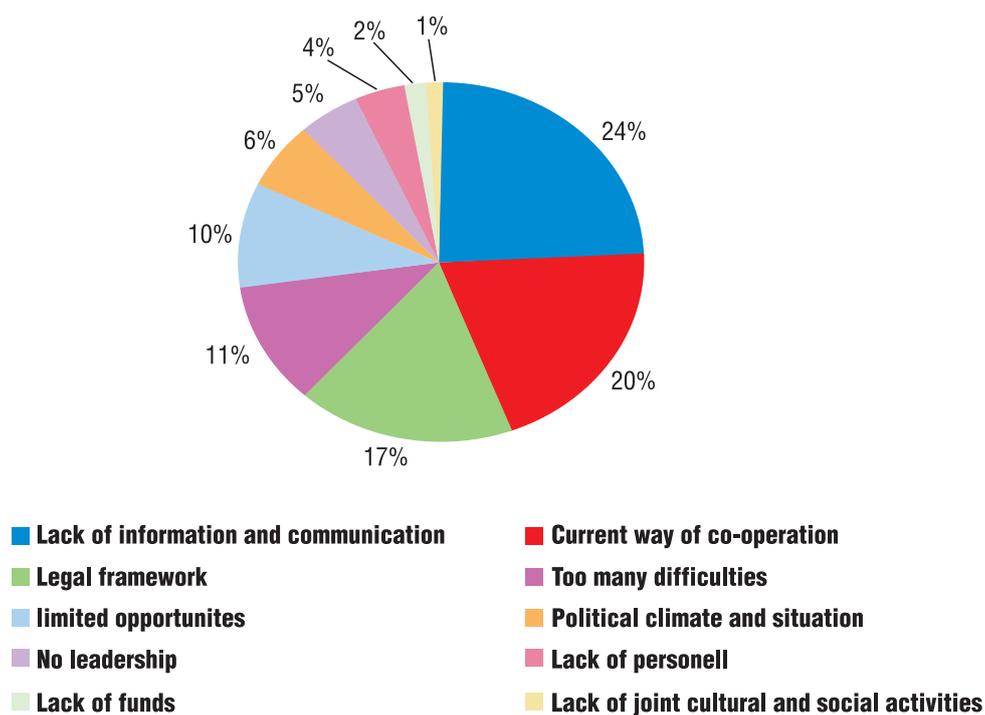
Focusing on the private sector and civil society respondents, the survey shows that 27% saw a lack of information and communication as a central problem, 18% pointed at difficulties related to the current way of cooperation, and 17% saw differences in legal frameworks as a barrier. Only 4% considered the political situation as hindering cross-border collaboration.

Figure 36. Key people and institutions fostering local development



Source: own survey (question 3)

Figure 37. Present limitations to cross-border collaboration

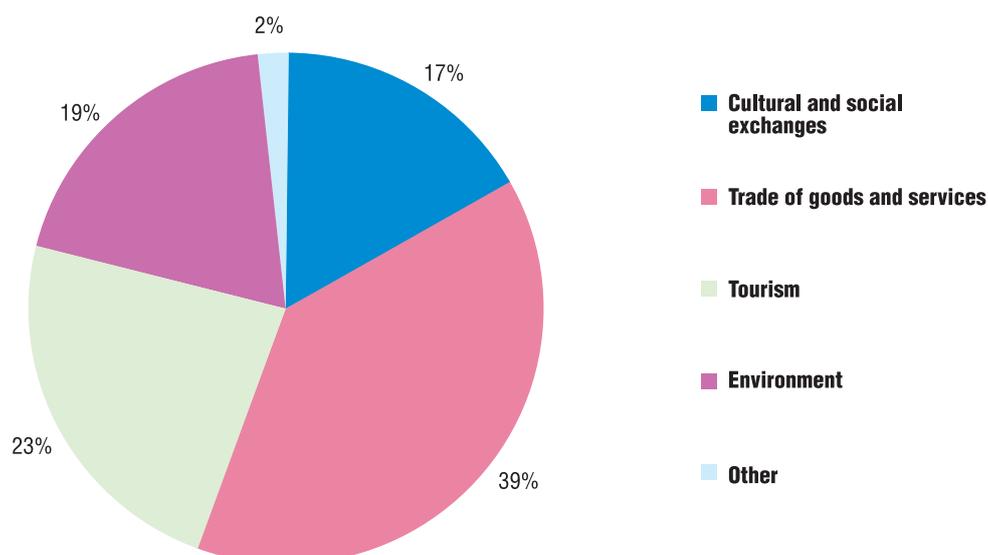


Source: own survey (question 4)

An interesting additional finding is that local authorities mostly see the need for more and better infrastructure as the major local development bottleneck, whereas business groups see gaps in the legal framework and insufficient business support services as key obstacles for development and growth.

Results from question 5 of the survey (Figure 38) identified possible key areas arising from cross-border cooperation; particularly trade, tourism, environmental protection, and cultural or social exchanges were mentioned. All these possibilities are likely to increase the role of local governments in the project municipalities and

Figure 38. Opportunities arising from cross-border cooperation



Source: own survey (question 5)

require capabilities to steer and enhance an area-based development approach. The high level of appreciation for local authorities and regional development agencies is certainly a good starting point for this. However, an issue to be addressed by stakeholder group members is the above-mentioned perceived lack of information and communication possibilities.

3.3.4 Conclusions on baseline assessment

From the baseline assessment, a description of the target area key characteristics (and some development challenges) is obtained. The latter support an area-based development approach in the project area and relevant aspects are summarised below.

The project municipalities vary in terms of their size and population density. However, they all portray on average declining population growth trends (between 2005 and 2008) due to both low birth rate (mainly in Serbian municipalities) and out migration (particularly in Bosnian municipalities). Youth accounts for approximately one third of the population in the target area, nonetheless average participation rates are low (mainly when compared to EU

levels). The data also reveal an inadequate education/training system which does not provide for the requirements of the private sector, mainly in terms of agriculture and tourism activity.

Taken into consideration that a large share of the activity of civil society organisations and the private sector may not be fully known due to unregistered community organisations or micro-scale business activity, we can assume that the actual available data show the presence of vivid communities that face obstacles in establishing permanent partnerships with the public sector and have in general reduced visibility and impact. Qualitative assessment also revealed that youth programmes are present, but do not translate into real participation of this segment into the decision making processes.

Road infrastructure and public transportation is an issue for some of the project municipalities. Clearly this affects other economic activities in the area, such as agriculture and tourism which have been identified through the survey with community representatives, in interviews with the local actors and in the first SG meeting, as sectors with development potential.

The agricultural sector is diversified with two main types of production systems present: in the low lands and hills, particularly in the Northern part of the area and Bijelo Polje, arable lands, fruit production (berries, apples and plums) as well as dairy production form the base of a small sized individual holding agriculture, while the central and more mountainous part is focusing on, also small-scale, cattle breeding both for dairy and meat purposes (bovine and sheep). This leads to both a potentially competitive sector in fruit production and traditional animal production, very typical for the area (dried smoked beef meat, creamy local cheeses such as Kajmak.)

Potential of tourism, although still concentrated in three municipalities, seems promising and could benefit from the traditional agricultural sector, as well as from real assets in terms of natural resources.

From the field visit and the information gathered through the survey, we can conclude that local governments in all of the project municipalities have at least some capabilities to start, advance and sustain an area-based development approach. Field visits and results of the local survey suggest that there is great interest in cross-border cooperation. As mentioned above, despite this will, obstacles remain related to the establishment of new borders since the split of Yugoslavia (customs/migratory rules issues, diverging legal frameworks) and to the low capacities in the public sector, the private sector and civil society. Community representatives saw key opportunities arising from cross-border cooperation in trade, tourism and environment/ utilisation of natural resources. All these are likely to increase the role of local governments in the project municipalities and require capabilities to steer and enhance area-based development. In this respect, the high level of appreciation for local authorities and regional development agencies is certainly a good starting point for this. However, community representatives considered the lack of information and communication possibilities with regard to cross-border cooperation and

the work of local governments in general as key barriers to cross-border cooperation.

3.4 Identifying critical needs and programme priorities

The current section describes how the critical needs and programme priorities have been identified and continues with describing the four priorities identified, namely tourism, agriculture, environment and entrepreneurship.

3.4.1 Preliminary identification of critical needs

Several elements have interacted in the process of defining the four priorities:

- contributions of the stakeholder group (SG) described in section 3.2.1. (and Annex B) via debates held during the five (SG) meetings. The ABD being understood as strongly participative, this element has been the main one for designing and selecting the four priorities.
- responses to two local surveys from selected community members (section 3.2.3 above and Annex C). The exploratory survey played an essential role in guiding the stakeholders group in the selection of the four priorities, while the validating survey had a stronger role in the design of action plans addressing the key priorities.
- the baseline assessment (section 3.3 above), which concludes among others on the existence of a certain economic development potential in various sectors (agriculture, tourism, forestry and wood, etc.) as well as on certain local limitations in terms of human, social, physical capital and institutional capacities.

The baseline assessment's main role is to illustrate and fuel the participatory exercise. Similarly, suggestions by members from the

Delphi (expert) group described in section 3.2.2 above and Annex B, have played a similar role.

Stakeholders debated lengthily in order to unveil what were the primal local needs as perceived by all stakeholders involved (i.e. local authorities, civil society and business groups) and to consider how these needs could be included and addressed from a cross-border / regional point of view. Consequently, during the first SG meeting, six specific thematic areas were defined and working groups were set up for each topic:

1. Environmental protection;
2. Tourism;
3. Infrastructure;
4. Rural development (with a special focus on agriculture);
5. SMEs and entrepreneurship;
6. Human resource development (educational and vocational training).

Along the discussions, it was agreed that the “human resource development, education and vocational training” topic should be integrated into each of the other thematic areas. The argument was that in this way, each thematic working group could further develop or design specific training programmes or promote skills which were relevant to the topic in question. Otherwise, the thematic area would remain far too general to deserve separate attention. Thus, the number of thematic areas was reduced to five, for each of which a SWOT analysis was carried out by the SG in subsequent meetings (detailed results are presented throughout this section and the SWOT on infrastructure is included in Annex G).

Subsequently, it was debated and later decided that, since there was an overlap of the initiatives within the “infrastructure” working group with those considered for other thematic areas, it was preferable to integrate infrastructure-related issues into the remaining thematic areas. The thematic areas, reflecting critical needs and key priority areas were then narrowed down as follows:

1. Tourism;
2. Rural development (with a special focus on agriculture);
3. SME and entrepreneurship;
4. Environmental protection.

In parallel to these debates between stakeholders, the relevance of the four (six) priority areas identified was also evaluated by means of the surveys. The exploratory survey (Annex C), aimed at collecting “common or average citizen” opinions on priorities regarding local development in order to integrate them in the key development priorities/needs and action plans.

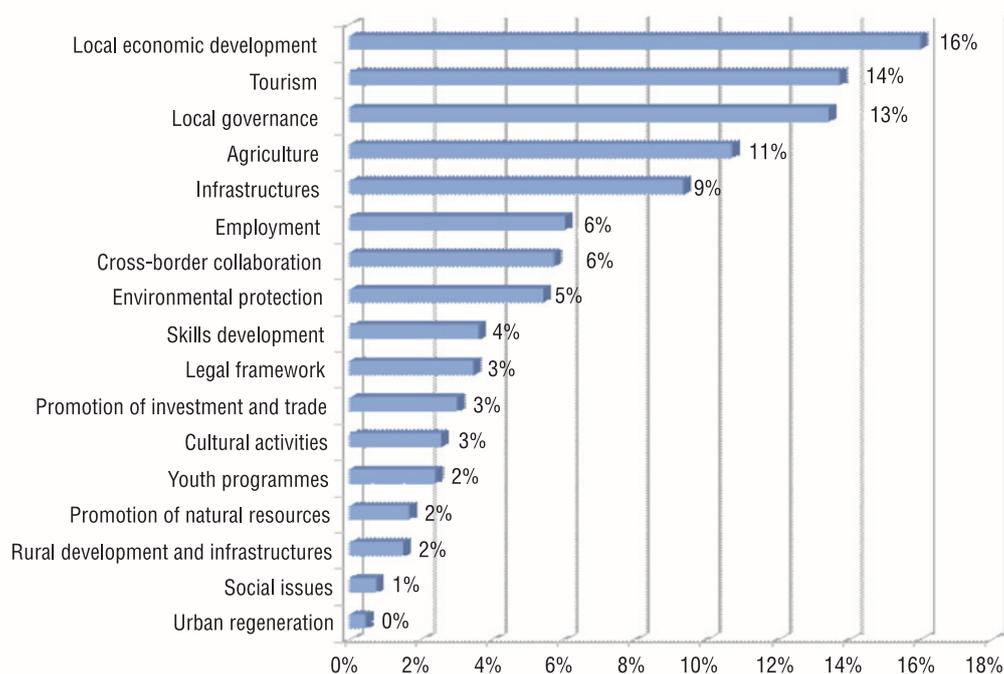
The last question of the survey asked respondents to list three key priorities for local development (Figure 39). This was an open-ended question, since the objective was to obtain the highest possible variety of answers. Results have thus helped not only to identify main issues, but also to compare and contrast them with the thematic areas suggested by the SG.

Each respondent could provide up to three suggestions: in order to construct Figure 39, each suggestion was treated as a separate item, meaning that there are approximately three times more suggestions (in total around 600) than respondents (approximately 200). Additionally, the individual entries to this answer were grouped into different thematic clusters, in order to better visualise key priorities according to municipality, sectorial background, gender and age. Accordingly, it is in theory possible that a single respondent contributed three times to the same thematic cluster.

It should be highlighted that some of the issues raised, such as improved local governance are of a transversal nature and should be considered within all SG thematic working groups and resulting programme objectives and actions. The non-answer rate to this question is 10%.

From all answers, local economic development ranked the highest (16%). This cluster summarises a range of private sector promotion activities

Figure 39. Key priorities for local development



Source: own survey

that respondents thought are needed to foster economic activity and thus local development. These comprised: access to funding and premises for business start-up, business incubation, training and support services for existing businesses that wish to diversify and modernise; with a particular focus on SMEs. It also includes all answers related to economic enhancement in other sectors besides agriculture and tourism; mainly a diversification towards manufacturing (including food industries) and mining.

The promotion of tourism, (including rural tourism explicitly quoted in a number of occurrences), was ranked second (14%). Respondents evoked different kinds of touristic and leisure activities whose promotion is seen as a priority to achieve local development: improvement of spa centres, support to environmental and rural tourism, or hunting and mountain sports. This heading also includes the sponsoring of community events, co-organised festivals, regional fairs, advertisement material on the Tara National Park for international tourists,

as well as closer collaboration in attracting international tourists to the area. Also, it covers the need to improve local products sales while advocating for appropriate branding activities.

The third highest priority (13%) concerned issues of local governance improvement. This included requests for more information and communication from the public to the private sector. Likewise, it referred to opportunities for civil society and business sector to participate in the policy-making processes, in particular with regard to local development issues, changing current political settings and involvement in the privatisation process. Various persons mentioned the need to ‘depoliticise’ the local administrations and policies. In addition, some answers also related to the need to improve the legal framework (3%) in terms of tax cuts or in some instances creation of new local taxes and subsidies in order to accompany local development initiatives from the national level.

The modernisation of agriculture, rural infrastructure and rural development were listed

as priority actions by 11% of the respondents. This included the improvement of rural production (fruit, cattle) and markets, human resource development as well as some references to rural road coverage. There were few statements (2%) calling for rural development without clear explanation of its concrete meaning.

Infrastructure, prominently in terms of roads (national and regional roads), was identified by 9% of the respondents as a priority. Marginally, some references to infrastructure crossing the Drina River (Ljubovja-Bratunac bridge), airports and other infrastructure components (water, gas) were found.

Job creation measures were covered by 6% of answers, yet without specifying what kind of jobs are needed. Skill development, (e.g. training for young, new job entrants as well as for the currently employed), was listed by 4% as a key priority. Youth programmes were also specifically mentioned (2%). Given the reported issue of increasing outmigration of the young population, this number seems low; however it can be that youth was considered as an implicit target group for the local economic development measures that were already listed by the majority of respondents

Cross-border cooperation (including issues related to trade with neighbouring countries such as facilitation of local cross-border trade and improvement of cross-border points) is quoted in 6% of the answers. Likewise, the attraction of foreign capital, from other parts of the country as well as from across the border, was listed by 3% of respondents (in particular promotional events to enhance investment).

Environmental protection represents 5% of the suggestions made by respondents. Mainly, respondents referred to prevention of river pollution and protection of biodiversity (fauna/flora). Waste water, renewable energies and waste management were also marginally quoted. Also, 2% were in favour of the promotion of

natural resources. Lastly, social issues and urban regeneration issues received the lowest percentages.

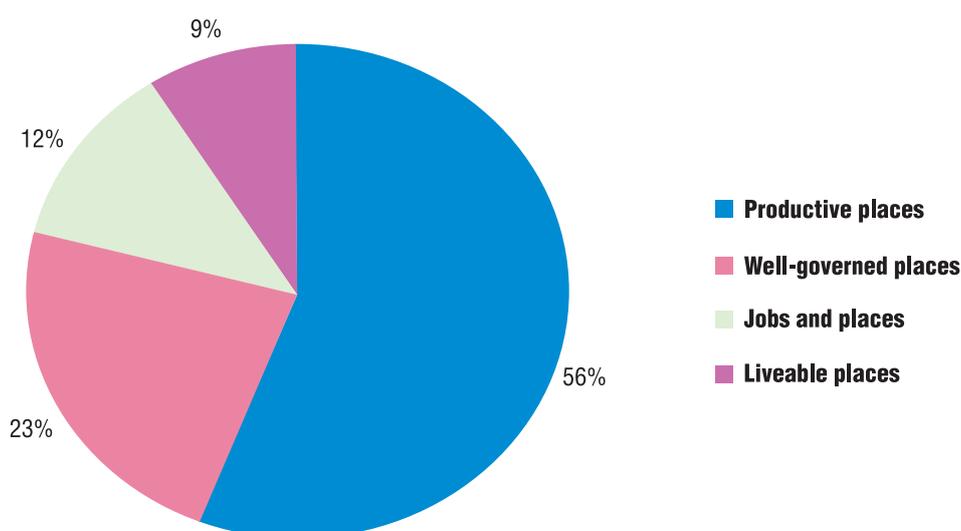
It is noteworthy that five of the six preliminary entries listed by the stakeholders group practically correspond to the top five priorities reported in the survey (Local development / SME and entrepreneurship; tourism; agriculture and rural development; infrastructure; Human capital). Only environment protection seems a less spontaneous development priority for the wider audience of the local exploratory survey. It should also be noted that an important priority (3rd) arising from the exploratory survey (improvement of local governance) has not been explicitly taken by the stakeholders group. However, this priority is addressed by the ABD process itself and explains the need seen by stakeholders to engage in sustainable arrangements (see section 3.6 below).

The results led to the identification of four ‘*place – people scenarios*’, further clustering the different answers to the question of identifying development priorities:

- *productive places*, covering agriculture, tourism and other economic activities as well as the infrastructure needs,
- *well-governed places*, covering issues of governance, legal framework and the cross-border settings,
- *jobs and places*, focusing on human capital, employment and education/training,
- *liveable places*, related to the quality of life, including environmental protection, healthcare, and cultural aspects.

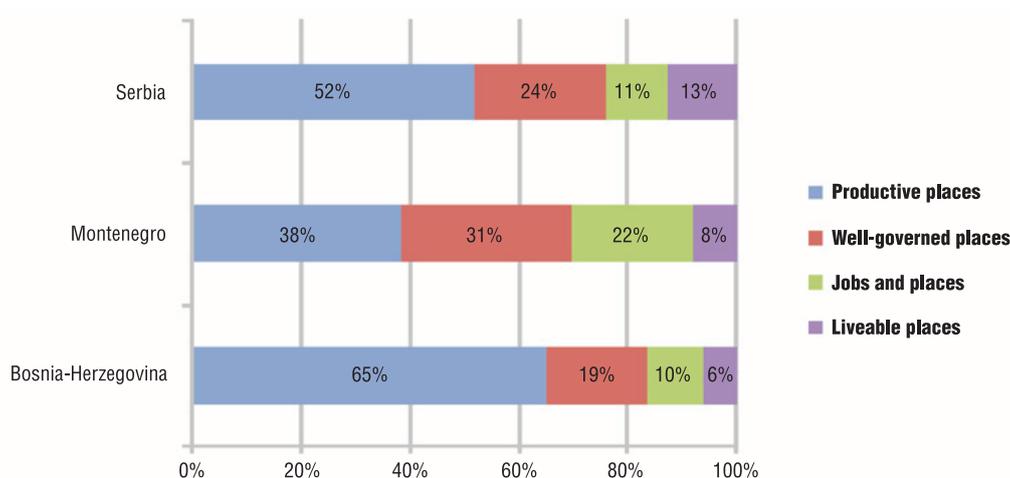
Figure 40 weighs each of the above mentioned scenarios. The most pressing issues and critical needs are particularly concentrated in the “productive places” scenario which covers three of the four priority areas, themselves

Figure 40. Overview 'place – people' scenario



Source: own survey

Figure 41. 'Place – people' scenario per country



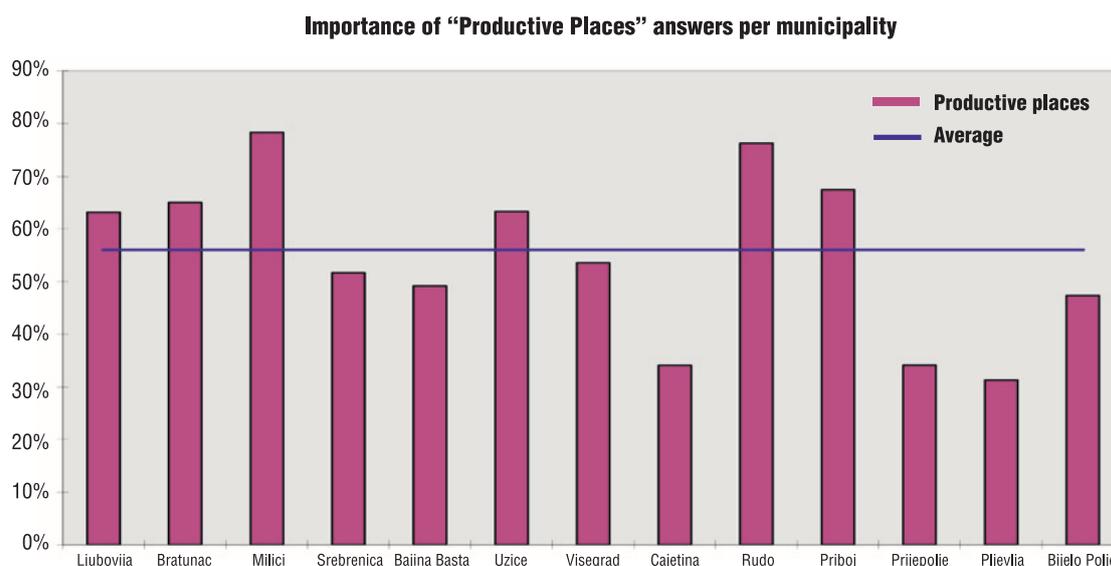
Source: own survey

highly correlated. Yet, this concern with fostering economic progress through tourism, agriculture and rural development, and SME and entrepreneurship development is probably also due in part to a bias towards economic development issues in the survey. Environmental protection is mainly grasped under the “livable places” scenario. The global distribution of these clusters is relatively uniform according to the type of respondent (civil society, business sector or public sector) Concerning age groups, it seems there is a slight tendency for younger people to

pay more attention to governance issues and human capital, while older age groups focus more on productive issues and economic development *sensu stricto*. Concerning gender, men seem to focus slightly more on governance issues than women, who appear to be more concerned about production and employment.

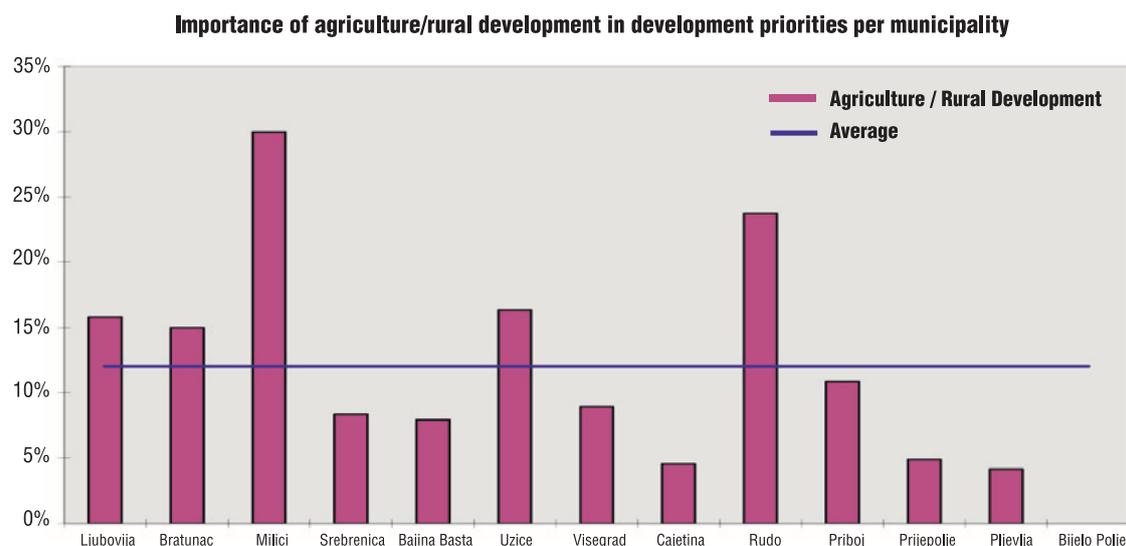
Contrary to the distribution per age group, type of respondent or gender, there are important differences between the three countries (Figure 41): Bosnian respondents clearly focus more

Figure 42. Productive places



Source: own survey

Figure 43. Agriculture and rural development



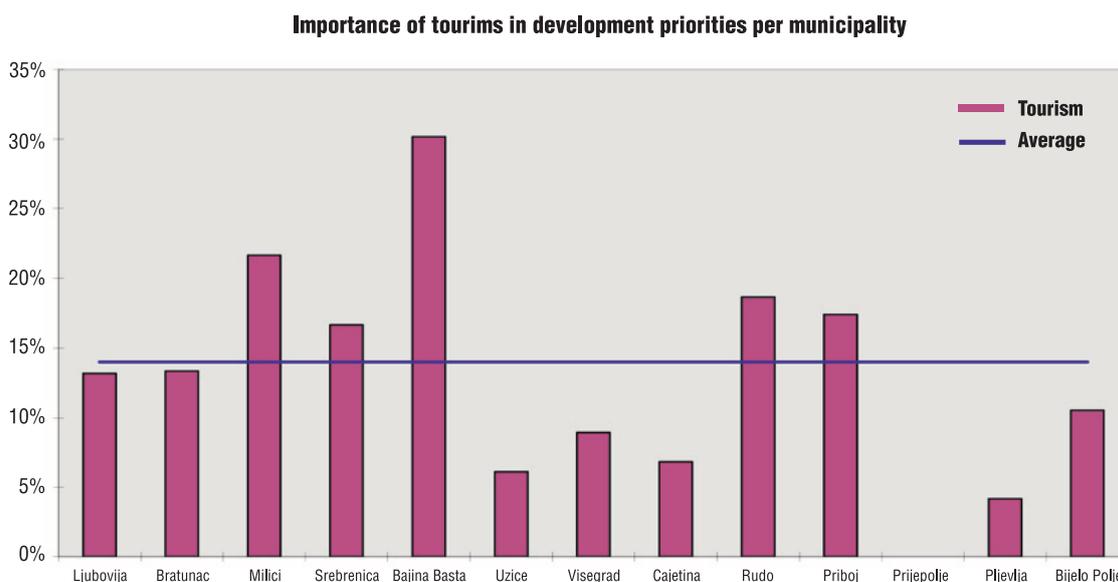
Source: own survey

on issues related to production and economic development (65%), compared to Serbian (52%) and Montenegrin (38%) respondents. The latter give relatively more importance to governance issues (24 and 31% respectively). Montenegrins also place a stronger emphasis on employment aspects (22%), the double of the percentage recorded for Serbia and Bosnia-Herzegovina in this respect. Lastly, Serbians appear to allocate a

higher share of their priorities to environmental protection and cultural aspects (13%) than its neighbours in Montenegro (8%) and Bosnia-Herzegovina (6%).

Priorities summarised in the 'Productive places' development scenario include activities related to the promotion of tourism, modernisation of agriculture and rural

Figure 44: Tourism



Source: own survey

Table 14. Key priorities in the area-based development programme

Key priorities	Most relevant 'place – people' scenarios
1. Tourism	Liveable places (environmental protection) Jobs and places (human capital) Productive places (development of the sector)
2. Agriculture and rural development	Productive places (development of the sector) Jobs and places (education, knowledge diffusion)
3. SMEs and entrepreneurship	Productive places (access finance, extension services) Jobs and places (entrepreneurship skills, access to education, training)
4. Environment	Liveable places (amelioration state of natural resources) Jobs and places (development of environmentally friendly skills) Productive places (management on environment, waste collection as an economic activity)

development, utilisation of natural resources in a productive way, support to other sectors, in particular mining and manufacturing, and support of start-ups and business development and growth (e.g. through the mobilisation of students and well-settled employees that have an interest in starting-up their own business). On the whole, it concerns a range of initiatives to foster local economic development in which also infrastructural development is seen as a key area of action. Figure 42 presents the relative importance of this development scenario per municipality.

In the meantime, specific sectors such as agriculture (Figure 43) and tourism (Figure 44) are important concerns in the northern part of the area (Bajina Bašta and Milići and Srebrenica focusing more on tourism, Milići, Ljubovja and Bratunac on agriculture) and in the neighbouring municipalities of Rudo and Priboj (located further south).

There are several connections between the priority areas finally identified by the stakeholder group and the different scenarios developed above, illustrated in Table 14.

With regard to tourism, the highest scoring activities in the survey are the improvement of environmental conditions as well as the improvement of the quality of hospitality services so as to attract more tourism to the region. While the first – the improvement of environmental conditions - shows an emphasis on the “liveable places” scenario, the second - the improvement of the quality of hospitality services – indicates an emphasis on the “jobs and places” scenario (human capital, skill levels, education). There are also links between tourism and agriculture, via rural tourism issues or use of traditional local food products in support of tourism. With regard to agriculture and rural development, the improvement of the skill level of the agricultural workforce scores highest, this creates an evident link with the “jobs and places” scenario. With regard to SME and entrepreneurship development, increased access to finance for SMEs and the stimulation of entrepreneurial awareness were indicated as particularly important activities. Regarding the environment, the improvement of the environmental quality of rivers and springs was considered the most important priority, while the improvement of waste collection and management were equally regarded as very important. There is a clear emphasis on aspects related to the “liveable places” scenario, as well as to the “productive places” and “jobs and places” scenarios. These connections will be highlighted throughout the section as the priority areas (i.e. tourism, agriculture and rural development, SMEs and entrepreneurship, and environment) are further discussed.

Finally, it should be highlighted that the feedback obtained from surveys contributed to the selection of the four priorities presented above. However, the stakeholders, and their facilitators, wanted to ensure that the selected priorities could be dealt with at the area level. Consequently, aspects that would definitely require agreements at governmental or international level (e.g. change in migratory laws or trade regulations at border points) were not withheld by stakeholders as (part of) their priorities. It is important to

highlight that the latter decisions were guided by the *bottom up* principles of the ABD approach which require that the development needs are defined as those perceived by the local agents and that such priorities can be strictly addressed at the area level. If such pre-conditions are not fulfilled, the ABD Practitioner Guide (Harfst, 2006) clearly indicates that another approach must be sought in order to deal with the particular development challenge. However, as widely discussed later by the present report, this decision might undermine the overall relevance of the action plan laid down by stakeholders.

3.4.2 ABD priorities

As described in the previous section, the participatory choices of the stakeholders relating to their development strategy are covering four interlinked priorities, which will be presented separately in this section. They portray a development strategy based on the use of the agricultural and environmental resources of the region to foster the development of a SME-based tourism activity.

i. Priority 1: Tourism

The significance of the tourism sector for the Drina-Tara area is confirmed by the SWOT analysis undertaken by the stakeholders (Box 5) as well as by the responses to both surveys (see section 3.4.1 above and Table 15), suggestions by the Delphi group, as well as by the literature review and the baseline assessment in section 3.3. Activities related to the improvement of environmental conditions as well as the improvement of the quality of hospitality services so as to attract more tourism in the region are deemed particularly important.

As emerges from the SWOT analysis of the SG, an underdeveloped infrastructure (see also Ateljevic & Gallagher 2009; CARE International 2005), a lack of education, skills, and knowledge (for instance, with regard to rural tourism) amongst those operating in the sector, a lack of

Table 15. Improvement of activities to stimulate tourism (average score per answer²⁰)

Protection and valorisation of biodiversity	1,63	1,65	1,41	1,51	1,30	1,24	1,39	1,37	1,57	1,49
Increase environmental protection										
Promote regionally-labelled food and beverages										
Promote organic food										
Increase collaboration in managing the assets of the Tara Park										
Joint tourism signposting in the entire region										
Joint institution and website and other promotion material										
Increase the quantity of hospitality services										
Increase the quality of hospitality services										
Increase accessibility to the Drina-Tara region										

Source: own survey

potential in attracting international tourism, a lack of an integrated tourism ‘package’ for the region, and a lack of region-wide, inter-municipal collaboration (see also CARE International 2005) are perceived as important weaknesses of the tourist sector in the region.

At the same time, there is a consensus among the stakeholders that the tourism economy in the Drina-Tara region has high potential. The

Delphi group also underlined this potential, and suggested that potential in the protected areas is particularly important, while potential for all types of tourism in the region is significant; this is confirmed by the results from the second survey (see below).

A variety of tourist products – including eco and sports tourism - could be expanded and strengthened in the region. Clearly though,

Box 5: SWOT analysis of tourism

STRENGTHS

Privileged/Strategic Position:

- Good geo-strategic position and high frequency of cross-border circulation
- High valued historical and cultural heritage and multiculturalism in the area
- Preserved nature in mountains, rural areas and water and thermal resources

Social Skills & Cultural Events:

- Hospitality and openness of local people
- High offer of tourism events
- Well-known tourism destinations in all three countries
- Well known access to health services (spa) and appreciated domestic food

Institutional framework:

- Existence of local tourism organizations in all three countries
- Existence of tourism development strategies in all three countries

20 The average score corresponds to the weighted average of the responses values weighted by their number of occurrence, where the value of “very important”/“high” is 2, “Important”/“high but too many barriers” is 1, “not important”/“low” is -1 and “don’t know” is 0.

WEAKNESSES**Access:**

- Poorly maintained and underdeveloped road and railway infrastructure. No nearby airport
- Old and ruined transport facilities in transport enterprises

Infrastructure:

- lack of tourism supra-structure within existing tourism destination
- lack of high quality tourism establishments with international standard facilities
- lack of standards in tourism services offer

Skills:

- Lack of advanced courses of study in travel and tourism.
- Limited language skills
- lack of new tourism vocations
- Insufficient number of qualified tourist guides and tourist escorts

Management of regional tourism image/brand:

- Lack of tourism image or clear marketing strategy
- Inexistence of integrated tourism product for the Drina Tara Region
- Insufficient participation of cultural institutions in the tourism offer
- Inexistence of DMO (Destination Management Organization)

OPPORTUNITIES**Specialized Touristic Products:**

- Development of eco, ethno, mountain, spa recreation and tourism based on special interests,
- Potential of Drina and Tara rivers for tourism development

Interested local & external parties

- Donors interest to finance activities focused on tourism development
- Introduction of public-private partnership model in tourism sector.
- Rural households are interested in engaging in rural tourism
- Promotion of synergies between sectors (Tourism, agriculture and rural development, SMEs and Environment i.e. activities which support rural tourism in small farms; marketing support to local products in restaurant industry etc.)
- Tourism and hospitality services sectors fit for SMEs

Positive future trends

- Trends in tourism market (increased number of holidays/per year)

THREATS**Access:**

- Unmaintained and underdeveloped road and railway infrastructure and no clear plan for reconstruction
- No nearby airport in plan

Infrastructure:

- Insufficient renovation of existing tourism destination
- Insufficient creation of high quality establishments
- Insufficient improvement of the quality of services

Skills:

- Insufficient improvement of skills risking to undermine the image of the region and the development of tourism in the area

The SWOT analysis above is based on an exercise carried out by stakeholders further re-arranged by IPTS, in particular by clustering the different arguments. The original versions of the SWOT analysis laid down by stakeholders are available in Annex G.

Table 16. Survey response regarding various types of tourism (average score per answer²²)

Municipality	Spa tourism	Special tourism	Summer mountain tourism	Winter mountain tourism	Cultural tourism, religious	Rural tourism staying farms
Total	0,04	0,68	0,93	0,61	0,82	0,87

Source: own survey.

an improved transport infrastructure is deemed necessary for potential visitors to easily access the region. As observed also above, rural tourism could be further an important way of strengthening and restructuring/reviving both the agricultural and tourist sectors (Ateljevic & Gallagher, 2009).

The literature confirms many of these observations. As Ateljevic & Gallagher (2009) argue, while the region disposes of 'fragile ecosystems and equally fragile open economies facing unique sustainable development problems and opportunities', the region has 'good prospects for innovative tourism development' such as that related to special/sports tourism (rafting, hiking) (2009: 224; cf. Nurkovic 2009).

Table 16 describes the perception of different forms of tourism (spa tourism, sports tourism, summer and winter mountain tourism, cultural tourism, or agri-tourism) as either very important or important for local development initiatives. Spa tourism is seen to be of a little importance to the target area as a whole (with a total score of 0,04). Nevertheless, a range of other forms of tourism (sports tourism, summer and winter mountain tourism, cultural tourism, and agricultural tourism) are considered to have significant to high potential. Summer mountain tourism is seen as having the most promising potential to be developed (a score close to 1), in particular in Pljevlja and Bijelo Polje (where more than 50% of the respondents thought it very important). Winter mountain tourism is seen as very important in Uzice (almost 60%) and in Cajetina (close to 80%). Sports tourism is seen as relatively important in Srebrenica, Rudo, Ljubovija, Gorazde, Bijelo Polje and Bajina Basta (more than 40% thought it to be very important).

Cultural tourism is seen as very important in Uzice, Pljevlja and Cajetina (more than 60%). Rural tourism is seen as particularly important in Milici and Ljubovija (more than 60%)²¹.

As shown in Table 15, environmental actions are deemed to be the most important overall by stakeholders, the best score reached being for "increase environmental protection", respondents referring to a number of necessities, including filters for wastewater treatment (regarding the Drina and Morava as well as other rivers), the need for a regional sanitary landfill, the need for domestic waste selection, and the environmental education of people. The utilisation of biodiversity was also seen as important. The protection of plant and animal species in the Rzav River Canyon was mentioned, while protection of the special reserve "Trešnjica Canyon" and the eagle "Beloglavi sup", close to extinction, were mentioned in particular.

Actions related to quality and accessibility of infrastructure seem to come as a second priority. The improvement of the quality of these services is seen as very important in a significant number of municipalities (in 9 municipalities the score is around 60% or higher). In this respect, one respondent from Bajina Basta thinks it here important to "increase the level of staff education". A respondent from Prijepolje suggests to offer "ethnic food in restaurants",

²¹ Additional suggestions were made for congress tourism (Cajetina), speleology (Bijelo Polje) and archeological tourism (Gorazde).

²² The average score corresponds to the weighted average of the responses values weighted by their number of occurrence, where the value of "very important"/"high" is 2, "Important"/"high but too many barriers" is 1, "not important"/"low" is -1 and "don't know" is 0.

while many others invoke the education of staff as a qualitative issue.

The accessibility of the region is deemed to be very important by respondents from Uzice, Pljevlja, and Gorazde (more than 80%), and very much appreciated also in Visegrad and Bajina Basta (ca. 60%). Many respondents invoke, as one respondent from Priboj, the importance of the construction of a quality road infrastructure.

Actions related to agriculture and food production and the promotion of regionally labelled food and beverages are also considered rather important by the stakeholders. Respondents from Bijelo Polje mention buckwheat, while all municipalities refer to a range of locally important foodstuffs, including smoked meat products such as *pršuta*, milk cream and *kajmak*, cheese, fruit products, local brandy, plums, and so on. Surprisingly, the promotion of organic food is deemed important by stakeholders for supporting the tourism activities: organic food raises thus interest in the Drina-Tara region, as confirmed by the response in Srebrenica, Rudo, Milici, Gorazde, Cajetina, Bratunac, and Bijelo Polje (more than 60%).

Last priority, but less striking than the three first ones, relate to “institutional” framework around tourism. The increased regional collaboration regarding the management of the assets of the Tara National Park is deemed very important. Many respondents see a need for interaction between key agents, such as local government, the state and ministries, while a respondent from Srebrenica thinks it is necessary to stimulate NGOs next to international organisations and local government.

Common tourism signposting is also mentioned, as well as the the creation of a joint institution, website, and other promotion material.

One of the main challenges of the target area is that the region has not yet been sufficiently established as an integrated tourist region.

The ‘well-governed places’ scenario takes on a particular importance here. One of the most important changes to be brought about in the regional tourism sector is the overcoming of traditional, ‘local’ thinking and the broadening of horizons with a view to wider forms of collaboration and interaction on a regional level, including on a cross-border level; as also Ateljevic & Gallagher (2009: 225) argue, because of an absence of (the willingness for) collaboration ‘despite an abundance of natural resources, local economies are in a poor state’. The emphasis needs in particular to be on further development of a multi-stakeholder approach in which various actors participate, and in which the local communities themselves are directly involved.

ii. Priority 2: Agriculture and Rural Development

In terms of sectorial priorities, agriculture is the second most important sector indicated by the respondents of the exploratory survey (after tourism). The main necessities regarding this sector, which, if addressed properly, would importantly enhance the potential of agriculture, include:

- modernization of the lead sectors such as fruit, dairy or meat and other alternative sectors (among others mechanization) (this evidently relates to the scenario of productive places);
- improvement of the existing infrastructure (mainly adequate access to markets) (productive places), and;
- improvement of human capital and knowledge (jobs and places).

The SWOT analysis for this priority area (Box 6) has highlighted that the main problems regarding agriculture in the Drina-Tara region, as elsewhere in the Balkans, consist of a rural sector that is largely fragmented and obsolete in terms of technological resources, involves micro- and small enterprises, and is of relatively low productivity. In other words, there is a

predominance of smallholders that often engage in semi-subsistence type of activities. In terms of the “productive places” and “liveable places” scenarios, one of the priorities is to modernize agricultural production techniques, among others to increase productivity; while from a “jobs and places” scenario, it becomes a high priority to raise the skills and knowledge level of persons working in the agricultural sector.

Other major problems indicated in the SWOT analysis of the SG include (also confirmed by a similar SWOT analysis executed by CARE International, cf. CARE 2005): an irresponsible attitude towards natural resources in the region, an unused potential of rural tourism (as also underlined by members of the Delphi group), a general lack of interaction of the agricultural sector with research institutes, a lack of exploitation of alternative agricultural products, a poorly developed infrastructure, in effective cooperation between producers as well as associations.

At the same time, there is a latent advantage in agricultural activities, in the sense that labour and land are relatively inexpensive, the climate and soil are favourable (topography being a limiting factor in a considerable part of the area

though), and possibilities exist to strengthening ties with the EU (cf. World Bank 2009: 35). Some of the main opportunities or sectors with potential indicated in the SWOT analysis of the SG (as well as emerging in the second survey) are:

- The stimulation of agricultural production (fruit, dairy, meat) for local, national and international markets (also suggested as a resource by the Delphi-group, in particular in terms of cross-border collaboration). It has to be noted that stakeholders, in their SWOT exercise did not specifically focus on existing agricultural assets, although considering this as important according to the second survey.
- The modernization of agricultural production and education of producers and actions related to supply grouping (association of producers).
- The exploitation of (alternative) agricultural products in the region, such as honey, herbs, forest product, and fish farming.
- The development of rural and eco-tourism (also suggested as a resource by the Delphi group).
- The development of organic production.

Box 6: SWOT analysis of agriculture and rural development

STRENGTHS

Natural Resources

- Natural resources (air, land, water, forests)
- The diversity of plant and animal species
- The richness of pure spring-waters and rivers and surface streams suitable for fishing and for others supporting touristic activities
- The great diversity of terrain (plains and mountains) and significant areas of arable land
- Large areas under forests
- Preserved and healthy nature in the villages

Government support

- Interest of local government towards the adoption of strategic documents and finding investors

Farming skills/interests

- The interest of farmers in the introduction of new and modern production technologies
- A mix of local markets based on traditional products (dairy, meat, fruit) and export-oriented competitive sectors (berries)
- Preserved natural resources for the development of organic production

WEAKNESSES**Agricultural practices/regulations/access to inputs**

- Irresponsible attitude towards natural resources, Unplanned and wild deforestation, Low awareness of the conservation of endemic plant species, Soil pollution from uncontrolled use of agricultural protection measures (pesticides)
- Fragmented land properties, Structure of land property not suitable for intensive agricultural production, Low penalties for those who endanger the natural resources
- Out of date existing machinery the terrain configuration is unfavourable for the application of agricultural machinery. Moreover there are few flat lands in the area.
- Poor credit access
- Undeveloped organic farming
- Low level of cooperation of agricultural producers with scientific institutions
- Low utilization of rivers for irrigation
- Lack of value added in agriculture, low levels of innovation of production
- Lack of presence of professional and inspection services
- Small number of agricultural associations and cooperatives

Infrastructure & Education

- Poorly constructed access road network
- Low education of people in rural areas and depopulation
- Unplanned construction in villages which spoils the appearance of natural environment

Rural Tourism

- Limited resources and the centralization of investment
- A small number of categorized accommodation facilities in rural households Poor quality of local road network
- Poor coverage of radio and television signals and signals of mobile telephony in rural areas

OPPORTUNITIES**Improved agricultural/forest practices & support related activities**

- Potential for the development of beekeeping, fishing, herbs, forest fruits, as well as organic production
- Introduction of new processing methods into agriculture, Better utilization of favourable agricultural conditions and arable land, Construction of modern systems for irrigation and fertilization
- Increase secondary wood processing under the planned use and regulation of forest management
- Promote the association of producers
- Training of farmers on good producing practices and standards that require countries that import agricultural products / Strictly controlled quality product, introduction of the GlobalGAP standards in agricultural production

Rural Development

- Development of rural and eco tourism
- Use pure river and lake water flows for development of fishing tourism
- Better utilization of natural resources for the research and tourism purposes, renovation and construction of new roads in rural areas

Funding Opportunities

- Utilization of the IPA pre-accession funds in the revitalization of rural economy
- Utilization of funds offered by the Ministries and the NIP (National Investment Plan) in infrastructure investment
- Increase the number of small and medium enterprises, start-up businesses using the start-up loans
- Planned and integrative development of the Region

Energy sector

The development of alternative recourses of energy through thermal power and hydropower potential

THREATS**Institutional framework**

- Large agricultural land in state ownership not released to small holders or unused efficiently, Absence of clearly defined ownership and right of use of agricultural land
- Environmental problems: Non-compliance of state and municipal plans for land and water use, Wild and unplanned construction
- Insufficient incentives of local government and Ministry of agriculture and Insufficient credit access

Economic situation and access to foreign markets

- High competition from external and internal players in agricultural exports due partly to the rigorous control of product safety in foreign markets, particularly for berries
- Current socio-economic crisis and recession in the Western Balkan area and neighbouring countries

The SWOT analysis above is based on an exercise carried out by stakeholders further re-arranged by IPTS, in particular by clustering the different arguments. The original versions of the SWOT analysis laid down by stakeholders are available in Annex G.

It should be kept in mind, though, that agriculture is not equally important as a provider of employment in all municipalities of the ABD area. This point was also emphasized by members of the Delphi group (and confirmed by the baseline assessment), in particular in terms of the lack of extensive potentiality of intensive agriculture in some parts of the region.

In terms of the productive places scenario, agriculture is then more important in some municipalities. In particular, respondents from Bratunac, Milici, Visegrad, Rudo, Pljevlja, and Bijelo Polje indicated agriculture as a key development sector in their municipalities (Section 3.3). However, as emerged from the validating survey, most municipalities acknowledge an important potential for further development in the agricultural and agri-food sector (see below).

The priorities with regard to distinct agricultural products were the subject of one question of the validating survey: answers reflect the potential of each specific territory and on average all three sectors (fruit, meat, dairy) are considered of similar high potential. Honey is seen as a priority product throughout the area and accordingly is getting a higher score than the three more important sectors mentioned above.

On the question of whether there are any other potential agri-food sectors in their

municipality, the most important sectors mentioned by the respondents are vegetables, herbs, organic food, forest products, cereals, animal husbandry, fish farming, as well as the local brandy (from fruit). The issue of the development of (alternative) branches of agriculture (beekeeping, fishing, herbs, forest fruits) is also included as a potentiality of rural development in the SWOT-analysis prepared by the SG. Other items mentioned are a 'more intensive development of agricultural production (livestock, fruit, vegetable)' and 'the development of organic production'.

Stakeholders were further asked on what they thought are the most important activities to be undertaken in order to realize the potentials of the agri-food sector and rural development (Table 17). It should be said that all items on the questionnaire – improving skills levels of the agricultural workforce, endowment of physical capital, market infrastructure for local, national, and international sales, organic food production, increase linkages between agriculture and tourism, local rural infrastructure, transport – obtained relatively high scores in almost all municipalities. An important emphasis on improvement of local (market) infrastructure was also highlighted in the potentialities statement of the SWOT analysis as elaborated by the SG: "Renovation and construction of new roads in rural areas".

Table 17. Priorities in the development of agriculture and rural areas (average score per answer²³)

	Improve the skills level of the agricultural workforce	Improve the endowment of physical capital	Improve market infrastructure for local sales	Improve market infrastructure for national sales	Improve market infrastructure for international sales	Promote organic food production	Increase linkages between the tourism and agricultural industry	Improve local rural public infrastructures and services other than transport	Improve the transport infrastructure
Score	1,63	1,57	1,44	1,30	1,25	1,47	1,51	1,47	1,56

Source: own survey

From this table, it is clear that the improvement of the skill level of the agricultural workforce scores highest, an aspect that matches the “jobs and places” scenario.

The improvement of the endowment of physical capital in the agricultural sector scores second, together with other capital actions related to transport infrastructure and other rural infrastructure.

Increasing linkages between tourism and agriculture are deemed important (fourth score). Forms of rural and eco-tourism would be a particularly effective strategy for development in the region, given its natural resource base. Agri-tourism could be further stimulated also by means of the promotion of regional agricultural products, such as:

- milk products, honey and buckwheat (Bijelo Polje),
- smoked meat products (prsuta), milk cream / kajmak, cheese, fruit products (Čajetina),
- brandy, cheese, cream, raspberries, prunes (Ljubovija),
- dairy products, cheese, cream (Pljevlja),
- milk products, domestic products, “rakija” (brandy) (Priboj),

- rakija, dairy products, honey, forest fruits (Užice),
- tobacco production (Bajina Bašta), and
- cheese and other milk products (Milići).

Less importance was given to the improvement of the market infrastructure at this stage. Priority is set to local sales rather than to national and international sales. Thus, the items of improvement of the market infrastructure for national and international sales scored relatively low.

An important issue - also in the area of agriculture and rural development - appears to be the development of closer collaboration between local farmers as well as on the level of the Drina-Tara region. This aspect has been strongly emphasized by almost all members of the Delphi group. The development of closer collaborative ties (for instance, in producer groups or associations, not speaking of cooperative forms) would enhance the commercialization of the sector and could also lead to activities outside the area of traditional farming, i.e. keeping more value added at farm level and regional level, using organic methods of production, or developing forms of agri-tourism.

²³ The average score corresponds to the weighted average of the responses values weighted by their number of occurrence, where the value of “very important”/“high” is 2, “Important”/“high but too many barriers” is 1, “not important”/“low” is -1 and “don’t know” is 0.

iii. Priority 3: Local SME and Entrepreneurship Development

In the exploratory survey, this priority area received the highest score, labelled as “local economic development”, which mainly referred to support/extension services to producers in the area in order to further promote local economic activity. A similar concern emerged in the validation survey, in particular with regard to the development and strengthening of SMEs and entrepreneurship in general. An increased access to finance for SMEs and the stimulation of awareness are considered particularly important activities for facilitating development of SMEs and entrepreneurship (Table 18).

SME and entrepreneurship can be said to have a dual focus. On the one hand, the aim is to provide effective support to SME start-up and entrepreneurial activities. On the other hand, the emphasis is on enhancing the available knowledge on entrepreneurship in the Drina-Tara

region, in order to foster possible entrepreneurial activity by local citizens.

In terms of SME support (in particular regarding the creation of new ventures), some key areas to be developed can be singled out. These areas are reflected in the February 2011 Survey, the SWOT analysis of the SG as well as in the relevant literature (see Smallbone *et al.* 2007: 165):

1. The reduction of barriers to entry and proactive measures to make it easier for businesses to enter the market;
2. The provision of “seed” financing or money for pilot projects;
3. Start-up business support, including mentoring programmes, incubators;
4. The stimulation of cooperation between research institutions and SMEs;

Table 18. Most important activities to realize potentials of SME development and Entrepreneurship (average score per answer²⁴)

	Create awareness amongst the young, highly skilled and talented	Support business creation by young, highly skilled and talented	Increase links between research	Facilitate the placement of university graduates	Increase access to finance for SMEs	Provide training for SME managers	Provide training for SME staff language	Facilitate diaspora investment in local businesses
Score	1,50	1,44	1,14	1,37	1,60	1,30	1,31	1,48

Source: own survey

24 The average score corresponds to the weighted average of the responses values weighted by their number of occurrence, where the value of “very important”/“high” is 2, “Important”/“high but too many barriers” is 1, “not important”/“low” is -1 and “don’t know” is 0.

5. The set-up/expansion of collaborative efforts between SMEs.

In terms of the stimulation of available knowledge on entrepreneurship, a few important areas emerged in the surveys, SG discussions and the relevant literature (see Smallbone *et al.* 2007: 165):

1. The general promotion of awareness of entrepreneurship and an entrepreneurial culture (emerging in particular from the second survey, question 5a);
2. Entrepreneurship education as part of school curricula;
3. Specific educational services for entrepreneurs (including regarding EU standards).

The main weaknesses that emerge from the SWOT analysis (Box 7) developed by the stakeholder group members are related to issues of (local) governance (legal and political structures), a lack of potential in attracting foreign direct investment, a lack of innovative capacity, and a limited ability of SMEs to generate employment.

It emerges as well, nevertheless, that potentialities are high in this area. This potentiality can in particular be exploited through increased collaboration between SMEs, the exploration of clustering and clustering policies, the set-up of joint marketing and other relevant endeavours, and the interaction between enterprises and research institutes.

Box 7: SWOT Analysis SME and Entrepreneurship Development

STRENGTHS

Regional interest and support

- The existence of regional and local institutions for SME support (RDA, RCC, offices for local economic development)
- The existence of the region Sava - Drina - Majevisa in order to support more intensive inter-municipal cooperation
- Experience in cross-border cooperation
- A significant number of existing SMEs and entrepreneurs in the Region

Alternative sectors and resources

- The existence of the industrial base for wood, food, processing industry, textile and chemical industry
- Plenty of available natural resources that provide support to economic development
- Large hydropower and thermal power potential

WEAKNESSES

Institutional framework

- The lack of political framework for local economic development- decentralization issue
- Lack of institutional support to foreign and domestic investors as an obstacle to modernization and restructuring of areas and non-competitive industrial and agricultural resources of the border areas
- Unsatisfactory conditions for attracting foreign direct investment

Under-developed entrepreneurship skills

- Lack of managerial skills and inadequate support to business growth hinders the development of SME sector
- Low level of the competitiveness of the SME sector
- Low level of innovation
- The SME sector is composed of micro businesses with limited possibility for employment generation

OPPORTUNITIES**Trade regulations, and fiscal policies**

- Establishment of fiscal decentralization and Property decentralization
- Increase the competitiveness and innovativeness of the SME sector through cooperation between research institutions and industrial development and expansion of networks between economic sectors (north of the border area)
- The existence of free trade agreements in Central Europe (CEFTA) - chance to increase the export potential

Extension services

- Increased access to funding sources
- Utilization of cluster resources - joint development of business clusters
- Promoting cooperation and partnerships between public and private sector
- The possibility of creating a common brand of unique products, features and services of the border area
- Potential training programs designed for the SME sector which aim is to satisfy EU standards

THREATS**Inadequate public policy support**

- Slow implementation of national and regional strategies in this area
- Insufficient support services i.e. Entrepreneurs do not have sufficient access to high quality services that help them be more competitive in the market
- Inadequate credit policy of the SME sector
- Inadequate incentives, subsidies, tax incentives to promote employment, innovation and investment in SME sector
- The existing administrative barriers to business

Regional economic context

- The negative general economic trends in the border area
- Emergence of new competition from market liberalization

The SWOT analysis above is based on an exercise carried out by stakeholders further re-arranged by IPTS, in particular by clustering the different arguments. The original versions of the SWOT analysis laid down by stakeholders are available in Annex G

The potential of and the obstacles faced by entrepreneurs in the Drina-Tara region become evident in the results of the validation survey. The main priority identified refers to increased access to finance for SMEs, which is perceived as very important everywhere, and particularly so in Uzice and Milici (more than 80%). Various respondents refer to national, ministry funds as well as EU funds, and to favourable access to loans for businesses. A significant matter addressed in some of the responses regards the intricate relation between political actors and finance provision.

The dimension of entrepreneurship awareness promotion is also deemed of importance in all municipalities (all score 50% or more). Equally, most municipalities and local

stakeholders appear to be in favour of subsidized loans for enterprise start-up, pilot-programmes, training and education, micro-credits, and incubators (often mentioned in Bosnia), instruments suggested to support business creation by young people; although some doubts were also expressed as to whether these would be sufficient to prevent young people from leaving the region.

Other aspects are considered important, for example the question of whether business creation by young, highly skilled and talented persons needs to be supported (for instance, in terms of calls for subsidized loans for business start-up, free training for entrepreneurial activities, tax breaks, promotion of production of organic food for hotels and restaurants, public-private cooperation, the

creation of cooperatives, incubators, micro-credit), the facilitation of the placement of university graduates, the facilitation of diaspora investment in local businesses. The provision of training for managers is coming as a lower priority. Language training for SME staff is also seen as a lower priority, but still important in certain municipalities such as Pljevlja and Milici. Less important is considered the necessity of increased research to allow for overall coordination of entrepreneurial activities within the region.

With regard to SME and entrepreneurship development, one important aspect, as also suggested by the Delphi group and partially also emerging in the SWOT analysis of the SG, and a major theme in scholarly literature (Smallbone *et al.* 2007), is cross-border entrepreneurial cooperation. CBC links up in a relatively 'natural' way with possibilities for the expansion of existing entrepreneurial activities in locally relevant sectors (in particular tourism and agriculture). Indeed, extended inter-municipal dialogue and collaboration, with an eye on the stimulation of cross-border interaction in order to ameliorate possibilities for economic and other forms of development (cf. Smallbone *et al.* 2007), can be regarded as one of the few more plausible ways of ameliorating the current situation, and thus to constitute the core of an area-based development strategy. Intensive forms of cross-border cooperation include not only the engagement with trade, market access, joint marketing efforts, and supply relationships, but, more importantly, the sharing of forms of knowledge otherwise unavailable. An important factor is therefore the attempt to overcome isolation and smallness by means of cross-border interaction and cooperation.

One example of obstacles to further cross-border cooperation (CBC) is the problem of fiscal and physical barriers, which hinder cross-border entrepreneurial cooperation. As remarked by one of the participants in the February 2011 Workshop in Visegrad:

- “cross-border and regional cooperation ... of the municipalities in Podrinje (Srebrenica, Bajina Bašta, Bratunac, Ljubovija) seems to be impossible, because of the customs procedures and taxes on the transport of goods – e.g., a border crossing in Bratunac and Skelani, which cannot be used for other purposes than movement of people; thus excluding the movement of goods. As a result, numerous entrepreneurial initiatives have been abolished, and there are no new investments.”
- “It is necessary to open these border crossings for the transport of goods and to build a bridge Fakovići – Bačevci²⁵. It is also necessary to finance adaptation of the local crossing borders in cooperation with the local communities.”
- “A concrete example is related to the raspberries buying out – local producers have to sell their product at the domestic market at the price of 2 KM, while the price in Serbia was 3 KM. At the same time, transport of raspberries to the nearest border crossing available for movement of goods (Zvornik) would damage the product.”
- Dragić Glišić, Srebrenica Municipality.

Such problems cannot be addressed or solved at local level, but the action plan could include recommendations of measures to be adopted at other administrative levels above local governments (regional, national or international levels).

iv. Priority 4: Environmental protection

A fourth priority area that emerged in discussions of the SG, as well as in the two local surveys, is that of environmental protection. In the exploratory survey though, environment appeared as a secondary priority. During the fine-tuning of priorities in the various meetings

²⁵ Halfway between Ljubovija and Bajina Basta

of the SG, environment was still kept as one of the main priority areas to be addressed in the ABD programme, and a SWOT analysis (Box 8) regarding environmental protection has been carried out. In the validating survey, a variety of ways to improve the management of natural resources in the region was generally evaluated as important to very important (Table 19), much more than concerning the three previous priorities. It looks like stakeholders little by little realized that environmental protection was a key to the success of their overall development strategy.

Among the most important resources of the Drina-Tara region are evidently the Tara mountain area and the Drina river valley. The area is shared by various municipalities on all sides of the border, and the management of the important resources regards the entire region (for instance, regarding biodiversity, the presence of relic species, waste and water management). An effective management of this area would need to involve a common commitment of all relevant municipalities and their populations, an emphasis on protection and preservation, but also a changing attitude towards the use and

valorisation of the environment (Tomicevic *et al.* 2010: 507). As emerges in the SWOT analysis of the SG as also in the action plan devised by the SG (see section 4), important weaknesses in environmental protection in the region include: a lack of enforcement of existing rules, a lack of valorising projects regarding the environment and natural resources, inadequate management by regions/local governments, a lack of skilled personnel, and the absence of an environmental awareness in the region.

In terms of potentialities, the use of renewable energy and the concept of sustainable development in general should be promoted. Further important steps involve: the intensification of collaboration between municipalities and other political authorities, and between municipalities and NGOs; the development of a LEAP (Local Environmental Action Plan for the Protection of the environment) and other relevant strategies; creating more effective mechanisms for monitoring and law enforcement (including databases); the development of eco-tourism and organic food; training and education of relevant personnel.

Box 8: SWOT Analysis of Environmental Protection

STRENGTHS

Natural resources

- The richness of biodiversity / Rich and unused nature resources
- Substantial water resources
- Large unpolluted areas under the forests

Protected areas & legislation

- Presence of National Parks
- Protected natural resources
- Existence of legislation and planning documents

Institutional Environment

- Relevant institutions at the local (municipality) level
- Budget funds from environmental taxes
- NGOs active in environmental protection
- Initiated political frameworks for establishing regional landfills at regional and cross-border level

WEAKNESSES

Management & Enforcement

- Inadequate address of environment protection by local/regional strategic documents

- Inadequate enforcement of Law and inspections for environment protection, lack of monitoring
- Inadequate use of available financial resources
- Lack of project documentation (prefeasibility, feasibility studies, cost-benefit analyses)
- Insufficient cooperation between NGO sector and local community
- Lack of skilled staff

Pollution

- Lack of organized waste management
- Lack of regional landfills and recycling centres and existence of a large number of illegal landfills
- Lack of systems for disposal of solid waste, recycling, sewage treatment and sewage systems
- Endangered flora and fauna

OPPORTUNITIES

Education

- Education aimed at developing environmental awareness (including education of children through primary education)
- Support young trained personnel in environmental protection
- Integrate the media in the education/information of community on environmental issues

Promote economic activity in related sectors

- Use of renewable energy resources
- Large parts of the covered area present the base for the production of organic food

Develop information system, sector strategy and promote regulations/law enforcement

- Enforce environmental protection measures/legislations including sanctions mechanisms)
- Developing LEAP (Local Environmental Action Plan for the Protection of the environment) and other strategic documents and consistent application
- Creating a database of pollutants and controlling them (Development of a common access to information on major polluters)
- Protection of certain areas as a source of eco-tourism development and creation of centres for bio-diversity
- Valorisation of goods from covered area (food, organic production, health and spa tourism, eco tourism and recreation tourism...)
- Set up stations for the online monitoring of air quality
- Introduction of biodegradable packaging

Cooperation

- Regional and inter-municipal cooperation for the preservation of natural resources
- Start joint programs for the revitalization of existing and construction of new landfills

Funding

- Financial decentralization in order to strengthen local capacity to deal with issues of environment protection - Retention of environmental taxes, where the pollutants are
- Financing of NGO's environmental projects by local governments
- Apply to CBC or pre-accession and EU structural funds for environment protection projects
- Exchange of knowledge and good practice in the field of environmental protection

Infrastructure

- Installation of adequate utility infrastructure
- Construction of collector for sewage water processing
- Construction of mini recycling centres

THREATS**Institutional**

- National Strategy for protection of the environment is slowly implemented; Slow enforcement and inadequate funding of initiatives for the protection of the environment, as a consequence of the fact that environment might not be seen as a priority
- Strict penalties if implemented could blow to the local budgets

Economic practices and social trends

- Economic development based on unsustainable principles
- Uncontrolled development of the industry and tourism constructions can cause intense pollution
- Weak capacities of economy for investments in environmental protection
- Because of costs, waste management might remain at the lowest level

Environmental assets and image

- Risk of losing a positive image of a healthy environment (reducing the number of tourists, lower trade turnover of food products)
- The continuation of negative trend of pollution - worsening of pollution parameters (water, soil, air)
- The disappearance of some plant and animal species - the reduction of biodiversity

The SWOT analysis above is based on an exercise carried out by stakeholders further re-arranged by IPTS, in particular by clustering the different arguments. The original versions of the SWOT analysis laid down by stakeholders are available in Annex G

The demands of different municipalities with regard to the realization of potentiality of natural resources in the region, as well as with regard to sustainable management of the environment, even if environmental protection in general is seen as important by all participating municipalities, are not homogeneous. Nevertheless, the improvement of the environmental quality of rivers and springs is considered as the most important priority, while the improvement of waste collection and management are equally regarded of primary importance by most municipalities (Table 19).

Improvement of waste collection and management is deemed very important in all municipalities – except for Bratunac (which scores less than 60%). Many respondents refer to the necessity of (local and regional) landfills. A respondent from Srebrenica referred to the need for the “recycling of waste and raising citizens’ awareness about the importance and benefits of [waste collection]”. This indicates a large consensus on waste management as a key activity.

The improvement of water sewage treatment is also seen as particularly important together with the improvement of springs and rivers,

which receives a large consensus in terms of its significance.

Other types of measures are also deemed important but slightly less than the waste and water thematic. Improvement of the protection and conservation of biodiversity, for which a good part of the respondents refer to the need for education in this regard, and the increase of inspection and law enforcement is also seen as very important.

In the context of environmental protection and conservation, cross-border cooperation is of direct relevance, not the least with regard to the common management of natural resources in the region, in particular the Tara National Park as well as the Drina river and its hinterland. Cross-border collaboration between the relevant municipalities, the overcoming of earlier tensions with regard to the management of the Drina-Tara region, and the effective use of a participatory governance approach are more likely to lead to positive results, in terms of the effective protection of important natural resources, the preservation of biodiversity in the area, and the valorisation of resources available for local communities (cf. Tomicevic *et al.* 2010).

Table 19. Priorities in activities of environmental management and protection (average score per answer²⁶)

	Improve waste collection	Improve waste management	Improve the protection and conservation of biodiversity	Improve water sewage treatment	Improve river and springs protection	Increase eco inspection and other forms of law enforcement
Score	1,75	1,76	1,61	1,63	1,77	1,56

Source: own survey

In the case of environmental protection and management, it is also of primary importance that the area-based development strategy takes into account local differences and varieties of needs and priorities. This also means that the needs and demands of the local populations, not least in terms of poverty mitigation, ought to be a priority. In this way, the preservation of biodiversity and natural resources goes hand in hand with the social inclusion and enablement of people (Tomicevic *et al.* 2010: 504). To summarize, environmental governance in the Drina-Tara region should emphasize 1.a collective, cross-border management of relevant natural resources and 2. environmental management practices based on a participatory form (i.e. an inclusive process, relating to all the relevant stakeholders (managers, experts, government officials, NGOs, scholars, local citizens), including local citizens). The latter would better secure the compliance with environmentally friendly regulations which must be observed at all social and economic layers.

3.5 Action Plans

As outlined in section 3, the four key priorities identified and selected under the ABD programme are: tourism, agriculture and rural development, SME and entrepreneurship development, and environmental protection. In this section, the action plans for each priority area are brought forward following their elaboration by stakeholders (during sessions of the SG), taking into account the (short) time frame the SG had

to respect. Table 20 summarizes the key issues covered under each action plan.

Critical reflections and assessments on these proposals, as well as comments on the consistency between these proposals and the priority settings as described in section 3.4, are made below. In Annex H, further details on each activity / project are provided, in particular possible implementing bodies and partners, as well as estimates of financing needed.

3.5.1 Action Plan on Tourism

During the priority setting exercise, the following types of activities were mentioned in order of importance (see section 3.4 above): environmental protection both of natural resources of the area, as well as in terms of addressing specific pollution problems related to water quality and waste management; quality of the touristic infrastructure (more than its quantity) and accessibility; support to tourism activities through the availability of traditional local and / or organic food production; and an institutional framework for tourism.

The action plan on tourism reflects partly these priorities. The environmental concerns are reflected by the first key issue ("Natural

²⁶ The average score corresponds to the weighted average of the responses values weighted by their number of occurrence, where the value of "very important"/"high" is 2, "Important"/"high but too many barriers" is 1, "not important"/"low" is -1 and "don't know" is 0.

Table 20. Relation between priority areas, and action plans and actions

Priority areas	Main aspects addressed under the Action Plans
1. Tourism	<ol style="list-style-type: none"> 1. Conservation and promotion of natural pre-conditions for the development of special interests, spa and mountain tourism; 2. Support the development of tourism infrastructure and other tourism facilities; 3. Improve labour skills (experience) in tourism; 4. Advertise the most recognizable touristic destinations in the Drina-Tara region.
2. Agriculture and Rural Development	<ol style="list-style-type: none"> 1. The tradition of fruit, modernization and marketing; 2. Marketing of Drina-Tara Region; 3. Strategic use of natural resources for rural tourism; 4. Support to the production of traditional meat products, milk and fruit.
3. SME and Entrepreneurship Development	<ol style="list-style-type: none"> 1. Promotion of self-employment and SME creation; 2. Organization of SMEs and resources; 3. Enhanced access to funds for SME development; 4. Strategic orientation of the Drina-Tara region toward entrepreneurship development, including infrastructure.
4. Environmental Protection	<ol style="list-style-type: none"> 1. Provide support and funding for environmental protection initiatives; 2. Promotion of organic food production; 3. Conservation of biodiversity and natural resources; 4. Raise ecological awareness.

pre-conditions for the development of special interests, spa and mountain tourism”). Concretely however, the actions listed in the tourism action plan are not directly impacting on the environment, but mostly deal with the improvement of information for tourists on the available natural resources (identification, signalling and information centre) in the area.

The concern on quality of infrastructure is addressed by the second and third key issues: (“Development of tourism infrastructure and other tourism facilities” and “Labour skills (experience) in tourism”). Under these key issues of the action plan, some actions clearly answer the priorities identified, such as the development of quality control or the renovation of existing tourism facilities (although the repeated focus on spas in actions seems to contradict a perceived lower priority for such type of tourism), or actions aimed at training and networking of trainers. It is worth highlighting that further gathering of knowledge on existing tourism infrastructures and qualifications is still deemed necessary by the SG (two studies proposed), despite the past and present initiatives in this field (tourism organizations). However, the SG recognized that some of the initiatives taken under past external

donors interventions were not sustainable. SG also included several actions on quantity of tourism facilities, although this was seen less of a priority: the specific focus on certain types of tourism facilities (in ecological zones) might explain why the SG proposed this action.

The fourth key issue selected by the SG, (“Recognizable touristic destinations in the Drina-Tara region”), is less easy to link with priorities identified, although promotion and image are without doubt important aspects. The main idea here is to look for a regional branding and use it for promotion purposes. In terms of accessibility to the area, it was not possible to identify any initiative within the action plan dealing with this issue. It is possible that the SG might have avoided addressing such an aspect as substantial infrastructure projects were deemed out of the scope of the ABD approach procedure. Nonetheless, voicing such suggestion would have been welcome. This is further discussed in section 3.5.5. below.

It has to be added that action plans on rural development / agriculture (for traditional and local food products) (see 3.5.2) and environmental protection (see 3.5.4) (specifically

Table 21. Action Plan on tourism

1. Conservation and promotion of natural pre-conditions for the development of special interests, spa and mountain tourism
<p>1.1. Identify natural resources and design touristic products for special interests, spa and mountain tourism</p> <ul style="list-style-type: none"> • Establish a working group for the identification of touristic products • Map related resources of each touristic product • Create a development and marketing programme for each product • Implement development and marketing programme
<p>1.2. Set up adequate tourism signalling (creating different systems, category signs and uniform system of colours, designs)</p> <ul style="list-style-type: none"> • Choose a visual identity for the labelling of each product (localities) • Prioritize sites (in accordance with the development programme) • Prepare project/technical documentation and provide licenses
<p>1.3 Set up a tourist information and visitor's centres in the Region</p> <ul style="list-style-type: none"> • Undertake a feasibility study for setting up tourist information centres, visitor centres in the Drina Tara region • Create a unified conceptual design (synergy with action 1.2 above) • Prepare project documentation
2. Support the development of tourism infrastructure and other tourism facilities
<p>2.1. Develop a study of the existing capacities and facilities of the spa, mountain and special interests tourism</p>
<p>2.2. Build public tourism infrastructure of special interests, spa and mountain tourism (paragliding polygons, bike paths, horse riding, water activities, tracking, alpine sports camps)</p> <ul style="list-style-type: none"> • Selected touristic products from the development/marketing programme which are deemed most relevant (Action 1.1). • Map tourism localities • Prepare project documentation • Grant licenses
<p>2.3. Construction of accommodation facilities in ecological areas for the needs of economic development of special interest tourism Map of potential sites</p> <ul style="list-style-type: none"> • Prioritize of potential sites • Assess preliminary ideas -Traditional villages in the Zlatibor area • Analyze investment profile for investors • Establish a fund to encourage investments
<p>2.4. Renovate existing facilities of spa and mountain tourism</p> <ul style="list-style-type: none"> • Map potential facilities • Assess potential investments • Analyze investment profiles
<p>2.5. Introduce quality control standards which approximate EU standards by all subjects on the offer side (the quality of public tourism infrastructure, restaurants and other services)</p> <ul style="list-style-type: none"> • Establish a quality control taskforce • Define criteria, as well as monitoring and evaluation systems for a "quality mark"
3. Improve labour skills (experience) in tourism
<p>3.1. Identify missing qualifications in special interests, mountain and spa tourism</p> <ul style="list-style-type: none"> • Undertake training need analysis within the private sector • Carry out an analysis of demand
<p>3.2. Establish a network for training of tourism personnel between private and public sector (National Employment Service and other service providers)</p> <p>Tasks:</p> <ul style="list-style-type: none"> • Secure the training of trainers • Establish informal / formal education mechanisms

<p>3.3. Create a professional development training programs for employees at the executive level as well as for creators of tourism policy in the municipalities in these 3 countries</p> <ul style="list-style-type: none"> • Establish the training curricula for the touristic sector, size of training and other technical requirements • Undertake training needs analysis at municipal level • Undertake training needs analysis of local tourism organizations • Set up evaluation and monitoring mechanism for training activities
<p>3.4. Building capacities of tourism organizations of Western Serbia, Bjelasica and Komovi and TIDA²⁷</p> <ul style="list-style-type: none"> • Provide relevant equipment • Strengthen human resources potentials • Provide training • Develop programme of joint work • Create a mechanism for sustainability
<p>4. Advertise the most recognizable touristic destinations in the Drina Tara region</p>
<p>4.1. Create image (branding) of Drina –Tara region</p> <ul style="list-style-type: none"> • Develop of Terms of Reference of the project • Introduce online booking system • Create virtual presentations of tourism sites • Undertake market research • Participate in exhibition fairs
<p>Designing web presentation of the Region</p>
<p>Defining target markets/groups</p>
<p>Marketing plan of priority products</p>

targeting environmental protection, rather than focusing on natural resources as an asset) further support the one on tourism, so that all main priorities can be addressed.

In summary, the SG is aware of the importance of environmental protection of natural resources utilized in tourism, as well as of the necessity to develop adequate infrastructure and facilities. The latter must be accompanied by an increase in the quality of hospitality services and the promotion of the region at national and international level, so as to attract a larger tourism inflow to the region. In Table 21, specific activities are listed while as the identification of related actors and required inputs (including estimated budgets) are detailed in Annex H.

3.5.2 Action Plan on agriculture and rural development

The SG identified agriculture and rural development as the other productive sector that

deserves to be a priority area in the development of the area. Priorities identified to this respect encompass, in order of importance: improvement of human capital, as well as of productive capital and accompanying infrastructures (transport and other rural infrastructures); and the development of rural tourism linked with the promotion of local food products, in particular for local markets; while national and international markets seemed less of a priority.

Like for tourism in the previous subsection, the main key issues for the action plan identified partly reflect the priorities identified previously (Table 22). However, in the case of agriculture, more questions and room for clarification are left.

²⁷ Interregional Tourism Association for Drina Region – established by NWB CARE International and financed by Dutch Government .Municipalities: Bratunac, Srebrenica, Višegrad and Rudo in BiH and Ljubovija, Bajina Bašta, Užice and Priboj in Serbia. After the above mentioned project, TIDA has experienced problems with sustainability..

Table 22. Agriculture and rural development action plan

1. The tradition of fruit; modernization and marketing
1.1 Improve the existing ways of producing and processing fruit <ul style="list-style-type: none"> • Introduce agro-technical innovations, in particular for the use of plant protection products and fertilisers • Monitor the uptake of such innovations
1.2 Provide education in fruit production and introduce quality systems in fruit production <ul style="list-style-type: none"> • Introduce Global Gap Quality Standard • Promote the education/training of fruit producers
2. Marketing of the Drina-Tara Region
2.1 Promote the Drina-Tara Region <ul style="list-style-type: none"> • Establish a common/joint regional team Define a strategy of joint action for the Drina-Tara Region • Create a marketing plan for greater recognition of the Drina-Tara Region
2.2 Positioning of the Drina-Tara- Region on the map of European events <ul style="list-style-type: none"> • Map existing regional events to promote local products and launch new events
3. Strategic use of natural resources for rural tourism
3.1 Enhance rural tourism activities as a development opportunity of Drina-Tara Region <ul style="list-style-type: none"> • Promote regional tourist attractions
3.2 Promote best practices of rural tourism as undertaken in leading European countries <ul style="list-style-type: none"> • Provide training on rural tourism
3.3 The modernization of rural tourism services <ul style="list-style-type: none"> • Improve the accommodation capacity
4. Support to the production of traditional meat products, milk and fruit
4.1 From our farm to the European table <ul style="list-style-type: none"> • Initiate branding and protection of geographical indications
4.2 Construction of cold reception stations <ul style="list-style-type: none"> • Enhance capacity for processing
4.3 Production of healthy food <ul style="list-style-type: none"> • Connect companies in the value chain (producers, processors, distributors)
4.4 Preservation of indigenous varieties of fruit <ul style="list-style-type: none"> • Promote the education of producers

The SG has not identified a cross-cutting action on human capital in the agricultural sector, but this concern is addressed in several actions identified (e.g. in fruit sector modernization and rural tourism).

The improvement of capital in the sector is also present, most prominently when dealing with fruit sector modernization, to which also some actions classified under other headings, such as action 4.2, which aims at building more cold

storage facilities, can be categorized. It remains to be clarified if this action is specifically intended for fruit and if so, for which type of fruit (berries and/or apples – plums). However, although seen as an important issue, transport infrastructure and other rural public infrastructures, are not covered by any action, partly due to the choice made by stakeholders within the ABD approach that only initiatives that may be dealt with at the local level should be brought forward. This is further discussed in section 3.5.5 below.

The rural tourism priority is covered by a specific action. Some actions might be partly redundant or might need to be coordinated with actions listed in the tourism action plan (e.g. action 3.1). In addition, the relevant actions need more clarification as to their concrete scope. The fact that the need for promoting best practices of leading European countries in this matter is clearly highlighted might explain why the SG is still vague on concrete actions at this stage.

In support of rural tourism (and also, as explained in the previous section, in support of the tourism action plan), the development of local food products is also present with relevant actions on geographical indications, plum brandies and indigenous fruit varieties. However, this action is still vague and probably needs feedback from the national level with respect to the legislative framework.

A focus on international trade (key issue 2 on positioning the region in European events, Global GAP approach) might be seen as potentially contradicting the identified priorities (section 3). However, in particular concerning red fruit, the export potential of the region might have been overlooked in the priority identification process. Furthermore, compliance to Global GAP standards for access to the EU market for frozen and fresh berries seems a necessity at the medium term.

It is important to highlight that the SG did not explicitly identify the strengthening of supply

via producers' associations as one of the priorities (although it was mentioned by the Delphi group). Despite this, two actions refer directly or indirectly to this approach (i.e. common strategy for joint action in the sector, and connection of companies in the value chain).

3.5.3 Action Plan on SME and entrepreneurship development

This Action Plan has a dual nature. On the one hand, the emphasis is on enhancing the available knowledge and skills on entrepreneurship in the Drina-Tara region, in order to promote entrepreneurial activity by local citizens. On the other hand, the aim is to provide effective support to SME start-up and entrepreneurial activities.

For this priority area, several issues have been put forward (Table 23), such as: the need to facilitate financing of SMEs; to raise awareness and training of youth on entrepreneurship (and less priority for the training of managers already established); as well as to facilitate foreign direct investment (FDI) (particularly from diaspora) in the area. Although not specifically addressed in the action plan, the issue of removing physical and legal barriers to cross-border entrepreneurial cooperation and trade was also raised both by stakeholders and respondents to the second survey.

The financing priority is well reflected by the third key issue, "Enhanced access to funds for SME development", as well as by the proposal to establish credit guarantee mechanisms for start-up businesses (which could have been also classified under the third key issue rather than under "Promotion of self-employment and SME creation").

Raising awareness and training of youth on entrepreneurship is also clearly reflected by the first and second key issues. However, the action plan does not seem to put more focus on youth than on other age groups, thus seeming to ignore the fact that youth is seen as a priority.

Table 23. SME and entrepreneurship action plan

1. Promotion of self- employment and SME creation
1.1. Analyze market opportunities related to SME creation
• Distribute results of the above-mentioned analysis to the community
1.2. Train entrepreneurs according to the needs identified by market research
1.3. Set up schools for entrepreneurs (education and practical support to potential entrepreneurs in the areas of business planning, business registration, financial operations, marketing, management, legal advice)
1.4. Establish a credit guarantee fund for START-UP businesses
1.5. Create a “One-stop-shop” in order to provide information to entrepreneurs and investors
2. Organization of SMEs and resources
2.1. Create an SME database per economic sector and per resource in the Drina-Tara Region
2.2. Organize study tours for SMEs from the Drina-Tara Region to EU countries (including participation at fairs and trade shows, visits to successful SMEs in the EU)
2.3. Cluster SMEs operating in the Drina-Tara Region
2.4. Promote the certification and standardization of production processes in the Drina-Tara Region
3. Enhanced access to funds for SME development
3.1. Provide education/information to entrepreneurs about preparation of project proposals for application processes to donor funds and promote the exchange of experiences on funding opportunities among entrepreneurs in the Drina-Tara Region
3.2. Set up a web site on relevant information and available funds for the promotion of SME development
4. Strategic orientation of the Drina-Tara region toward entrepreneurship development, including infrastructure
4.1. Carry out research of infrastructure needs and possible locations (assets, buildings)
4.2. Undertake a feasibility study and prepare technical documentation for the consolidation of business zones in the Drina-Tara region
4.3. Provide relevant online information on business opportunities to potential investors

Attracting FDI from diaspora is also well covered (although not specifically) by actions grouped under key issue 4, which all aim at facilitating the installation of new investors in the area.

Issues related to research and development, were not raised as a priority and are (consistently) not covered by the action plan either.

Finally, reflections on the need to remove physical and legal barriers impeding cross-border cooperation and trade have not specifically been reflected by any action, due, again, to the ABD approach guideline of

focusing on issues which may be addressed at the area level. Nonetheless, the regulations of trade and mobility agreements in the target area are widely recognized as crucial to enhancing economic activity. Like in other action plans, the SG might have considered that such issues are not under competence of the local governments, thus refrained from proposing any action. However, like in other cases, stakeholders might convey recommendations in this respect to national and international authorities. The striking examples mentioned in the Local Workshop of Visegrad concerning trade of fresh red berries and the various barriers (customs

procedures and movement of goods) impeding SMEs from the area to optimize the supply chain of such perishable products, should be communicated to and addressed by national and international authorities.

3.5.4 Action Plan on Environmental protection

Environmental protection was selected as a fourth priority area. Among the most important resources of the Drina-Tara region are evidently the Tara mountain area and the Drina river valley. This natural heritage is shared by various municipalities on all sides of the border and the management of the environmental resources concerns the entire region (in particular, biodiversity protection, the presence of relic species, and waste and water management).

As included in the SWOT analysis, important weaknesses in environmental protection in the region include: a lack of enforcement of existing rules, minimum valorisation of projects related to the environment and natural resources, inadequate management by regions/local governments, a reduced number of skilled personnel, and the absence of an environmental awareness in the region.

In order to strengthen environmental protection in the region, the SG has set up the action plan for environmental protection around the following items (Table 24):

1. Provide support and funding for environmental protection initiatives,
2. Promotion of organic food production,
3. Conservation of biodiversity and natural resources,
4. Raise ecological awareness.

It is striking that, the main aspects identified under environmental protection in the second survey – waste water treatment and river protection,

and waste collection and management, which are also of high concern to the tourism action plan – are not specifically addressed in the action plan designed by the SG. These priorities might be marginally addressed by some actions (and as explained below, the strong participatory / cross-border commitment to continue to work jointly in this area might help). Nevertheless, it seems that the SG has considered the magnitude and cost of actions required to address these concerns as a major obstacle to solving the underlying problems and thus has refrained from taken any action at this stage. Debates on these topics (particularly on waste management) during the Local Workshop of Visegrad already reflected this dichotomy between a consensual recognition of the importance and size of these problems and an absence of consensus on making it priorities for action.

Other priorities identified, such as improving the law enforcement and preserving local biodiversity, are well reflected by actions grouped under the respective key issues 1, 2 and 4. The key issue related to organic production could have been proposed also under the action plan on agriculture and rural development. It should be noted that this issue was not identified as a priority under environmental protection, and was not ranked highest in the agriculture and rural development priority area. In addition, there might be a certain trade-off between the complexity of certification and standardization processes involved in organic production and the focus on local markets. This is probably why during the local workshop in Visegrad, arguments related to the complexity of organic production were raised, leading to opinions that organic production development might not be an urgent priority. On the other hand, organic products could come in support of the tourism strategy, conveying the idea of a region where natural resources are seen and promoted as one of the main assets.

A strong aspect of this action plan is the strong presence of joint cross-border and participatory (with strong involvement of civil

Table 24. Environmental management and protection action plan

1. Provide support and funding for environmental protection initiatives
1.1. Establish a team for project development and revision of existing projects, and establish the regional web site containing all information related to environmental protection (project proposals, problems, strategies)
1.2. Promote the cooperation and joint presentation of regional interests (public, private and civil sectors)
1.3. Support training in project cycle management and cooperation with scientific and educational institutions
1.4. Rebuild infrastructure related to environmental protection
2. Promotion of organic food production
2.1. Undertake organic food market research
2.2. Support the transition from conventional to organic production, incentives for producers, training and education
2.3. Support the certification and standardization of organic products
2.4. Establish buying- off points of organic products
3. Conservation of biodiversities and natural resources
3.1. Undertake research on biodiversity and natural resources mapping
3.2. Project application design: Drina–Tara region and Drina river valley
3.3. Maintain the ecological action plan of the region and local (municipal) ecological action plan (LEAP)
3.4. Establish a regional ecological centre for biodiversity
4. Raise ecological awareness.
4.1. Schedule seminars, workshops, feasibility studies, related to environmental protection and selection of hard waste in the Drina – Tara region
4.2. Organize “green day” celebrations to inform the public on eco-friendly initiatives at different levels
4.3. Raise the level of cooperation and effective work of inspection services in the Drina – Tara region
4.4. Address the need to implement “ecological” fees/fines in order to prevent polluting activities

society) actions (strategies, trainings, research, public events). This seems to indicate that the environmental priority area will continue to evolve and reinforce itself through active and joint involvement of local stakeholders.

3.5.5 Missing themes and activities in the Action Plan: an exogenous input analysis to the bottom-up endogenous Action Plan drawn up by the stakeholders

As mentioned along the identification of priorities and the concrete measures in the Action

Plan, a certain number of priorities are either absent or marginally reflected in the Action Plan. Other obvious potential fields of (local) development identified within the baseline assessment have not been retained as priorities. This state of play is caused by various attitudes: a possible bias towards small-scale and/or local fields of development due to the prominence of the bottom-up approach; a decision not to focus on elements that need to be solved or addressed at higher administrative levels than the local one (i.e. National / International); the poor presence and influence of local stakeholders in some sectors of the local economy absent in the Action

Plan; the difficulty for stakeholders to project themselves at a longer term perspective; the complexity of certain problems which tends to deviate stakeholders from them.

The present section intends to recapitulate the various elements that have been discarded from the Action Plan, but for which some consideration should be given in order to devise a more consistent development Action Plan for the region. The following analysis is reinforced with the assessment of the respective national strategic frameworks of relevance, such as the 2010 Bosnian Strategy of Development or the 2007 national strategies of sustainable development in Serbia and Montenegro as well as earlier Poverty Reduction strategy papers in the two countries.

A conference has been organised in Belgrade in May 2011 gathering international organisations, national administrations both from donor and recipient countries as well as stakeholders from the target area and some remarks from this conference have also been integrated in the present exercise.

*** Synergies between the ABD plan and national strategies**

In general, the reinforcement of human capital and employment issues are high on the agenda of all national strategies in the area, thus measures under the SMEs and entrepreneurship as well as human capital improvement in the areas of agriculture and tourism are in total agreement with the national development strategies of the three countries concerned. However, as explained below, the ABD action plan is quite restrictive in comparison of national strategies which are more exhaustive in terms of objectives and measures (see below).

Agriculture and rural development is an area of importance for all three countries. It comes as a priority sector in the Bosnian plans and quite high in the agenda for Montenegro and Serbia together with other sectors. The synergies

between the Bosnian strategy and the ABD action plan in this sector are striking since both share a focus on the same productive sub-sectors as those identified in the Drina-Tara area (fruit, dairy and meat), on the need to protect local food traditions (geographical indications) and to promote rural tourism. The protection of diverse forms of agriculture is also taken on board in Serbian documents as well as organic farming. The need to modernise the food processing premises is also a priority mentioned in Serbia.

Tourism is explicitly one of the main priorities of Montenegro. The Northern part of this country is explicitly targeted for the development of alternative tourism (sport, rural, etc), in complement to the predominantly coastal present development of tourism in Montenegro. Overall, the national Montenegrin authorities seem to share fully the development strategy of stakeholders for this part of the country, with tourism relying on natural resources and a sustainable agricultural sector in support. Tourism is less high on the agenda for the Serbian strategies with a need to better plan its development (more stringent planning and construction rules) and to resolve water supply and waste/wastewater management issues. In Bosnia, the issue of tourism is hardly mentioned in the development priorities.

Environmental protection is also high on the agenda of the three countries, in particular in view of the main priority of each of them - EU accession. Therefore, the need to comply as soon as possible with the EU environmental acquis on waste management is a predominant concern in all three countries. Other environmental issues raised in the ABD action plan are also of concern in the national strategies of one or more of the countries concerned, for example, protection of natural resources and biodiversity in Bosnia and Serbia, river pollution in Bosnia etc.

Overall, the ABD action plan seems to fit well within national priorities, although there is a higher focus on tourism, a regional specificity. However, missing actions and priorities are numerous.

Missing actions within identified prioritiesInfrastructure*

Concerning tourism and agriculture, the issues of infrastructure (principally road, but also train and air) have been mentioned as an important element for ensuring access to the region for outside tourists and for ensuring easy export of agricultural production such as fresh and frozen berries (i.e. delicate products needing a very short transport period of time). Transport infrastructures are a key priority in the strategy papers of all three countries concerned (as well as other infrastructures, IT and communication, energy and water supply).

This means that several actions could be considered; however a proper cost-benefit analysis is needed to rank these ideas:

- Improvement of the major road axis acceding to the region: Belgrade-Užice / Sarajevo-Višegrad & Goražde & Sarajevo-Milici / northern access along the Drina river to Ljubovja, Milici & Bratunac; Podgorica-Bijelo Polje. At least some stakeholders mentioned the fact that a motorway access from Belgrade to Užice would be a real improvement for accessibility of tourists.
- Improvement of major road axis within the region: in the region, two main roads are of acceptable standard (Užice – Bijelo Polje; Uzice – Višegrad – Goražde: note that this road axis is explicitly a priority for the Bosnia national development plan), but for other connections, in particular concerning the access of the northern area (Milici, Srebrenica, Bratunac, Ljubovja and Bajina Bašta), there seems to be a need to improve the current standards.
- In terms of border crossing points, their number is relatively small, in particular in terms of bridges over the Drina River. The possibility to build a new bridge between

Ljubovja and Bajina Bašta has been evoked by certain stakeholders. In addition, the quality of bridges seems very poor in general and renovation should be envisaged (it seems there is a plan concerning the bridge between Ljubovja and Bratunac).

- In relation to the train lines, the existing line between Belgrade and Bar, which connects several cities of the area (Užice, Uvac (Bosnian border), Priboj, Prijepolje, Bijelo Polje) is very slow and the machinery and facilities rather outdated. Renovation seems to be required. The touristic train line deriving from the main line towards Mokra Gora and Dobrun could be extended down to Višegrad and its use not limited to touristic season.
- Concerning air transport (mostly for tourism), the airports mentioned in the region are poorly equipped (Užice / Tuzla). Therefore it is almost always imperative to land in capital cities (Belgrade, Sarajevo, Podgorica), with 3-4 hours of road transport to reach the region. Improvement of road transport or investment in local airports should be compared in terms of cost-benefit for privileging one or the other.

Issues related to the improvement of broadband coverage infrastructure were never raised during the ABD process in the Drina Tara area, probably because such coverage is understood as being of rather good quality (much better than in most rural areas of the EU-27). However, this was stressed as an issue needing continuous development in order to support a tourism-based development strategy, particularly if the aim should be to attract “professional” tourism (congresses, seminars etc.). It is also a major priority for the Bosnian government in general.

Farm structure

In terms of agriculture, the issues of the fragmentation of property and poor use (or abandonment) of large former state-owned

properties have been mentioned as problems; however, no action is foreseen to improve the situation. Some programmes allowing for the development of commercial small and medium size labour-intensive family farms, rather than maintaining purely subsistence ones or investing in very large structures with lower productivity, could be studied.

Specific access to credit for family farms and semi-subsistence producers, different from the one available for more standard SME businesses, to allow them to evolve towards more sustainable and competitive production systems should be contemplated.

The Bosnian national development strategy mentions this question as a key point and calls for a re-“organisation of farmland”. Fragmentation of properties (as well as pending legal status issues in Serbia) are also mentioned as drawbacks for the development of agriculture in Serbia and Montenegro national strategy papers.

Producer groups

Another idea has emerged concerning the need to group small-sized producers, particularly for fruit production. Incentives for producers to group themselves, both for ensuring supplies of inputs, technical assistance and for marketing their products (so as to rebalance their power in front of a reduced number of private buyers: some local intermediaries private cold stores and a few number of traders / exporters of frozen berries) should be considered. The national frameworks for producer groups and cooperatives should be renewed in all 3 countries, taking advantage of the fact that apparently, in the region, the concept of cooperative is not completely rejected by producers as it was the case in most new Members States. This is explicitly a point of the national Bosnian and Serbian development strategies. In the dairy and meat sectors, fragmentation of producers seems even more the case than for berries, due to the lower share of exports in their output.

Cross border trade

For certain fresh products (milk, fresh berries), it has been clearly mentioned that delays for crossing borders are obstacles to a better functioning of the market in these regions, to the detriment of agricultural producers (while downstream stakeholders in the chain are less bothered as they trade semi-processed goods which are less fragile). Consideration to the creation of a higher number of border-crossing points for goods (the example of one unique point in Zvornik between Bosnia and Serbia is illustrative) should be given, as well as a revision of customs procedures for local cross border trade: quality, phyto-sanitary, veterinary rules. There should be an effort towards a real single market within the region.

Waste and water management

Concerning environmental protection, the actions on waste management are very light. Several ideas mentioned should however be assessed, such as: creation of regional landfills and of a regional centre for recycling; development of waste water and sewage treatment facilities throughout the region. The cost of investment in these initiatives might be high, but it seems inevitable, given the strong focus on tourism and natural resources of the local development strategy. It is important to design a strategy to attract the necessary funding (from both local and external sources). The Drina River Basin Commission could be reactivated and play a role particularly on how collection of local funding is organized and what are the priorities to ensure a better management throughout the region of both solid waste and water waste. As stated during the Belgrade Conference, more attention should be devoted to a comprehensive watershed management strategy.

In general, all the strategy papers of the three concerned countries are adamant on this issue, which is a clear priority throughout the region. In Montenegro, this pending issue (despite the

adoption in 2005 of a Law on waste management) is seen as a major risk for the tourism-based strategy.

Education

Regarding the educational programme in the region, improved language skills have been mentioned as needed for tourism. However, the actions on human resources for tourism do not seem to focus on this aspect of training, which in fact should not be limited to the population working in the tourism sector. This puts in evidence that education (as well no other social sector) has not been selected as priority at this stage.

In fact, more generally, the national development strategies are widely focusing on education (a “knowledge-base economy” for Serbia, “improvement of skills on the labour market, vocational education and training” for Bosnia-Herzegovina, “efforts to establish the “learning society” and to achieve quality education” in Montenegro), which is not directly the case in the ABD programme. Efforts on the institutional education sector (primary, secondary and university levels) as well as the need to avoid the expert-drain are emphasised. The Bosnian plans are also stressing the importance of research and innovation.

***Missing priorities**

Improvement of the institutional and legal framework

The issue of local and/or cross border governance, evoked by stakeholders as one of the key priorities (third in ranking) at the stage of the exploratory research, disappeared as such when focus was given to activities which could be addressed at the area level. However, as stated during the Belgrade Conference, there is “a need of an appropriate institutional and legal framework for the implementation of the proposed actions, which supports joint activities of local stakeholders receiving extra funding”. This was also reflected in

the evaluation of former cross border cooperation programmes under the Interreg context. However, some initial reflections from stakeholders are mentioned in section 3.6 below.

In complement to the institutional governance, the improvement of corporate governance (for example, by improving book-keeping practices or the use of cost-benefit analysis in drafting projects) has been clearly suggested during the Conference in Belgrade as an efficient way to improve the confidence of donors, in particular banks.

Forestry and wood industries

Forestry and wood industries are relevant sectors within the target area. They were accordingly mentioned shortly by stakeholders when they carried out a SWOT analysis of the potential agricultural and rural development (see Box 6). However, there seems to be no attention to these sectors, absent from all identified priorities. In terms of forestry, improvement of the management of private forests and possible privatization of the remaining state forests and / or of their management / exploitation should be investigated, in particular in the parts of the region which are not bound to remain natural reserves or parks. SME saw-mills could be the subject of specific attention, as they evidently are a source of local employment and value added. Downstream SMEs (furniture and other wood crafts, as well as use of wood residues for energy production) should also be better targeted. Forestry is mentioned as a (secondary) priority in the Serbian and Montenegrin strategic papers.

Biomass energy and hydroelectricity

Energy production is also absent from the priorities, although, as mentioned above, the importance of forestry in the region could be an asset for biomass energy production. Other renewable energies have been mentioned as potential in the area (geothermal, wind, solar), but this is not reflected by any action. However,

the three countries are listing renewable energies as a priority for their energy independence. Another aspect absent from the ABD discussion, but however present in all national strategies, is the improvement of energy efficiency.

In addition, there is clear evidence of remaining potential for hydro-electricity in the region. There seem to be many plans in the region, on which local stakeholders and authorities are not well informed and consulted: the national energy strategies are indeed very much top-down driven. On this aspect, there might be synergies (use of lakes for tourism, use of water for irrigation), but also contradictions (arable land or cultural heritage flooded, change of microclimate, mentioned in Prijepolje, which would be detrimental to the production of berries) with the overall local development strategies based on tourism and agriculture. This theme reflects the need for a better articulation between top-down approaches (e.g. Bosnia considers hydro-electricity as a priority sector, not tourism; the situation seems inverse in Montenegro) and bottom-up initiatives.

Social inclusion

Other social issues are high on the agenda of the national authorities, such as access to health and poverty reduction, as well as minority issues. They are however absent from the ABD action plan.

*** Overall prioritization and vision**

Even if the results of this exercise have allowed stakeholders to lay down a rather comprehensive strategy (the rationale of which can be easily understood), several voices emphasized during the Belgrade Conference that the ultimate vision of what would be the end point of such strategy is still missing. In addition, the existence a clear connection between actions within each priority of the action plan (or the rationale of all actions) is not always very clear. It can be argued that the final vision of the development proposals is difficult to fully capture in the

absence of knowledge of the funding available. This implies that donor dependency is still very high in the region and that the transition to a more predictable scheme of pre-accession is still pending. Accessibility to mid- to long-term support would ease the reflection of stakeholders in the definition of their long term development vision. Stakeholders could still however further define the priority areas and the sub-priorities between actions. In this case, further trust-building, and therefore time for discussions and exchanges seem to be the main conditions for improving the ABD programme.

3.6. Implementation and monitoring issues: continuation of the process

In addition to drafting an action plan and a development strategy, stakeholders also discussed the future of their work. An “exit strategy” was evoked for which key players would have to be identified. These could also play a crucial role in overseeing the monitoring mechanism. As such, in order to secure long-term follow-up of the identified ABD initiatives, monitoring arrangements must be established, including actors from three different administrative layers working in coordination:

1. The *stakeholder group*, acting at the local level,
2. Contact points at the *ministries of agriculture* of the three respective countries,
3. An advisory and monitoring body at the international level.

3.6.1 The Drina Tara network

The SG constitutes the first and most operational component of these arrangements. There was consensus among the selected stakeholders on the importance of maintaining the structure of the SG that has been consolidated through a participatory approach and involves all important local actors:

state authorities, business groups and civil society. As such, it is regarded as a useful platform, not only for convening and deciding on common development needs and actions, but also for tracking their actual success or failure.

Actually, SG members have already established cooperative links at intra-municipality, inter-municipality and cross-border level. SG members have also developed mutual trust among them, which is very important for a region where until recently, communication was very limited, both geographically (from municipality to municipality) and between types of stakeholders (local governments, business sector and civil society). Moreover, the SG has managed to identify priorities beyond personal, sectorial or municipal interests, and focus on regional perspectives. Above all, the SG is very positive about the project and constitutes an important institution at the local level which can provide assistance on implementing local strategies. It was unanimously recognized during the Belgrade Conference that the activity developed in the framework of this case study has created a momentum, which could be the base for further ownership of the development of the area for its population.

However, it was argued that the SG needs internal organizational support in order to continue cooperation among members and within the working groups established under each priority area. Specifically, support is needed in preparing and implementing local development projects if/when funding is secured. For these reasons, the SG proposes to have two local coordinators, which should continue to facilitate the activities of the SG. In particular, the stakeholders proposed the following tasks:

- Preparation of Memorandums of Understanding between the 14 municipalities in the Drina Tara region,
- Seek consensus on a coordinated schedule for planned activities for the medium and long term,
- Follow up the relations and maintain the link with the contact at governmental level (e.g. Rural Development departments in the respective ministries concerned, and possibly with Regional Development department concerned),
- Secure regular communication and coordination of the activities of the thematic working group of stakeholders (tourism, agriculture and rural development, SME and entrepreneurship development, and environmental protection), (e.g. through regular skype conferences),
- Organize meetings with the partner groups, at least three times during the project period (Uzice, Srebrenica, Visegrad),
- Set up monitoring and advisory mechanisms for the SG via the selection of local experts,
- Foster the development of project proposals according to EU guidelines/standards
- Supervise the proposed Drina Tara web site administration: public calls, initiatives, relevant information, forum,
- Support a platform for development of the Drina Tara Region Rural Development Strategy and development of the rural development strategies on the municipal level,
- Maintain the link with the international umbrella of SWG-RRD through regular communication, in order to coordinate project drafting and contacts with potential donors,
- Support promotion of SWG-RRD through radio programs once a month distributed to the partner radio stations in the region; short film about the activities in the Drina Tara region,
- Presentation of the Drina-Tara experience in events organised for the promotion of cross-border cooperation and maintain contact

with institutions involved in cross Border components of IPA.

With regard to the institutionalization of the SG, its members shared the same view that further institutionalization under the format of an association would imply registration in one of the three countries (difficult choice and possible negative effects for those two countries which are not place of registration) or, more burdensome, in all three countries (but the diversity of the legal framework in all three countries makes this very complicated). Registration would also imply budgetary costs, which at the moment will hinder the activity of an organization, which acts on a voluntarily basis. Furthermore, SG members judged, based on their experience, that all initiatives of a cross-border nature where a strict institutionalization was applied have faced constant difficulties until they faded away. Consequently, the SG agreed that a more loose but flexible and operative organization consisting of a cross-border network of local stakeholders was the best solution, thereafter called the “Drina-Tara Network”.

They however proposed that a memorandum of understanding is signed among mayors of 14 municipalities to show the political willingness to support this initiative and its continuation. Other ideas evoked at the Belgrade Conference, such as the creation of a Euroregion, have seemed at this stage too premature to stakeholders. The idea is more to continue building trust on the basis of concrete realizations. One key milestone will be the three IPA CBC calls launched in August - September 2011, with deadlines for grant proposals in November – December. The capacity of stakeholders to submit proposals reflecting the outcomes of the action plans will be a good indicator of the sustainability of their commitment. The CBIB offered to organize a specific training session for them in order to optimize the possibilities to obtain funding from these calls, considered as a logical desk for the projects and actions designed by the stakeholders.

3.6.2 Articulation with national authorities

The stakeholders also consider it important to keep the momentum created with the so-called Delphi Group which allowed to create contact points at the agricultural ministries of the three respective countries. The future Drina Tara Network seeks to continue benefiting from the interaction with their respective ministries, secure national level orientations and guidance on the respective policy frameworks, and maintain an open channel of communication between the local and national spheres.

Orienting the work of the SG is important as all three countries have national strategies for local development (as well as strategies in the relevant key sectors such as agriculture, tourism or environment, and other sectors influencing them (energy, etc.)) so it is important that there is a constant harmonization between priorities at local level (SG) and at national level (contact points at ministries). Avoiding discrepancies between national and local level can help SG to seek for some financial support from national institutions for activities which are in synergy with the approved national strategies. As mentioned above, this is seen as particularly important in view of the multiplicity of national frameworks and strategies, as well as because of the on-going difficulty in information flows.

National contact points can also help by providing information on donor activities and other financial channels, as well as by directing donors to the activity of the Drina-Tara Network.

3.6.3 SWG-RRD as an international and institutional umbrella

The SWG – RRD stands for the Regional Rural Development Standing Working Group and is an international intergovernmental organization, consisting of governmental institutions responsible for rural development in respective countries and territories of South Eastern Europe. Therefore, the stakeholders

believe this characteristic renders the SWG a suitable candidate for a third and more strategic layer of coordination.

The stakeholders feel the need for an international organization that shares similar ideas and objectives on local development and that is capable of maintaining relations with donors and international institutions. The SWG-RRD is seen as the best solution/response to this need, for it has access to international institutions

and can advise the national administrations with regards to improving the legal framework for local development (in particular concerning the integration of *bottom-up* expressed needs in the *top-down* strategies). It can also act as an institutional umbrella for the implementation of initiatives in the Drina Tara area. Lastly, SWG-RRD has been involved since the beginning in development of the ABD programme for this area and has been an aware and active participant in the entire evolution of this process.

■ 4 Adapted methodology: main lessons from the Drina Tara case study

4.1 Introduction

As discussed in the literature review (Chapter 2), the ABD approach has been applied in the past in various regions of the Western Balkans. However, the present Drina Tara case study is the first one in which a special emphasis on rural development and cross-border cooperation is explicit.

Several general advantages and disadvantages associated with ABD programmes have been identified (Vrbensky, 2008); yet when dealing with rural cross-border target areas, some of the acknowledged limitations may be further accentuated and represent particularly relevant setbacks. For instance, the experience in the Drina Tara illustrates that in rural economies, it is harder for involved stakeholders to identify development potential in sectors not directly interlinked to the activities of agricultural production, agro-food processing or rural tourism. This translates into increased problems of development strategy fragmentation and visibility trap as defined by Vrbensky (2008). Likewise, in a cross-border context, understanding the macro-picture, establishing partnerships and integrating different national visions are challenging tasks both from a practical and conceptual viewpoint, given legal framework barriers, and lack of sufficient information concerning high-level policies.

The purpose of this section is therefore to discuss an adapted methodology for preparing similar ABD programmes to be implemented in other rural areas of the Western Balkans, where ABD intervention may seem to be appropriate. The adapted methodology discussed here builds both on the lessons learnt from the ABD pilot experience in the Drina Tara area as well as on the existing methodologies of other participatory (rural and cross border) programmes (such as

LEADER and Interreg). Specific methodological and organizational improvements are therefore suggested in five central aspects to any ABD programme:

- Area selection and delineation
- Participation (bottom-up) mechanisms and inclusiveness
- Top-down framework
- Multi-sectorial approach
- Organisational and financial perspectives.

Given the specific constraints of dealing with rural cross-border target areas, it was necessary in the case of the Drina Valley – Tara Mountain to develop context specific participatory mechanisms that could allow further exploiting of the acknowledged advantages of ABD, while compensating for the identified limitations. In this section, these mechanisms are evaluated and reviewed so that a more efficient extrapolation to similar contexts in the wider Western Balkans region may be better supported.

4.2 Area selection and delineation

The experience in the Drina Tara case study has contributed with key recommendations concerning the area selection process under an ABD initiative. As discussed in the ABD literature, the target area must be characterized by a certain degree of uniformity in terms of development problems and challenges. In the case of the Drina-Tara target area, this uniformity was sought not only in terms of the rural, cross-border, peripheral (from an economic activity perspective), cultural (common language

Table 25. Advantages and disadvantages related to Drina Tara "Area selection and delineation"

ADVANTAGE / STRENGTH	DISADVANTAGE / WEAKNESSES
<p>The municipalities involved are homogeneous in the sense that they are all peripheral to the current economic centres in their respective countries.</p> <p>In addition to their marginalized location, they also share a certain degree of uniformity in terms of their current development situation, demographic and socio-economic drivers (i.e. shared cultural and social history, socio-economic linkages and dynamics, similar geographic and demographic traits, etc.) as well as a post-conflict background (more relevant on the Bosnian side).</p> <p>Another common concern and interest within the target area of the Drina Valley / Tara Mountain is the Drina River and tributaries along which activities related to tourism and agriculture are developed.</p> <p>The recent creation of the borders, the existence of ancient (but often dormant since the split of Yugoslavia) relations, and the fact that people are using similar languages did allow a fast start in concrete discussion among stakeholders.</p>	<p>14 municipalities comprising 410 500 inhabitants and a surface of 7.10 square kilometres can be seen as too large to ensure close and regular contact. In the case of the Drina – Tara travelling time from Milici to Bijelo Polje is nearly five hours. This implies some organizational difficulties for the participation process. In other approaches, such as LEADER, areas covered by LAGs (Local Action Groups) are smaller (i.e. 10 to 100 000 inhabitants).</p> <p>This distance may support the idea that the municipalities involved may not have a common stand on perceived problems. For example, cropping areas such as Ljubovja may not share similar development problems as extensive cattle raising areas like Cajetina and Pljevlja.</p> <p>Nonetheless, some municipalities outside the target area share basic development problems with some that are included in the target area (eg Novo Gorazde / Cajnice / Foca; Zabljak / Pluzine; Nova Varos). As such, their exclusion was not well justified, the more so as they are all part of the upper basin of the Drina river and share similar geographical, human and socio-economic features.</p> <p>Ultimately, the cross-border nature of the target area may pose administrative difficulties for economic cooperation.</p>

and traditions), post-conflict setting and the existence of previous (but often dormant since the split of Yugoslavia) relations present in the 14 municipalities involved, but also in terms of less obvious linkages between municipalities given their economic and social relations (i.e. inclusion of Gorazde although it was not directly neighboring the rest of municipalities involved). Another common concern and interest was based on the Drina River and tributaries along which activities related to tourism and agriculture are developed and seen as pivotal for the potential of the region.

Nonetheless, a caveat of the Drina Tara target area is that some municipalities in close proximity to the 14 municipalities in question also share basic development problems (e.g. Novo Gorazde / Cajnice / Foca; Zabljak / Pluzine; Nova Varos) and were not included. In the present case study, their exclusion was mainly based on the fact that a larger number of municipalities would make close and regular contact more difficult and the organization of

the stakeholder group and community surveys more time and resource consuming. In other approaches, such as LEADER, areas covered by LAGs (Local Action Groups) are smaller (i.e. 10 to 100 000 inhabitants), largely based on the same principle. Although these are valid arguments from a managerial point of view (also since the cross-border nature of the target area posed a priori administrative difficulties) they are less well grounded on an ABD theoretical point of view. All in all, the exclusion of some bordering municipalities from the target area was not well justified on theoretical grounds, the more so as they are all part of the upper basin of the Drina river and share similar geographical, human and socio-economic features.

Concerning the actual area delineation process, the ABD principles mainly reinforce the general idea of uniformity and the pre-requisite of facing a specific development challenge or set of problems. Clearly, literature review may be useful in identifying a common development situation and constraints of a target area. However, field

visits and feedback from local experts must be sought when deciding on the final delineation. The latter implies that the views of stakeholders and the experiences and interrelations of populations in the potential target area must be taken into consideration; thus requiring that the participation process is activated even before the target area is fully delineated. This certainly complicates the decision of area selection for if local actors are contacted and later excluded or if those joining later consider themselves outsiders, the entire process may also be jeopardized. It is therefore delicate to decide where to begin this process: from the top or the bottom. Most likely a middle ground must be found where the delineation process is not fully addressed from a centralized perspective.

Table 25 summarizes specific advantages and disadvantages experienced in the Drina Tara pilot case concerning area selection and delineation.

4.3 Participation (bottom-up) mechanisms and inclusiveness

Several participatory instruments have been established and utilised to support the implementation of the project in the Drina-Tara target area. The key objective of these participatory mechanisms and activities was to create the basis for a multi-stakeholder approach to local development from a rural and cross-border point of view. A secondary objective of the participatory mechanisms was also to obtain valuable complementary information for the identification of development needs. The key participatory mechanisms for this project were based on the involvement of:

- Stakeholder group (SG) members
- Delphi group (DG) members
- Sample of community representatives, through a questionnaire-based surveys.

The consolidation of the stakeholder group allowed strengthening the commitment of local actors to the ABD initiative in the Drina – Tara target region. The Delphi Group on the other hand, attempted to engage national authorities and development experts so that synergies between the bottom-up approach and the top-down perspectives could be better reconciled (this is addressed in detail in sub-section 4.4). Surveys were of strategic relevance to both raising awareness on the ABD initiative and secure valuable information with which to contrast the analysis performed by both the SG and DG. Next, the two main types of bottom-up participatory tools designed for the Drina Tara pilot study are described along with an explanation of how they assisted in addressing specific constraints of the target area.

Stakeholder group (SG)

The main tasks of the SG were to acknowledge and discuss the baseline development situation, as well as to identify common development needs and priority interventions (along with expected outcomes and correspondent actions) and to support the area-based development approach in the region. Three members from each of the 14 project municipalities were invited to take part and a key challenge in this stage was not only to secure participation but to have a wide representation of the Drina Tara target area society. In other words, not only local authorities but representatives from all relevant areas of the private sector as well as major players within the civil societies, including top player NGO's, had to be counted in. The trick was to be inclusive without reaching a too large number of stakeholder group members that would make consensus too costly to achieve regarding time or too vague in its development action proposals.

All municipalities delegated one public senior staff member of their choice to participate in the SG. In order to identify representatives of the civil society and business sectors for the SG,

a set of criteria was established: participants were bound not only by structural characteristics (such as age, gender, sectorial distribution, geographic and cultural background, etc.) which would allow for a balanced sample of members, but also by the individual's ability or capacity to express and defend his or her own point of view. The latter basically aimed at preventing shortcomings already identified in other participatory processes where it was said that the 'wealthier, older men ... appropriate new participatory spaces' (BCID, 2007). In other words, representatives that belong to the SG had to be opinion leaders (or 'loud mouths') within their segments and also comply with basic traits so that the mixed group of SG members could represent the diverse interests of the pilot area. Clearly, this implies that the selection process was far from following a democratic procedure, but it nonetheless ensured that members would be proactive in their contributions and highly motivated.

Ultimately, a simple three-sector view on the SG composition was embraced, a notion based on the good practice identified in LEADER partnerships. Consequently, 32% (14) of SG members belonged to the public sector (i.e. project municipalities), 38% (17) to civil society (CSO), and 30% (13) to the private sector. The latter implied a substantial improvement of ABD programmes; particularly in terms of those previously implemented in the Western Balkans area where a strong focus was placed on local governments and therefore not systematically integrating the views from other social segments. The good practice adopted from the LEADER experience concerning the composition of public-private partnerships proved to be very useful in the Drina Tara target area experience, since by putting business sector and NGOs together with municipal authority representatives it was ensured that priorities which were relevant for the society as a whole could be more easily identified. In other words, the definition of priorities and action plans (including the designation of related inputs and actors to different initiatives), which was the main task of the SG members, was the result of

active debates and discussions at the local level (i.e. conforming to the bottom-up perspective of ABD). It is important to highlight that the broad representation of sectors within the stakeholder group translated into a non-discriminatory principle, supporting the exchange of ideas and points of view. The latter also inspired a sense of social cohesion, inclusiveness and cohabitation, which emerged despite bringing together individuals from different backgrounds.

Beyond plenary meetings of the SG, thematic working groups were derived from the SG in order to facilitate the identification of concrete local development needs and priorities, while simultaneously assessing how different areas of development could be coordinated and complemented into a common working plan. The thematic working groups were in charge of preparing:

- SWOT analyses of the socio-economic sectors related to the common development needs and priorities identified in the target area.
- Proposals for actions that would address the critical development needs and priorities. This included a definition of objectives, milestones and resource allocation (own local resources, government resources, private sector resources, and international donor funding).

The establishment of the SG started in mid-September 2010. The SG met five times and organized a 'local project workshop' at the end of February 2011 with an objective of disseminating the achievements of the SG to the other relevant stakeholders in the ABD target area and validating them.

Still, there are pitfalls to identify from this organizational practice. On one hand, it was absolutely necessary to maintain an animation team who was efficient and skilful in their networking of the area as it was their challenge to identify, invite

and stimulate SG members. The “cross border” composition of this animation team was also a critical asset since it contributed to overcoming sensitive issues arising from the interactions of heterogeneous participants. For example, in the Drina Tara experience, local coordinators had to ensure that the local language was not defined as “Serb”, “Bosnian” or “Montenegrin”. Clearly, not only constant dedication but inside knowledge and understanding of the socio-political context are a *sine qua non* for any participatory approach coordination/animation team. On the other hand, despite, aiming at consolidating a not very large SG, the diversity of SG members implied that it was not always straightforward to reach consensus, particularly when it was necessary to specify the action plans. In the Drina Tara target area, the SG prepared a list of development measures or projects which still lacked the degree of specificity and strategic purpose which could secure external funding. This means that even with skilled animators, participatory processes require much more time than the one (six months at most) dedicated to the Drina Tara case to achieve a real internalized consensus choice in ranking the priorities of development and the actions to be implemented. Likewise, it suggests that technical assistance would also be necessary if external funding is sought. In the case of the Drina Tara experience, the issue seems not to be a need of more resources for training of stakeholders (who repeatedly said they had received enough training and externally driven strategy drafting), but to provide stakeholders with enough time to apply analytical tools (i.e. tree analysis, SWOT analyses, etc.), agree on strategies and further refine their action plans and subsequent implementation timeframes. If over-training is to be avoided, it needs to be ensured that stakeholders possess the relevant skills to intervene and put forward the key challenges affecting their specific sector, while also being able to establish linkages and find innovative solutions. Again, this requires an effective SG selection mechanism as well as substantial engagement of resources in terms of skilled personnel in the animation team and longer time for the implementation of participatory approaches.

Sufficient time is therefore needed for involving stakeholders, building trust (particularly in cross-border post-conflict settings) and creating their ownership of the process. Six months is clearly too limited; a horizon of several years is needed instead. This lesson confirms results from evaluations of Interreg and LEADER programs, all showing that efficiency and effectiveness of such development approaches is increasing with time (OĪR, 2006, EPRC and Metis (2009)). For example, in the case of Interreg programmes 2000-2006, most programmes that begun before 1994 were considered to be quite efficient and effective, while the most recent ones (post 2000) still have a long way to go (Metis, 2009).

The time span of any ABD programme, however, cannot last forever and a suitable compromise must be found. One key challenge of the ABD approach is securing a long-term impact of the identified development solutions and associated action plans. Consequently, not only financial but also human resources are needed to ensure sustainability, and action plans must thus be revised and checked with available resources before their actual implementation begins (in addition, output monitoring mechanisms and indicators necessary for this stage are still very weak and incomplete). To address this issue in the Drina – Tara target area, participants have been encouraged from the beginning of the ABD process to reflect and prepare an “exit strategy” that may secure sustainability of the efforts and time invested so far in the identification and potential solution of development needs. Consequently, the 14 municipalities of the Drina – Tara region entered into an informal but permanent commitment in the form of cross-border Drina-Tara Network supported by a Memorandum of Understanding. Stakeholders from the CSO’s and private sector also expressed their wish to continue collaborating under the format of an informal network. Lastly, the SWG-RRD²⁸ offered to serve as an institutional umbrella

28 Regional Rural Development Standing Working Group of South Eastern Europe (SWG – RRD) <http://www.seerural.org/>

to facilitate funding²⁹ and promote the execution of different action plans envisaged in the ABD programme of the Drina Tara area. The Network is set to follow up and engage in a continuous revision of the identified development priorities and actions. The network will have a local component (SG), contacts at the national level (with links to the three countries involved), and access to the international community with the help of SWG-RRD.

Since the ABD methodology lacks an institutional follow up component, experiences from European Territorial Cooperation field (institutional aspects of Interreg and other regional policy programmes) were taken into account in order to inspire the stakeholders. Clearly, the promotion of ABD and most *bottom up* approaches rely on donor support. Logically, each donor has its own procedures and follows different methods depending on their need to justify their use of resources to their authorities and citizens. This does not necessarily fit with results from participatory exercises. This puts stakeholders in a position where they should bring forward well defined development project. The absence of strong long or medium term stable perspective for financing as well as the probability that financial counterparts will have to express their own priorities, weakens the overall process of programming, in particular the most detailed parts (concrete action plan and their output monitoring).

Questionnaire-based surveys

Two questionnaires were developed throughout the ABD programme implementation in the Drina – Tara target region. The first one was developed in October 2010 and the main objective was to gain a general understanding of the development situation as perceived by a wider audience. Open questions were

then prepared in order to assess what were the most pressing development needs as perceived by the average citizen. The results were particularly useful to the discussions of SG members when deciding on key priority areas. A second questionnaire developed in February 2011 was launched in order to assess whether the proposals made by the SG were compatible and acceptable to a larger group of multi-sector representatives from the target area. The use of community surveys is useful to understand the general public opinion, broadening the input of selected stakeholders. In other words, the point of view of the “average citizen” could be taken into consideration. Similar principles inspired the organization of the local workshop, where the analyses carried out within the stakeholder group were openly discussed and the support of a larger set of the Drina Tara community was ensured.

Besides gaining feedback from community representatives on the general development situation appraisal and on key/strategic development actions identified by the SG in its thematic working groups, the surveys also complemented the baseline assessment exercise of the Drina Tara target area. In contrast to the first questionnaire of October 2010, which aimed at collecting the opinions of the public on priorities regarding local development, the second questionnaire focused on receiving an institutional and expertise feedback from the institutions, which were in charge of addressing the priorities identified by the SG. By having open, semi-structured questions (with precise options to choose), the aim was to see whether the actions proposed were appropriate. The open questions aimed also at collecting some qualitative information in order to have a clearer picture of the socio-economic situation at the local level, considering the lack of available data. Although the first survey followed a snowball sampling technique that allowed reviewing the individual perceptions from all segments of

²⁹ Mainly under the IPA CBC components

society concerning gender, age, municipality and sector of activity, the sample of the second survey was based on interviews to local experts

from all 14 municipalities not involved in the SG³⁰. The latter implied that the participatory approach was further expanded.

Table 26. Advantages and disadvantages related to "Participation Mechanisms"

ADVANTAGE / STRENGTH	DISADVANTAGE / WEAKNESSES
<p>Involvement of Stakeholders</p> <p>The form of the participatory process implemented (externally selected stakeholder group) promote a sense of community and selection of action plans which benefit the entire target area. The resulting sense of social cohesion, inclusiveness and cohabitation, are helpful in bringing together a variety of different ideas. The latter also contributes to the involvement of local leaders present in the stakeholder group. The broad/inclusive selection of participation to the stakeholder groups translates to a non-discriminatory principle which benefits the exchange of ideas and points of view.</p> <p>The good practice adopted from LEADER experience concerning the composition of public-private partnerships proved to be very useful by putting business sector and NGOs together with municipalities, representing a major improvement of ABD practice (focused on local governments and therefore not appropriately reflecting priorities of the society and focused on institutional support)</p> <p>The animation team played an important role, thanks to their network in the area. The "cross border" composition of this animation team has also been an asset since it has contributed to overcoming sensitive issues arising from the interactions of heterogeneous participants. For example, in the Drina Tara experience, local coordinators had to ensure that the local language was not defined as "Serb", "Bosnian" or "Montenegrin".</p>	<p>Organizing the participation process with selected stakeholders poses the question of its democratic character (which legitimacy in front of elected representatives?) as well as of its openness to outsiders and newcomers.</p> <p>The diversity of stakeholders involved makes it difficult to come to an arbitration between the different ideas proposed, particularly for the case of action plans, where, even encompassed in a strategy, the list of measures / projects proposed can still look like a kind of "shopping list" with less rationality than the strategy itself.</p> <p>The constant dedication of animation team is something which needs to be ensured in order to support participation. This requires a substantial engagement of resources in terms of skilled personnel and time.</p> <p>Even with skilled animators, participatory processes require much more time than the one (six months at most) dedicated to the Drina Tara case to achieve a real internalized consensus choice in ranking the priorities of development and the actions to be implemented, on the basis of appropriate analytical tools. The issue is not a need of more resources for training of stakeholders (which repeatedly said they had enough training and externally driven strategy draftings in the recent past), but to provide stakeholders with enough time to apply analytical tools, agree on strategies / action plans and subsequent implementation.</p>
<p>Participatory Events & Data Collection</p> <p>Community surveys are useful to understand opinion of the general public, broadening the input of selected stakeholders. In other words, the point of view of the "average citizen" could be taken into consideration</p> <p>At the local workshop, the analyses carried out within the stakeholder group were discussed and supported by a larger set of the Drina Tara community.</p>	<p>Data at the local level tend to be incomplete and cross-border comparisons are also difficult to establish. Again, for ensuring comparability, time is needed for gathering expert knowledge and local data</p>

30 The sampling approach for the selection of respondents was as follows. Four respondents were randomly selected from each of the six categories of representatives (municipalities, branches of central government offices; chambers of commerce, business development organizations; farmers, and representatives of agricultural associations; hotel and restaurant owners and other tourism operators; higher education organisations (universities, technical schools); training providers). Some minor exceptions are possible with regard to small municipalities. The "country" sample is, however, equally distributed amongst the six groups, and age and gender are also equally distributed among the sample.

To summarize, participatory tools with a larger audience, such as community surveys (or the local workshop organized by the SG), are rather useful in integrating the information from different sources as well as in contributing not only to double checking whether the analysis of the SG was in fact shared by the target community, but also to complement the baseline assessment of the development situation in the Drina - Tara area.

Table 26 above summarizes the specific advantages and disadvantages experienced in the Drina Tara pilot case concerning bottom up participation mechanisms.

4.4 Top-down framework

Delphi group (DG)

One of the main challenges of the ABD and other bottom-up approaches is to fit locally developed initiatives with the macro-situation (e.g. higher-level institutions, national level policies, national and international markets). Given the need to ensure a proper link with top-down national policies, the establishment of a group of experts familiar with the national policies and an international perspective to local problems of the Drina-Tara region was considered not only valuable but of strategic relevance. In the case study area, this cooperation and coordination had to be sought with national levels from the three countries involved, by asking representatives of ministries to monitor the participatory process and its outputs in a so-called Delphi group. Considering top-down linkages also meant that any previously-existing cross-border initiative(s) had to be scrutinized and if beneficial to the ABD programme objectives, be brought on board. Given the historical background of the pilot area, the rebuilding of traditional connections and multi-ethnic confidence in the area was also addressed.

The Delphi group (DG) was therefore consolidated with the aim of providing a

‘helicopter view’ that combined oversight and insight in terms of: (i) helping to identify the core issues for a bottom-up approach to local development, that is, opportunities and challenges, and (ii) harmonising the project’s objectives and development activities with the wider regional/national development programmes of all participating countries. The main idea was to facilitate the introduction of a top-down perspective, so that an adequate synergy between the bottom-up and top-down perspectives could be ensured and the ABD intervention’s potential of success could be increased as a consequence.

The DG had 11 members, of which four represented the secretariat and member countries of the Standing Working Group on Regional Rural Development (SWG-RRD), five came from academia, and two were experts in fields related to environmental engineering, agriculture and sustainable development. Specifically, the group included representatives from the Ministry of Foreign Trade and Economic Relations of Bosnia-Herzegovina, the Ministry of Agriculture of Serbia and the Ministry of Agriculture in Montenegro. It was expected that their first-hand knowledge on national strategies for the rural areas in their countries played a determining factor in the evolution of the project. Likewise, the academics were selected on the basis of their previous working experience in local and rural development issues as well as their understanding of the particularities of the economy of the region. In fact, of particular importance in the identification of Delphi group members was the nature of academics’ applied and policy-relevant research that has influenced policy making in the Western Balkans. Thus, the team allowed covering a policy-relevant and multi-disciplinary scope, including economy, sociology, geography and law. In addition, the working areas of the experts were also meant to fill the gaps in the local actors’ experience, particularly in terms of environmental issues arising from the modernisation of agricultural production. Their ability to understand the context and area-specific

Table 27. Advantages/strengths and disadvantages/weaknesses related to the top-down perspective of the ABD process in the Drina-Tara target area

ADVANTAGE / STRENGTH	DISADVANTAGE / WEAKNESSES
<p>The contributions of the Delphi group helped to address conflicting priorities (e.g. hydro-electricity national priorities vs. agriculture / tourism vs. agriculture).</p> <p>The exercise has also proved that, despite all the genuine efforts, information (on programmes, strategies etc. adopted at national or regional level) does not flow easily down to the field and stakeholders.</p>	<p>There are difficulties in securing the feedback from international and national experts. This feed back implies an important workload (bridging the wide range of international and national frameworks with the numerous initiatives / ideas arising from the stakeholders) for people already quite busy. Accordingly, the rate of participation/reaction from Delphi group has not always been high.</p> <p>There is the possibility that different experts reflect different priorities / opinions (e.g. perception of the importance / appropriateness of organic production - related actions). Likewise, it is difficult to avoid a certain degree of paternalistic approaches which can lead to mistrust from local stakeholders.</p>
<p>Local presence, ability to understand the context and area-specific obstacles.</p> <p>High level of flexibility in order to adapt analytical tools which contribute to a fuller assessment of the context.</p>	<p>Difficulty in identifying development activities which can be successfully carried out at the area level. Omission of other relevant activities for the target area</p>

obstacles would inform SG discussions while avoiding paternalistic approaches or censorship of bottom-up initiatives.

The Delphi group did not meet physically but it was intended for a regular interaction via email and/or through a web-based platform to take place. However, there were difficulties in securing timely feedback and effective participation from the international and national group of experts. Although the contributions of the Delphi group helped to address conflicting priorities (e.g. hydro-electricity national priorities versus agriculture and tourism versus agriculture), the processing of their reports implied substantial workload to the coordination team who also had to disseminate results to the stakeholders. Moreover, in certain cases, opposing opinions were expressed by different experts (e.g. perception of the importance / appropriateness of organic production - related actions). Likewise it was difficult to avoid a certain degree of paternalistic approaches which can lead to mistrust from local stakeholders. It is highly probable that as in stakeholder interaction and consultation, national authorities and development experts from the Delphi group also required sufficient time to evaluate and propose measures as well as further coordinate

so that their output could further support SG debates. Overall, the exercise has also proved that, despite all the genuine efforts, information (on programmes, strategies and other documents adopted at national or regional level) does not flow easily down to the field and stakeholders and in future experiences it is recommended to devote more resources to securing timely feedback from external development experts and general access to national strategy documents.

Table 27 summarises the strengths and weaknesses encountered in applying a top-down perspective to the ABD process in the Drina-Tara target area.

4.5 Multi-sector approach (expectations and feasibility)

In the case of the Drina-Tara region, the four key priorities identified are concentrated in the following areas:

1. Tourism;
2. Rural development (with a special focus on agriculture);

Table 28. Advantages and disadvantages related to "Multi - Sector approach"

ADVANTAGE / STRENGTH	DISADVANTAGE / WEAKNESSES
<p>In the case of the Drina-Tara, the identified priority areas have latent inter-connections (where the Drina river and tributaries occupy the central position) which help address simultaneously the objective of promoting local development in the target area: tourism is supported by natural resources (environmental protection), SMEs and traditional local food production (agriculture); agriculture and rural development should incorporate rural tourism and produce outputs for the touristic sector; main scope for SME developments are tourism and agro-food sectors; agriculture can contribute to protection of environment.</p>	<p>The multi-sectorial nature of ABD can lead to inadequate coordination between implementing agents. In the same line, initiatives in a large number of varied sectors may translate into fragmented view of reality and the ABD intervention.</p> <p>Due to time constraints and probably also because certain issues have not been addressed at the area level, some important elements of the multi-sectorial approach have not been reflected in the action plans: the striking example is the waste management and river quality issues.</p> <p>Other important elements for development intuitively perceived by stakeholders and therefore present in action plans (e.g. export capacities of berries, need to have producers grouped, need to reduce physical and legal barriers to free movement of goods, investment in road infrastructures and improvement of accessibility to the area) are less well reflected in the overall development strategy, either because they seem to be outside the competences of local government or because they seem to be secondary assets.</p> <p>Other sectors are completely absent from the strategy / action plan, either because they are still escaping from the local economic dynamics (forest and hydro-electricity production, driven from national level) or because such sectors (i.e. health, culture, etc... services in general), may be seen as secondary objectives considering the present stage of development of the area</p>

3. SME and entrepreneurship;
4. Environmental protection.

Each priority area and their corresponding action plans are highly correlated and inter-dependent, thus complying with the multi-sector nature of ABD. For example, by supporting the conservation of natural resources in the environmental protection priority area, the sustainability of touristic activity in the region related to rural and mountain tourism would be enhanced. Another synergy is found between extension services devised for entrepreneurs (SMEs) in the area that could also serve the sectors of tourism and agriculture, and for which specific trainings have been considered.

The Drina-Tara case demonstrated that it is possible to elaborate through a participatory approach a multi-sectorial integrated development strategy, even though this aspect seemed ex-ante rather difficult to implement

(according to the evaluations of typical rural development approaches, LEADER in particular). In this sense, stakeholders have sought a good balance between rural and urban parts of the target area; the fact that the city of Uzice does not attract most of the attention of the action plan illustrates this well. However, it can be argued that action plans could have been elaborated in further detail.

Since the ABD approach is based on the principle that local stakeholders tackle issues which can effectively be tackled at the area level, important aspects related to effective cross border interaction were not fully addressed, although acknowledge. For instance, the need of an appropriate (i.e. coordinated) institutional and legal framework for all 14 municipalities which supports the implementation of the different actions evoked under each priority area, allowing for truly joint programmes of local stakeholders to consolidate and receive external funding. Concerning this particular aspect, the need to

gain trust of donors and banks could also be considered of strategic relevance and related initiatives such as the improvement on book-keeping practices could be very positive.

Likewise, it can also be argued that the multi-sectorial approach is incomplete because significant elements have been left aside, i.e. initiatives related to forestry and biomass energy; watershed management and hydro-electricity; broadband access and language skills for tourism in particular business tourism. As already stated this could be related to the fact that in rural economies, certain sectors not very well known to the stakeholders may end up without a thorough assessment. Evidently, it is necessary to make a distinction between what is expected from a multi-sectorial analysis and what is feasible. One measure to improve the quality of results obtained by the SG members is to provide timely information and technical assistance so that sectors considered important from a top-down perspective may also be considered and evaluated at the local level. This would constitute a key recommendation for other rural cross-border ABD experiences in the Western Balkans region.

A summary of the strengths and weaknesses that are relevant to the multi-sectorial/integrated aspect of the ABD approach in the Drina-Tara area is given in Table 28.

4.6 Organizational and financial perspectives

One key challenge of the ABD programme is securing a long-term impact of the identified development solutions and associated action plans. Consequently, not only financial but also human resources are needed to ensure sustainability. The latter may, however, be further complicated in the context of cross border areas where it is harder to find credible interlocutors and overcome legal complications attached to awarding funds to a cross border entity.

Although the ABD methodology is rather efficient in reinforcing a sense of true ownership of initiatives, time is needed not only to build the mutual trust necessary to organize an implementation plan, but to also to obtain results which benefit a cross-border community; (for example, a framework politically and financially stable for sufficiently long period of time (5 to 15 years) is needed, particularly when dealing with environmental actions). It is absolutely essential in an effective organizational strategy that information flows are improved and that decisions are taken at the local level (based as far as possible on local expertise) so that these remain close to and deal with citizens' needs. The organizational aspects must thus also support active cross border contact through the investments in human networking, so that new ideas of cooperation may emerge and a virtuous interactive cycle may be established. One way to move this forward is to have existing CBC projects complement ABD interventions, so that a larger number of linkages may be strengthened in the area.

Concerning financial perspectives, cross border cooperation may be funded under the Instrument on Pre-Accession in the Western Balkans. However, in order to become eligible, the technical quality of development action plans must meet specific standards, both in terms of contents and format of proposals. In the case of the Drina Tara experience where action plans were devised in relatively short time, fine tuning might be necessary. The latter is not only important to secure funding but also to increase the success rate of project implementation. Likewise, other area-level sources must also be considered. This need not only to include internal financial resources, but also human resources and local assets. Having this type of proactive attitude is very important particularly in the absence of strong long- or medium-term stable perspective for financing as well as the probability that financial counterparts express their own intervention priorities. Although the latter might weaken the overall ABD programme

Table 29. Advantages/strengths and disadvantages/weaknesses related to the organizational and financial aspects of the ABD programme in the Drina-Tara area

ADVANTAGE / STRENGTH	DISADVANTAGE / WEAKNESSES
<p>The 14 municipalities of the Drina – Tara region are thinking of entering in a light but permanent commitment in the form of cross-border Drina-Tara Network supported by a Memorandum of Understanding</p> <p>Stakeholders also expressed their wish to continue collaborating under the format of an informal network.</p> <p>There are some existing financial sources to explore, in particular the IPA Cross Border Cooperation component.</p> <p>SWG-RRD could serve as an institutional umbrella to facilitate funding and promote execution of the different action plans envisaged in the ABD programme of the Drina Tara area.</p>	<p>ABD methodology lacks an institutional follow up component in the long term. Experiences from European Territorial Cooperation field (institutional aspects of Interreg and other regional policy programmes) might be taken into account.</p> <p>Clearly, the promotion of ABD and most bottom up approaches relies on donor support. Logically, each donor has its own procedures and follow different methods depending on their need to justify their use of money to their authorities / citizens. This does not necessarily fit with results from participatory exercises.</p> <p>Despite the dependency on donors being acknowledged locally, the stakeholders had difficulties to come with proposals for self-financed action, with the notable exception of a wish to continue discussing local development issues even without external donors intervening.</p> <p>The long term perspective for funding local development plans relies on the perspective of accession to the EU. However, these perspectives are still far away (and with different time horizons for the different countries involved).</p> <p>Given the short time frame for the identification of activities and although the specified action plans are complete, they deserve fine tuning and further improvement. Moreover, some activities are not well integrated into the ABD programme (e.g. forestry,...) and further reflection should be carried out.</p> <p>In addition, output monitoring mechanisms and indicators are accordingly still very weak and incomplete.</p>

agenda (in particular the most detailed parts related to concrete action plan and their output monitoring), common grounds must be sought, in which the role of interlocutors will be crucial.

As already mentioned, in the Drina – Tara target area participants (mainly in the SG) have been encouraged from the beginning of the ABD process to reflect and prepare an “exit strategy” that may secure sustainability of the efforts and time invested so far in the identification and potential solution of development needs. To this end, an institutional network within the target area that is set to follow up the identified development initiatives has been promoted. The network will have a local component (SG), contacts at the national level (with links to the three countries involved), and access to the international community with the help of SWG-RRD.

Table 29 gives an overview of the strengths and weaknesses in terms of organizational and financial resources available for implementation of the Drina-Tara ABD programme.

4.7 Final remarks

The present case study has provided some basic guidelines on how to adapt the ABD approach to the particular circumstances of a rural cross-border target area. The ABD experience in the *Drina Valley – Tara Mountain* region has in fact illustrated how specific participatory mechanisms may be adjusted in order to address context specific challenges and potentially increase success rates. Likewise, theoretical and practical insights (integrating experiences from other related approaches, such as LEADER and the Interreg

programmes) were used in the Drina Tara pilot area and actual improvements were related to data collection processes (via community survey and local expert knowledge), introduction of dynamic participatory events (local workshop and frequent SG debates), and the connection to a Delphi group of local/international experts (which included government officials) in order to promote synergies between local, national and international measures. Overall, implementation of the ABD approach in the particular context of the rural and cross-border Drina-Tara target area has required inventive solutions and a high degree of flexibility.

Recommendations from the implementation of the ABD approach in the Drina Valley – Tara Mountain target area can be found from both the geographical level of the case study and by extension/extrapolation for possible implementation in similar contexts in the wider Western Balkans region. Such lessons are useful both to cope with (and reduce the effect of) ABD-related disadvantages as well as to further exploit advantages as identified by Vrbensky (2008). These can be summarized into the following aspects:

- (i) the *area delineation* process needs to be well defined in order to cover all similar sub-regions in terms of development problematic without reaching a size where participatory process would be impossible to implement nor excluding areas with similar characteristics and, therefore, key players;
- (ii) the *bottom-up process* and its good progress – guidance should be offered to both DG and SG members so that they understand the nature of their roles and how they are inter-related. Development proposals should be prepared in detail for which technical assistance and sufficient time are required. Although proposals which cannot be addressed at the area level and deal with major changes of legal frameworks related to border/custom/trade laws and migration should be made at and clearly referred to higher political-administrative

levels; stakeholders should not refrain from expressing clearly their needs in these issues and should be sufficiently motivated in order to continue interacting after the official end of the ABD intervention.

- (iii) the *top-down* accompanying framework of the participatory process must be openly discussed. Information flows should be improved and, for this purpose, further support and coordination efforts should be dedicated to the well functioning of tools allowing contact with national administrations and/or academic representatives; possibly with an increase in the physical interaction with local level stakeholders.
- (iv) the efforts to reach a truly *multi-sectorial* approach must be increased. One way is to provide technical assistance during SG discussions concerning the identification of development needs and potential. Another is to devote more time to the analysis and prioritising of action plans as well as the development of an interlinked and comprehensive target area strategy.
- (v) the *institutional and legal framework* needed to ensure the sustainability of a cross border approach of this kind should be reinforced. This may be partly achieved through the institutionalisation of SG and the support of international organizations, such as SWG-RRD. The latter also implies the consolidation of a mid- and long-term vision and mission.

Previous ABD programmes developed in the wider Balkan region often had a strong focus on the strengthening of local governance; in the Drina Tara a clear effort was made to reach other segments (i.e. private sector and CSO's). The latter has been considered to enhance the development strategy and action plan for the Drina-Tara area. However, the time frame foreseen for this process in the Drina-Tara area has been very short and this remains the major shortcoming / weakness of the whole case study exercise. Despite this limitation, collaboration

between and commitment from the actors involved has been intensive and willingness to further strengthen this cooperation has been expressed. Nevertheless, much of the actual implementation of the developed action plan still depends on availability and commitment of sufficient resources. Concerning financial aspects, IPA CBC funds could be a potential source, if concerned countries agree on shared strategic actions. Synergy with existing interventions by donors in certain regions could also be considered.

In the meantime the support of the SWG-RRD to address potential bilateral donors and international financial institutions to study possible ways to support stakeholders of the Drina Tara area and other potential target area in the Western Balkans can be viewed positively. Thus, in the case of the Drina Tara, the SWG-RRD may play an important coordinating role for the implementation of the action plan, in order to take advantage of the high level of local ownership so far achieved.

■ 5 Identification of Potential Rural Cross-Border Target Areas for the Implementation of an Area-Based Development Approach in the Western Balkans

5.1 Introduction

Although rural areas in the Western Balkans may be characterised by great heterogeneity in terms of geographic and ethnic traits, there are relevant shared structures and trends, for example:

- Variety and abundance of natural resources and their favourable ratio to population density;
- High importance of agriculture in the structure of the rural economy, accompanied by low levels of entrepreneurship and service sectors; agriculture is mainly characterised by subsistence and semi-subsistence farms, with a dual, bi-modal structure of farms (co-existence of large size commercial and semi-subsistence farms) in the northern parts of the region (Pannonia plains, Valleys of Sava and Danube river);
- Out migration of younger and entrepreneurial rural population that discourage investors and lead to reduced productivity in the rural areas;
- Under-valorised local heritage and other available components of the territorial capital.

The economic dimension of policies affecting bordering regions in the Western Balkans is currently focused on the development of large scale transport and energy infrastructure as well as on the establishment of free trade (CEFTA). As mentioned in the above sections, the past experiences of cross-border cooperation show that the most important elements for CBC promotion are the political will of local authorities to intensify cooperation (provided it is possible in the local or more glocal political context),

the human capital and skilled labour force, the improvement of accessibility and connectivity and the existence of common cultural traits such as language and values.

Under this general context, the study carried out identification of potential rural cross-border target areas for the implementation of an area-based development approach in the Western Balkans. This was done through the desk research of national academic experts in the different countries concerned, collection of available data from the existing local strategic documents and phone interviews with NGO representatives. In addition, an applied approach based on the analysis of territorial assets (physical, economic, social and institutional) gave the possibility to make sound identification of local strengths, weaknesses, threats and opportunities as well as a good picture of internal/endogenous development potential. The idea is that the results of this preliminary assessment can be used as starting point in the ABD approach and further joint cross border work on rural development.

The chapter consists from the following sections: Section 5.2 discusses the methodology applied in order to identify potential ABD target areas in the region; Section 5.3 introduces 7 identified rural cross border areas while simultaneously analyzing (in a succinct manner) their baseline development situation in terms of key assets from a physical, economic, social and institutional point of view; Section 5.4 summarizes results and concludes.

5.2 Research Methodology

The identification process of rural cross border areas suitable to participate in an ABD program took place in three stages:

5.2.1 Data collection and identification of uniform potential rural target areas at national level

Based on the inputs of national academic experts, scientific/technical studies and available statistics, all border rural regions within the Western Balkan region (with, where appropriate extension towards EU Member States, such as Bulgaria or Greece) were initially considered. The process of area selection secured that rural municipalities located in identified peripheral areas shared a certain degree of uniformity in terms of development situation and socio-economic drivers (i.e. common cultural and/or social history, ties and/or interests, similar socio-economic characteristics, linkages and dynamics, uniform geographic and/or demographic traits, etc). This has led to the preliminary identification of 12 potential target areas, in addition to the Drina Tara pilot area.

5.2.2 Cross-border analysis of proposed rural regions and delimitation

The analytical exercise was developed in two steps:

- i. Draft proposals of single-country border rural areas were cross-checked in order to identify cross-border areas sharing development challenges and co-depending in the use of specific assets such, as natural resources. Consequently, a consolidated draft list of rural cross-border areas was compiled. This led to the preliminary identification of 9 potential target areas, in addition to the Drina Tara pilot area.
- ii. Rural cross border areas were also delimited at this early stage according to the two basic factors: population (the limit is set at 350 thousand inhabitants), existence of traffic connection, absence of political tensions or other impediments. These factors were based on the Drina Tara pilot case study experience.

After considering the above mentioned criteria, the 9 pre-identified regions, were reduced to 7.

Indeed, two pre-identified regions were not selected for further work on the following grounds:

The border area between Croatia and Bosnia-Herzegovina (denominated Una-Sana region) was considered to be still marked by land disputes, minor in global terms but of great local importance. Very specific sections of the border along the Una river (close to Mount Pljesevica, south of Bihac) are currently disputed. Moreover, in this region, there is an excessive number of border crossings on a single route which impedes any serious development and frequent cross border interaction in the region. According to the national experts, the Zagreb-Bihac-Split railway line is still closed for major traffic due to this issue. There is another dispute concerning an island of the Una river (between Hrvatska Kostajnica and Bosanska/Srpska Kostajnica). The issue is still unresolved, despite being covered by the 1999 Treaty on state Border between Croatia and Bosnia-Herzegovina (Klemencic, 1999). These elements render the implementation of an ABD approach in this area to be difficult.

Another example of cross-border region for which the conditions did not seem adequate to implement an ABD approach at this stage is the Sandzak region (and adjacent areas), across Serbia, Montenegro, Kosovo UNSCR 1244 and Albania. The latter is based on two sets of reasons: primarily, the border area between Kosovo UNSCR 1244 and Serbia is still subject to absence of mutual recognition and, even more so due to the recent unrest experienced during Summer 2011 at the occasion of the deployment of Kosovo UNSCR 1244 customs / immigration officials at the border crossing points which led to the cease of bilateral talks late September (AFP, 2011). Secondly, the connectivity between the less problematic sub-areas is very difficult and limited to only two roads between Pec in

Kosovo UNSCR 1244 and Berane in Montenegro. The connection between Kosovo UNSCR 1244 and Albania is absent in this area of the two countries. Under these conditions, it seems totally inappropriate to initiate an ABD approach at this moment in this area.

5.2.3 Assessment of the identified rural cross border target area in terms of its feasibility to successfully implement an ABD program

In order to evaluate to what extent the remaining identified areas were suitable for an ABD intervention, a succinct version of the criteria set used for the analysis of the baseline development situation of the Drina

Tara region was utilized. Key assets in terms of physical, economic, social, human and institutional social capital were also reviewed for this purpose. The following aspects were therefore considered:

- i. Existing economic links and compatible economic structure as a sound basis for further development of business activities.
- ii. Dependence on natural resources and geographical characteristics, which motivates joint environmental protection and exploitation of resources.
- iii. Common agricultural production and market access or constraints, which may translate

Map 3. Rural cross border regions proposed (and rejected) for ABD implementation



into joint production, marketing and/or breeding/branding of common products.

- iv. Condition of physical infrastructure, which allows for frequent interaction and contact.
- v. Existing capacities of the local governments and CSOs, which give an idea of the region's potential involvement and engagement in an ABD initiative.

After the above identification process was concluded, the 7 rural cross border regions emerged as suitable target areas for ABD implementation (See map 3). These are introduced in detail in the following sub-section.

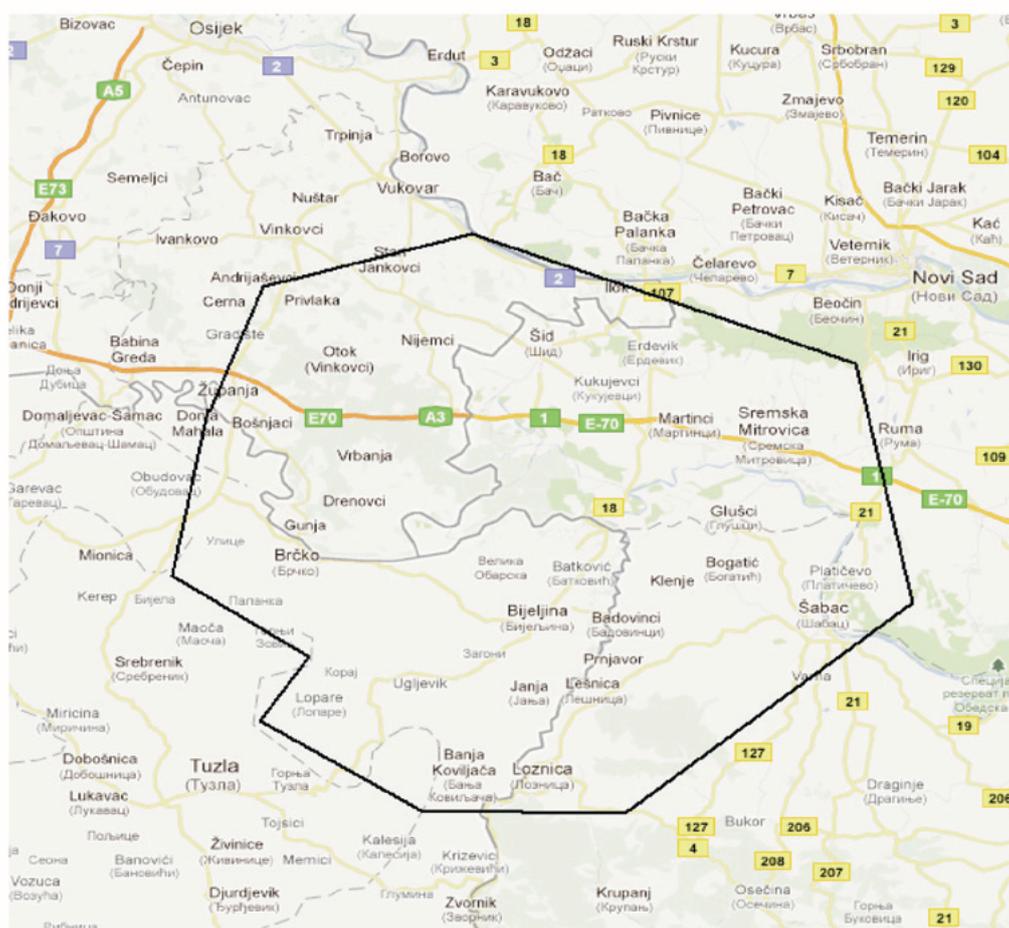
5.3 Results: 7 identified rural cross border regions suitable for ABD approach

In this sub-section, the 7 identified regions are described in terms of their physical, economic, social, human and institutional capital. Equally, after this in depth review of their main assets, a list of key traits and development opportunities are enumerated. Tables summarizing statistical and qualitative data on the 7 regions are available in Annex I.

5.3.1 The DRINA SAVA Region

This region is located across Serbia, Croatia and Bosnia Herzegovina (map 4).

Map 4. Drina –Sava Region



Source: Own elaboration from Google Maps

Table 30. Main characteristics of the Drina- Sava Region

Municipalities	Population	Area km ²	Number of settlements	Population Density	Natural increase Per 1000 inhabitants
BOSNIA & HERZEGOVINA					
Bijeljina	108,305	733.9	68	147.6	-27.0
Ugljevik	16,225	165.2	17	98.2	-63.0
Lopare	15,806	292.6	24	54.0	-109.0
Brcko	75,664	402.0	50	188.2	-
Donji Zabari	2,646	46.8	2	56.6	-25.0
CROATIA					
Ilok	8,351	130.56	4	63.96	-40
Lovas	1,579	42.59	2	37.07	-12
Tovarnik	3,335	64.39	2	51.8	-17
Nijemci	5,998	224.33	8	26.74	-20
Vrbanja	5,174	191.69	3	27	-25
Drenovci	7,424	200.51	5	37.02	-42
Gunja	5,033	31.01	1	162.30	-19
SERBIA					
Sremska Mitrovica (part)	85,902	762	26	113	-4.7
Sid	38,973	687	19	57	-7.0
Bogatic	32,990	384	14	86	-8.2
Loznica (part)	86,413	620	54	139	-4.2
Sabac (part)	122,893	798	52	154	-5.5
TOTAL	622,711	97375.6	66.42		

Sources: National statistical offices of Croatia, Serbia, Bosnia and Herzegovina, FYROM, Montenegro

i. Physical / Environmental Capital

The region corresponds partly to the Drina-Sava-Majeveica Euroregion founded in 2003 (by Bosnian and Serbian municipalities of Loznica, Bogatić, Šabac and Mali Zvornik). The most relevant centres of the Drina Sava region are Brčko and Bijeljina in Bosnia and Herzegovina and Šabac and Sremska Mitrovica in Serbia (respectively in Srem and Mačva Administrative Districts). Both regions, the southern Srem and Mačva, belong to the more developed areas in Serbia, with well-built roads and train connections. On the Croatian side, none of the seven selected municipalities is a large regional

centre, but the distance to the larger cities Vukovar or Vinkovci is about 20 km.

The region covers an area of the Pannonian Plain in the valley of the Drina and Sava, on the slopes of Fruska Gora and Majeveica. High quality arable soil prevails. Even in more mountainous municipalities (Lopare, Ugljevik, Loznica), the quality of land is such that mainly used for agricultural production. In only few municipalities, the share of UAA is below 50% of the total surface (Lopare, Ugljevik, Nijemci, Vrbanja and Drenovci). In most of the area, agricultural land covers 70-80% of the total territory. Some areas are

still suspected to be mined, which hinders the agricultural potential (see below)

Forests are mostly preserved and only occasionally exposed to excessive felling, mainly due to wood-processing activities and infrastructure construction. Forests are an important natural resource of the area. The forests and other natural areas of this region are largely used for hunting (hunting grounds in Bijeljina, Nepricava, Morovic (the latter with military status), in the Croatian county *Vukovarsko-Srijemska* (rabbits, foxes, deer, pheasant and mallard pheasant)). In the Croatian side, 53 joint hunting areas are rented by domestic hunting associations and hunting societies in a ten-year period lease or concession. Hunting areas are also characterised by the issue of mines, therefore partly inaccessible and with an increasing population of wild animals.

Most of the territory in this region is located at 80-120 meters above the sea level. Parts of the territories of some municipalities are located at higher altitudes (Brčko, Lopare, Ugljevik, and Loznica), reaching near the 700 meters in *Šabac* (689m mountain Cer).

Several National parks, Nature parks, and other protected areas are located on the territory of this region, such as the special forest reserve "*Vukovarske dunavske ade* (in Ilok and Lovas) or others.

The region is also rich with geothermal waters (Loznica, *Šabac*), geothermal energy and excellent mineral water (Bijeljina). Thermal waters exist also in the Croatian part of the region, but they are not properly used for tourism. Spa centres are however developed in Bosnia and Serbia (Banja Dvorovi - Bijeljina and Spa centres *Koviljača*, Badanja and Radalja in Loznica). Rafting and related activities are performed on Drina River (Loznica). The region has excellent fishing grounds (Bijeljina) with the three artificial lakes (*Donji Žabari*) as well as many rivers and lakes.

ii. Infrastructure

The region has an excellent geographical position and is easily accessible by all forms of transport (road, rail, water, air transport). National and regional roads (including the two highways: Belgrade - Zagreb and Belgrade - Novi Sad) give to this area good connection with all surrounding municipalities and relevant urban centres. Main railway lines include: Belgrade – Zagreb, Belgrade - Novi Sad, Zagreb - Budapest, Zagreb - Sarajevo, etc. The latter allows connecting these districts with the neighboring regions and Europe.

The region is situated between two important international waterways - Danube and Sava. On one part of the territory, the Sava River is only conditionally navigable (not enough flow in some parts, unmarked channels, etc.). Existing traffic, therefore, depends on seasonal conditions and the water level. The international airports "Nikola Tesla" in *Surčin* (Belgrade) and airport in Banja Luka are near these important traffic corridors.

Construction, quality of housing and architecture vary significantly within the region. In some parts of the region architecture has been preserved, but many settlements, landscapes, infrastructure and environmental entities were devastated during the war and have only been partially restored. Many old buildings and infrastructure still need reconstruction (particularly in the Croatian part of the region and in Lopare in Bosnia-Herzegovina).

Electricity, water, sewage and other communal systems are not equally developed within the region. In general, electricity and water supply are acceptable, but sewage is poor and covers only the households in urban main centres. Part of the selected region in the Croatian part has a good quality of telecommunications grid. Electricity infrastructure needs to be reconstructed and modernized. The condition of water supply infrastructure is in a bad state (aged – over 30 years old, insufficient capacity, presence of asbestos, etc.) All this causes great

losses of water and reduction in water pressure. The region, however, has a solid system of channels for drainage and irrigation.

iii. Cultural heritage

Some examples of relevant valuable architecture from the point of view of cultural heritage are present in Brčko (*Srpska varoš*, church, first post office), Sremska Mitrovica, Šabac and Sid (well preserved buildings and houses from the XIX century). Monuments and landmarks across the region are represented by sacral objects and memorial places from XX century wars. Most important features of local cultural heritage are *stećci* (grave stones), Sirmium roman fortress in Sremska Mitrovica and long-standing local cultural and social events: “Vukov sabor” in Loznica and Sabac fair (“Šabacki vasar”). There is also a rich musical tradition in the region.

Hotels, motels and other types of accommodation are available in all municipalities. “Ethnovillages”³¹ and sport / recreation touristic complex are present in the area Šabac, Loznica (Koviljaca Spa) and Spa Dvorovi - Bijeljina.

Traditional local food products are wine (Ilok wine, including a wine route), fruit and vegetables (cabbage from Semberia, watermelon, plums, *šljivovica* (plum brandy) and other fruit brandies, *bestilj* (plum marmelade), medical herbs), meat products (cured meat products (“*Sremski kulen*”), *mangulica* pig, *mangulicas* bacon, sausages) and Donkey milk from Zasavica. Traditional handicrafts include: wood industry, embroidery, needlework (*Zlatnovez*, *necanje*, *beli vez*), weaving (Loznica), basket knitting (Brčko).

31 “Ethnovillages” are reconstructed traditional villages/hamlets with wooden houses/barns, present in many areas of the countries in the region. Very often, original buildings have been transported from different previous locations and concentrated in a new location, for rural tourism purpose.

iv. Economic Capital

The overall regional GDP per capita is most probably situated at a level below the national average in Serbia and Croatia, and above the average in Bosnia Herzegovina. Donji Zabar and Lopare are the only municipalities in BiH of which GDP per capita is below the national Bosnian level. In Serbia, Sremska Mitrovica and Šabac GDP per capita is around 80% of the national average, while in other municipalities, it is lower.

The share of agriculture in GDP is the largest in the municipalities in Serbia, especially in *Bogatić* and Sid (40%). This percentage in the Croatian territory of VSC is about 20%, and the municipalities of Bosnia and Herzegovina 9-13%. Favourable geographical location on the edge of the Pannonian Plain and flat lands are positive features for the development of agriculture. As a result of the war in the early nineties, the Croatian side of the area has still large land strips contaminated with mines or under the suspicion of being contaminated with mines. The most common crops are cereals (wheat, corn, barley), vegetables (cabbage, watermelon etc.), industrial crops (sugar beet) and fodder crops. Farmers are increasingly turning to the production of vegetables in greenhouses. There is a large unexploited potential (Loznica, Šabac, Bijeljina) to heat the greenhouses with underground geothermal waters. Livestock production is dominated by intensive pig and cattle farming.

Despite the great potential of agriculture, there are certain restrictions to its development. For instance, the organisation of farmers is very weak and cooperatives are missing. Another problem is the underdevelopment and disorganisation of markets with poor logistics/processing infrastructure (cool stores).

In the last few decades, livestock production has had big fluctuations in volume of production, especially pigs and beef (unstable market conditions, prices, irregular

payments, etc.). The region is one of the main livestock production regions in the Western Balkan. Reviving the capacity of slaughter and meat processing enterprises is expected to contribute stabilizing production and to further development of the sector.

In terms of development and poverty level, the Croatian sub-area is the penultimate of all Croatian districts, according to the Croatian Development index³² on regional competitiveness. The highest level reached in the region for this index is 71% in Ilok.

The most important sectors identified in local development strategies are intensive agriculture production, food processing (sugar, dairy, oil and biofuels – see box below – fruit and vegetables processing) and SMEs sector. In addition to these sectors, construction and timber industry are also important in Croatia, while BiH (*Brčko* and *Lopare*), metal industry has some prospects. Production and processing of leather is very important as well as manufacture of footwear, accessories, clothing, etc.

The region has large areas of forest, particularly with the oak tree, this is why wood industry is a most prominent and well developed sector

"Victoria oil" AD is the first and so far the only plant for biodiesel in Southeast Europe. The total value of these investments is around 20 million euro, which makes it the biggest investment project in the country. The plants (which rely on the German Lurgi technology) reach an annual production capacity of 100,000 tons of biodiesel. The protection and preservation of the environment were some of the key factors in selecting the appropriate equipment

32 Development index in Croatia includes indicators as follows: income per capita, unemployment rate, income of public budget, population trends, and education rate. There are 5 groups of units (municipalities, cities, counties): I. Group= below 75% of Croatian average, II. Group= 75-100% of Croatian average, III. Group= 100%-125% of Croatian average, IV. Group= above 125% of Croatian average

and technology in the preparation of the plant to produce biodiesel. The special quality of this refinery is that it ensures the production of biodiesel that meets the European quality standard EN 14 214.

<http://www.victoriaoil.rs/index.php?cid=10&sid=21&stid=24&lang=rs>

Concerning the tourism industry, the region is characterised by a poor use of opportunities such as fishing, hunting, cultural tourism, nautical and recreational activities. Accommodation facilities are present in insufficient quantity and, for the existing ones, their quality is inadequate and requires substantial investment in existing buildings in order to meet modern quality standards.

v. Social and human Capital

Data on the population numbers are quite outdated, and do not accurately reflect changes caused by the war. As shown in table 30 above, the region is characterised by negative natural change, particularly strong on the Croatian and Bosnian sides (between -1 and -10% per year), less on the Serbian side (negative but over -1% per year). Gender balance is degraded, as demographic statistics indicate that male population prevails from 10% (*Nijemci*) to 19% (*Gunja* and *Šabac*) with respect to female population. In terms of age structure, most of the area is characterised by a reasonably high dependence ratio³³ around 0.5 (between 0.46 and 0.60 depending on the municipalities) and a rather low age ratio³⁴ (between 1.0 and 1.2), with two Bosnian municipalities showing a much larger group of young people (*Bijeljina* and *Lopare*) and therefore a higher dependence ratio. Compared with the general situation in the Western Balkans region, dependence and aging ratios in the region of the *Drina-Sava* are somewhat better.

33 The dependence ratio is calculated as follows: Population below 15 and over 65 / age groups 15-64

34 The age ratio is the ratio between the age group < 15 and the age group over 65

For historical reasons, the border areas contain one of the most ethnically diverse populations in Europe. The ethnic diversity of the population is the largest in municipalities Ilok, Gunja, and Sid, where 1/3 to 1/4 of the populations are ethnic minorities. The Roma population is represented in the Bosnian part of the region and the municipalities of Šabac and Loznica.

Civil Society Organizations (CSO's) in Bosnia have focused on humanitarian work (Bijeljina), and cultural activities (Ugljevik). In other municipalities CSO's focus on sports associations. The most developed network of civil organizations is present in the Croatian municipalities in which the activity of CSOs is based on tradition and cultural identity. Some CSO's in the region appear to have very good experience in the access to funds from the state budget and international organizations (donors). Some funding is provided partly from the pre-accession EU funds.

The entrepreneurial potential of local population is based on a long tradition, especially in Serbian part of the region. On the Croatian side, there are registered SMEs (Ilok, Lovas), but most of them are businesses with just one employee.

vi. Institutional Capital

There are large administrative centres in the region and a number of institutions for development support, fund raising and banking, including the government and regional agencies on the local level with varying degree of success rates in their performance. The region, despite its negative demographic trend has a relatively developed business sector, mainly in terms of SMEs which tend to be the focus of development agencies in the region.

Key Characteristics

- Similarity in economic structure dominated by agribusiness, chemical industry and trade. Strong presence of grey economy,

- Proximity to attractive markets (large urban centres),
- Flat and fertile agricultural land - cereals and industrial crops represent the most common crops, while pig meat is the most relevant in livestock production,
- There are several local products (*kulen* – salami), but without any official brand because of the lack of standardized production and managerial and marketing initiatives,
- Good connection with the main European transport corridors (roads, train, possibilities for river transport),
- Diversity of ethnic groups (existence of more than 20 ethnic groups in the region),
- Out migrations and negative demographic trends, devastated property, mined areas and social issues caused by the war
- Proximity of Universities and R&D capacities next to urban centres,
- Environmental issues are a major threat for development: in particular, unsolved problems of trash and water sewage treatment,
- Lack of joint spatial planning policies and property related ownership issues may result in delaying the implementation of infrastructure projects.

Development Opportunities

- A positive regional identity and future regional development assistance could encourage economic and social development targeted at keeping - and attracting - young people in the area;
- There are strong possibilities for development or re-building of cultural and economic

- connections to generate opportunities for positive cooperation;
- Improving selected border crossing points to increase cross-border traffic, trade and economic cooperation;
 - Reconstruction of roads, regional airports and increased commercial use of river and railway transport;
 - There are sufficient opportunities for multi-ethnic population to cooperate in building confidence amongst civil society groups and building of cultural networks to engage border area population to participate in CBC activities;
 - Exploiting benefits of Central European Free Trade Agreement (CEFTA) to increase export and cross border trade potential;
 - Cooperation between research and development institutions and industry can boost innovation and increase competitiveness of industry;
 - Capacity building in strategic planning, programming and project implementation in both private and public sectors will increase access to sources of funding;
 - Support to increased institutional cooperation at the level of regional and local authorities such as Euroregions, standing committees of municipalities, etc. in order to expand business opportunities.

Main features of the DRINA SAVA Region

The Drina Sava region has strong economic links partly promoted by its relatively well-developed physical infrastructure and geographical proximity to markets. A modern transport network is one of the most important factors enabling connections at the local, regional and international levels and is essential for developing both regional economies and effective cross border cooperation. This feature, along with market proximity, is also considered as a positive factor in the attraction of national or foreign direct investment, in particular in those sectors potentially competitive at the European level (e.g. intensive agriculture: arable crops, intensive livestock, vegetables under glass; manufacturing such as metal, chemistry, or leather).

Main cross-border development challenges also include sanitary and environmental regulation and protection issues, such as sewerage system, wastewater treatment solid waste landfills, air pollution from thermal power plant Ugljevik, etc. Therefore, there is ground for future cross border cooperation in all municipalities in the near future. In addition, there is local on-going experience, including under IPA arrangements. The latter implies that there is considerable experience from institutions and local experts which could support an ABD initiative. Lastly, there is no language or natural barriers to establish ABD guided interactions.

5.3.2 The PCINJA Region

This region belongs to the Central Balkan region and the involved municipalities are situated along the Macedonian-Serbian, Serbian-Bulgarian and Bulgarian-Macedonian borders (map 5).

Map 5. Pcinja Region

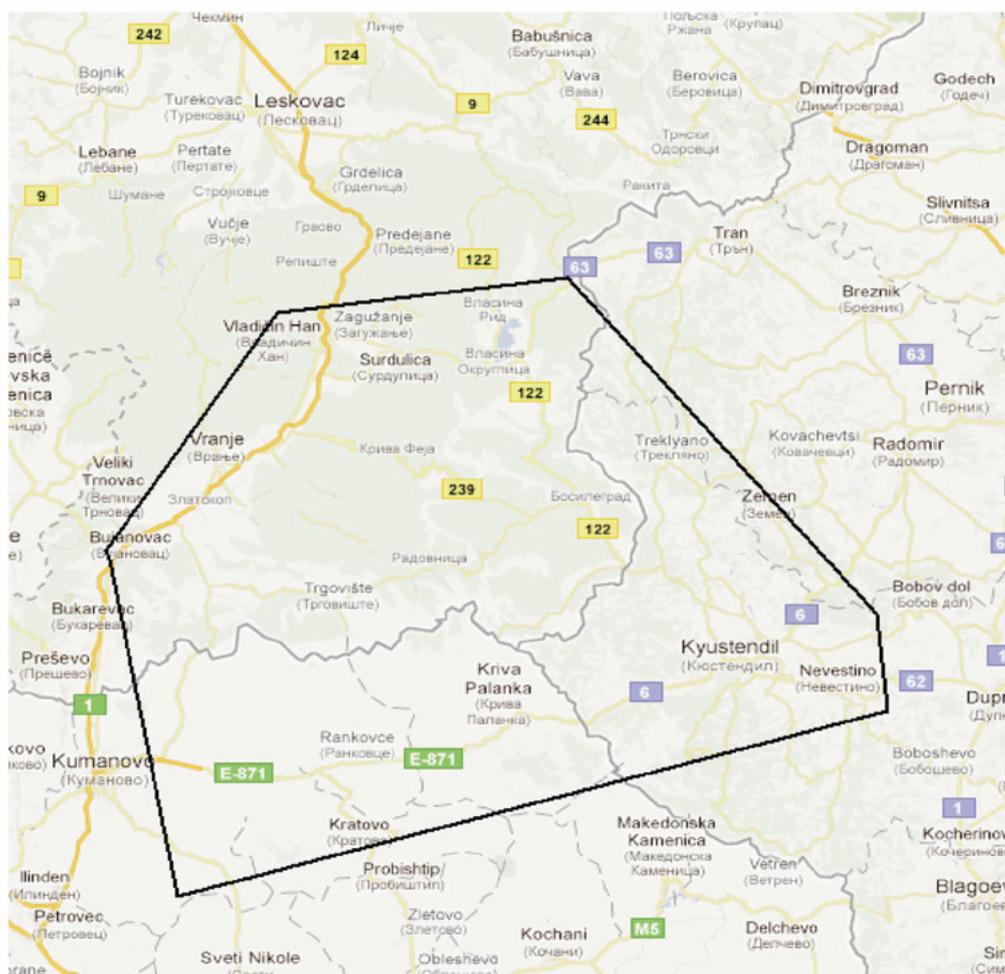


Table 31. Main characteristics of the Pcinja region

Municipalities	Population	Area km ²	Number of settlements	Population Density	Natural increase Per 1000 inhabitants
SERBIA					
Bosilegrad	9,931	571	37	17	-9.4
Trgoviste	6,372	370	35	17	-6.5
Bujanovac	43,302	461	59	94	0.0
Surdulica	22,190	630	41	35	-3.7
Crna Trava	2,563	312	25	8	-41.5
FORMER YUGOSLAV REPUBLIC OF MACEDONIA					
Staro Nagoricane	4,840	451	39	10.73	-18
Rankovce	4,144	242	18	17	-5
Kriva Palanka	20,820	481	34	43.3	-7
TOTAL	114,162	3,518	288	242.03	

Sources: National statistical office of Croatia, Serbia, Bosnia and Herzegovina, FYROM, Montenegro

i. Physical / Environmental Capital

The Serbian municipalities belong to two districts (okrug) – Crna Trava and Vlasotince to Jablanicki district and Bosilegrad, Trgovishte, Surdulica to Pcinjski district. The municipalities of Staro Nagorichane, Rankovci and Kriva Palanka are situated in the North-East part of the Republic of Macedonia and contain a strip of two borderlines – on the north with Serbia and on the East with the Republic of Bulgaria. Kumanovo may be considered as the cultural and economical centre for all assessed municipalities. On the Bulgarian side, the upper valley of the river Struma around the city of Kyustendil is well-connected and shares similarities with this region.

The region is characterized by mountains with extremely diverse geological substrate and soils. Maximum altitude of these ranges between 1500 and 2000 meters. Important natural resources include agricultural land, geothermal and mineral springs, hydro-potentials, forests and mineral resources. The area is rich in surface waters, but one can also find dry karst valleys and conditionally waterless terrains. Waters of smaller streams are mainly of first quality due to the absence of industry pollution and intensive agriculture production practices. Meadows and pastures are predominant. Soil is fertile for certain crops and vegetables but configuration of terrain does not favour intensive agriculture.

On the territory of the region there are several particularly valuable protected areas: Jaresnik, Vardenik, Gole, Bele Vode, Dolina Pcinje, Vlasinsko Lake, Kacar, Zelenicje, as well as the area of immediate surroundings of the monastery of St. Prohor Pčinjski. Regarding geothermal waters, the most famous is Bujanovac spa which is one of the few in Serbia that has been given considerable international recognition for its curing capacities, its uniqueness lies in the specific amalgamation of three natural factors – thermal water; peloid, i.e. the volcanic mud; and the carbon-dioxide of almost 98% purity, which is almost the single

case in Europe. Local experts claim that only one other health resort (in Slovakia) benefits from water containing the same gas, but not in the same amounts than those found in the Bujanovacka spa's water. On the Macedonian side, other spa water can be cited ("Strnovec").

Due to remarkable water resources, the region provides good conditions for fishing (Pcinja river, Pcinja, Vlasina and Bujanovac lakes). The hunting grounds are rich, well equipped and contain fauna, including reintroduced artificially, such as deer, wild boar, rabbit, pheasant and partridge.

Other natural resources of the region that are underutilized or are not sufficiently explored are:

1. Lead and zinc mine, some terrains (which are not explored in detailed) with tungsten and gold (Bosilegrad).
2. Deposits of Bentonitske, kaolin and pottery clay, feldspar findings, white granite (Bujanovac).
3. Potential for installation of wind mills for electricity production, molybdenum mine Mackatica (Surdulica).

ii. infrastructure

The region has a strategically important geographical position since it is connected to two important roads and railway corridors to South and East, and in the range of 3 international airports (Sofia, Skopje and Nis - the distances between airports in the region is about 150 km from any point). There is therefore an advantage for the region in terms of its position, which connects the northern and southern parts of the Balkan Peninsula. This is recognized through the development of the European Multimodal Corridor number X, which represents the main axis of interregional transport for the Southeast Europe, connecting Austria and Hungary with Greece via Belgrade and Skopje. The region is

also crossed by a perpendicular corridor (number VIII), which links Albania to the Black Sea via Skopje and Sofia. Beyond these major corridors, the situation of road infrastructures is rather poor. Many roads, even the main ones, are abandoned or degraded and asphalt roads are few.

Touristic infrastructure in the area requires significant reconstruction and addition of new content/products to be able to successfully compete on a very demanding regional market. Only a small number of hotels has a high standard (according to local rules of categorizing), which means a very reduced number of accommodation facilities reaching international standards.

Water pipes systems are incomplete, sewage systems do not exist, disposal of waste remains unsolved, systems for purification of waste waters are uncompleted, waste recycling is altogether absent, communal services unequipped and the services they provide are consequently insufficient. Staro Nagorichane and Rankovci in Macedonia do not have sufficient amount of drinking water and are still expecting the construction of the regional water system 'Prohor Pchinski' and the dam on Maltenichka river with Serbia to solve their problems. Only 14 settlements in the municipality of Staro Nagorichane receive water through a water supply system and 25 provide water from sources, wells and streams. Additionally, energy supply is still not covering the whole region properly and the telecommunication system is underdeveloped.

iii. Cultural heritage

In the lower part of the area, settlements are compact while in mountainous areas they are scattered. Traditional architecture is insufficiently preserved, particularly in urban centers. The traditional Ottoman-style houses exist out of administrative centres, in settlements which are usually populated by older population. "Mahale" are unquestionable symbols of the lifestyle of the region. Rehabilitation of traditional

urban architectural structure would raise the attractiveness of the region and is definitely an issue that requires greater attention.

Some of the most important examples of landmarks and monuments in the region are: Vraziji kamen ("Devil's stone" - specific landscape with stone peaks of up to 50 meters), the locality "Kostopers` Rock" with its underground rooms and halls that exist many millenniums ago, the megalithic observatory "Kokino", archaeological sites. There are many manifestations held during Christmas Eve and the Christian and Serbian feast "St. Sava" and several monasteries are renowned such as Prohor Pcinjski from XI century and others, some back to VII century with Byzantine frescoes and icons.

The most important traditional products of the region are sheep, fruit and vegetables (forest fruits, medical plants), fish, wine, honey and tobacco (oriental type). Specific knowledge of the local population includes indigenous knowledge in management of natural resources, livestock farming, unique hand embroidery, construction (municipality of Crna Trava is very famous with its construction workers – "dundjeri", where the first artisan school for construction workers is found).

iv. Economic Capital

The economic structure in the region is generally characterized by a relatively large primary sector (15 to 35%), a large-scale industrial sector (up to 75% of the economy of certain municipalities), and a more reduced service sector (15 to 40%)

Land and farm structures are highly fragmented. The equipment and technologies used are obsolete and inefficient and mechanization, if present, is on average 20 years old. There are no major foreign investments in the field, the population active in the sector is ageing. Agriculture is not followed by processing and so the region is mainly producing raw materials without adding value. Agricultural production is

extensive and not market-oriented. Forests and grasslands represent the most important natural resource which supports the rural economy in the region. Livestock grazing systems based are the fundamental agricultural activity, mostly sheep and alternatively beef. These livestock systems are mostly traditional, extensive and rarely semi-intensive. Traditional selling points for livestock farmers in former Yugoslavia used to be located along the Serbian-Macedonian border with Trgoviste as an important market. The absence of marketing strategies, lack of knowledge, and strategic dedication to niche products are identified as crucial limitations for development within the sector.

In terms of other primary sector activities, the region is rich in lead and zinc ore that has only partially been exploited in the past. Processing is mostly occurring in the largest regional centres (Kumanovo, Vranje, and Kyustendil). Few municipalities have other sources of income such as Crna Trava where civil engineering is a business that is second after agriculture. The region is considered to be one of the richest reserves of lead, molybdenum and zinc with a certain percentage of silver and gold.

In some municipalities, the manufacturing sector represents an overwhelming share of the economy, for example, the factory of stylish furniture "Simpo" in Crna Trava and many different industries in Surdulica (3 factories of shoe industry "Koštana", "Rosa –Coca Cola" and a few companies dealing with medical herbs, textile etc...).

The region's geographical location and rich natural resources could form a base for the development of the service sector, specifically international trade, transport and related services, tourism, but its present isolation has not allowed such development yet.

In total, the region in comparison to other regions in Serbia and Macedonia is economically marginalized. The per capita income of

municipalities is 25-75% lower than national averages. In fact, all Serbian municipalities in this region have a development index which is 50% below the country average. The dynamics of GDP is generally unfavorable. Bosilegrad and Trgoviste belong to the group of municipalities with the lowest development index values recorded in Serbia. An indicator is the recent evolution of loans granted by the Development Fund of the Republic of Serbia in the district of Pcinj: 3.2 % of total loans in 2002, 1.6% in 2005. Not only the development level is low, but also access to credit seems to be decreasing. On the Macedonian side, in the municipalities of Rankovce and Staro Nagorichane, besides small retail firms and restaurants there are no other significant private initiatives.

v. Social and Human Capital

Pcinjia region is characterised by the lowest population density in Serbia and Macedonia (also in Bulgaria). For instance, population density in the municipality of Crna Trava is 8 inhabitants per km², in Staro Nagoricane it is 14.

The most outstanding problem of the region is progressive depopulation. The persistent and ongoing economic lagging has led to a multi-decade depopulation and high rates of aging. Demographic movements on the municipality level in the period 1971-2002 recorded the highest population outflow on the territory of the Municipality of Crna Trava (-74%). Depopulation is due to both outmigration and weak natural change.

People older than 65 years in some municipalities represent nearly half of total population (45%). The age ratio is particularly degraded in the mountainous areas (e.g. Trgoviste or Crna Trava, where one can count up to five persons over 65 for each one below 15). Unfavorable age structure and outmigration are extremely negative factors for the future development of the region. Settlement structures are characterized by sparse population, small size of settlements and limited number of bigger cities.

The educational conditions are also unfavorable all around region. In smaller Macedonian municipalities over one fifth of the population is without primary education and 33% is with only primary education (Staro Nagorichane 54% and Rankovce 41%). The reason for that is also the number of educational institutions, which is small in these areas. Higher educated individuals (secondary, higher and high education) are considerably more present in larger municipalities of Kumanovo and Kriva Palanka. The percentage of unemployed is also high due to the high share of unqualified persons.

This region is multiethnic, but with the common cultural heritage, the characteristic local dialects and mentality are shared. The most heterogeneous municipality concerning ethnic structure is Bosilegrad where more than eight nationalities are represented. Most of the population of municipalities Bujanovac and Bosilegrad are national minorities (Bulgarian and Albanian population). The share of Serbian national minority in total number of inhabitants of Staro Nagoricane is about 30%. The share of Roma population is also high (9% in Surdulica), but there also is the high percentage of nationally undefined population (who declare themselves as Yugoslavs or undecided).

The development of civil society is very limited and insufficient. The NGO network is gradually expanding, although tackling few issues such as environment, protection of children and women, protection of wild life. The engagement of CSOs in economic and development activities is decisively low. Traditional forms of CSOs are mostly cultural associations of national minorities, folk-dance associations and, beekeepers associations that exist in almost each Serbian municipality.

vi. Institutional Capital

Local institutional capital of municipalities in the region is weak. Due to restricted financial means, municipalities have elementary administration.. Some LED offices or regional agencies exist and

were created and funded by donor projects. All municipalities have strategic documents and also Regional Development Strategy for Pcinja and Jablanica Districts is adopted in Serbia. Strategic documents were not always the result of participatory work with local stakeholders, but just the design of local authorities with contribution of external experts. This region represents one of the most underdeveloped parts of the Balkans and a number of donors and national development projects are implemented here. For some municipalities, it is impossible to find even basic information on the Internet as websites are out of order.

Aside from several project activities in this region that already brought stakeholders from this region together (although none is recorded under IPA cross border component between Macedonia and Serbia), there is a huge bond in culture, population and transport. Noteworthy is the fact that a significant part of the population in Staro Nagoricane are Serbs (19.4%), as well as the fact that most of them own land from the both sides of the border between Serbia and Macedonia.

Key Characteristics

- Negative demographic trends, continued outward migration of young and well-educated people
- Structural and regional problems with unemployment, social exclusion and poverty - High poverty rates, registered among all population categories (Increase of poverty might lead to further ethnic friction, and degradation of living and working conditions and human rights),
- Ethnic structure of population in municipalities is various with majority belonging to Serbs, Albanians, Bulgarians, and Macedonian,
- Natural resources and conditions for development of mine industry, agriculture and food industry as well as alternative tourism,

- Some water shortage, dry karst valleys and dry terrains,
- Low productivity of agriculture, but with high quality typical food products
- Public, communal services and infrastructure are poor.
- Existence of positive local practices for social inclusion.

Development Opportunities

- Joint marketing of cultural events and facilities based on the shared cultural background.
- Opportunities to develop modern types of vocational training, distance learning and tailor-made professional courses
- Development of the SME support sector, R&D and innovation centres
- Development of economically-sustainable food products, cultural products and services
- Modernization and development of the border check points and access roads
- Development of rural, ecological, spa, cultural and other forms of tourism,

- Improvement of existing and development of new infrastructure, logistics and communications.

Main features of the PCINJA Region

Although municipalities in this region share common physical and environmental assets (such as agricultural land and biodiversity), there are not many active economic linkages. Main obstacles relate to poor and underdeveloped physical infrastructure (i.e. network of small regional roads is of bad quality) and the relatively large distance to attractive markets. These two factors contribute to the isolation of the region which has led to migratory outflow, depopulation and a reduction of local institutional capacities. This makes an ABD on the one hand potentially difficult to implement, but on the other hand particularly useful for the development of such a complex area in terms of development challenges. Relations with the Bulgarian municipalities where socio-economic exchanges are intense and already benefiting from the full package of EU cohesion and regional policies, might be a point from which an ABD could be facilitated.

5.3.3 The DINARA Region

The Dinara Region comprises areas of Croatia and Bosnia-Herzegovina, namely the municipalities of Zapadnobosanski kanton (Western Bosnian canton) and peripheral parts of Zadar, Sibenik and Split counties in Croatia (map 6).

Map 6. Dinara mountain region



Table 32. Main characteristics of the DINARA region

Municipalities	Population	Area km ²	Number of settlements	Density	Natural increase
BOSNIA & HERZEGOVINA					
B. Grahovo	2,102	780.0	7	2.7	-2.0
Drvar	11,286	589.3	21	19.2	-87.0
East Drvar	46	75.3	1	0.6	-2.0
Glamoč	4,710	1033.6	5	4.6	-30.0
Kupres	3,962	617.6	4	6.4	-17.0
Livno	32,013	994.0	15	32.2	-38.0
Prozor	16,064	477.0	9	33.7	-58.0
Tomislavgrad	27,252	967.4	23	28.2	-58.0
CROATIA					
Gracac	3,923	957.22	40	4.1	-25
Knin	15,190	355.75	13	42.7	0
Sinj	25,373	195.48	14	129.8	38
Kijevo	533	74.34	1	7.2	-15
Civijane	137	82.78	2	1.7	-13
Vinica					
TOTAL	128,920	7,199.77	17.9		

Sources: National statistical offices of Croatia, Serbia, Bosnia and Herzegovina, FYROM, Montenegro

i. Physical / Environmental Capital

Most of the area is very mountainous and therefore with several locations (such as Kupres and some other places in the central parts of the *Zapadnobosanski kanton*). The average altitude is above 500 m, with peaks over 1500m high. Some lower and plain areas are located on the territory of the municipalities Knin and Sinj in Croatia.

In terms of climate, the region is heterogeneous. Most of the territory has a Mediterranean and sub-Mediterranean climate, while in the Bosnian part of the region and in Sinj, continental influences brings a climate with strong winters and hot summers.

In the region, there are several national/nature parks and protected areas such as Blidinje (Tomislavgrad), "Dinara", National parks "Plitvička jezera", etc. Also in this region the rivers Krka, Una, Zrmanja, Krka, Otuča find their sources. Regarding lakes, the most relevant are: *Babića jezero*, *Štikada*, *Burumska jezera*, *Šarena jezera*, *Busko* and *Kupres lake*. There are also numerous caves in this territory.

There are green forests and high mountains on this cross border region with several rich hunting grounds (deer, roe deer, chamois, hare, partridge, wild ducks, bears, wolves, wild boars, heath cock, fox, lynx, badgers, pine martens). The region has excellent resources for fishery: one glacial lake, many artificial lakes and enormous number of small water sources. Rafting is organized on rivers Una, Krka and Cetina in Croatia.).

ii. Infrastructure

The region may be accessible by car, bus, rail and air (through two international airports in Split - 80km, and Zadar - 130km). However, the density of roads along the border is far under the national level while the existing roads within the region are in a very poor condition and badly connected to national roads. Moreover, there have been very little resources allocated

for developing the road network in border areas since in the past it has not been considered a priority at the national level. Gracac, Sinj and Knin have good road network, reconstructed roads, but require improvements. One of major rail hub of the region is in Knin.

Tourist accommodation facilities (along with ski resorts) exist, mainly at Kupres, Tomislavgrad and Prozor. Kijevo, Cviljane, Grahovo and Glamoc have no hotels or lodgings.

Quality of infrastructure is very bad concerning water management. Low density and high dispersion of the rural settlements and population require high costs of establishing a uniform system of water supply. Many suburban and rural areas of the region are without water supply networks and thus have to rely on alternative systems such as local springs and wells. Water sewage is poor. Electric supply is relatively good.

There are Universities/institutes on the Croatian part of the border but none on the Bosnian side. Split has a university with almost all faculties, and there is also a Degree College in Knin with programs in agriculture in karst soils, food processing and trade and innovation.

iii. Cultural heritage

The traditional architecture is not well preserved. That is mostly a consequence of the War and although in recent years there has been were some reconstructions, renovation is still very much needed. Only in Livno, Tomislavgrad, Prozor housing conditions are better than the average of the region, but without specific architectonic characteristics.

The region is rich in historical monuments from different historical periods. In addition to sacral buildings, there are medieval castles, XX century war monuments and archaeological sites. Some monuments are known beyond national boundaries and are part of the common

cultural heritage of the Western Balkans area, for example, the house of Gavriilo Princip (Grahovo).

In Croatia, a traditional livestock production is present, mostly concerning sheep breeding *Cigaja* and *Pramenka*. Besides cheese and fish processing, honey production is widespread. Typical local products are specific goat and sheep cheese, meat products (*ham*, *pancetta*), honey, wild plants, Glamoč potato (specific taste), Plum brandy, fish (trout). There is an Association of “*Drniški pršut*” (Cured ham) producers, which has twelve members. This association should obtain in late 2011 the first Croatian PGI for *drniški* ham.

The most important feature of local heritage includes a very specific way of singing and the peculiar design of folkloric costumes. Traditional handicrafts include wood carving and other wooden artifacts as well as stone graving. The region is also well known for its traditional stone houses, stonewalls, hand-mowing the grass, horse racing and the medieval knightly competition (“*Sinjska alka*”).

iv. Economic Capital

Zapadnobosanski kanton is one of the most underdeveloped counties in the B&H Federation. During the war it was significantly destroyed with large destruction of the housing stock, economic facilities and infrastructure. The same situation may be found in the majority of Croatian municipalities.

The regional GDP is lower than the national averages by 25-50%, while wages lag between 5 and 25% in relation to country averages. In terms of development index, Croatian municipalities are lagging behind, with levels from 57 to 81 compared to 100 being the Croatian average.

Concerning agriculture, livestock remains the main sector in the area, crops (forage crops, cereals and vegetables) being produced in the karst area mainly for self-consumption. However,

there is an unexploited potential to increase vegetable (tomatoes, cabbage, onion and other vegetable crops) and fruit production. The main obstacle lies in the lack of irrigation systems, undeveloped market chains, poor agricultural infrastructure (bad roads and processing facilities) fragmented plots, unsettled property rights and ownership, and lack of market knowledge.

Tourism and forestry are other sectors identified as key local development strategies for example, mountain winter and summer sports tourism. The potential for agri-tourism and eco-tourism have not yet been seized in the region but there is potential to do so. Other activities, such as plaster stone processing, mineral stones and peat coal, brick production are also identified as common regional potentials

v. Social and Human Capital

The area is characterised like others by negative demographic trends (see table 31 for natural change, negative (-1 to -2% in Croatia, down to -8% in Bosnia), with exception of the regional centers of knin and Sinj (with positive evolution).

The aging population and high proportion of dependents (high dependence ratio) of the total population, is an important general feature of the region. This trend is especially evident in the municipalities of Kijevo, Civljnje, Grahovo and Gracac, (which also have a less educated people in comparison with the rest of municipalities in the region). The situation in these municipalities is severe, but other municipalities in the area show a completely different situation with an age ratio close to 2 young per elderly.

Gender structure indicates that there is gender imbalance with the male population prevailing for about 15 to 20% over the female population. Moreover, the low percentage of formally employed women suggests that according to the gender structure of unemployment, women were more numerous.

The region was characterized by large migrations within and out of the region due to the consequences of war in the 1990's, which has significantly changed demographic structure. Nowadays, Croatian population constitutes the majority followed by Serbs and Bosnians.

Civil Society Organizations (CSO's) in the region mostly focus on humanitarian work (especially in Bosnia), while very few of them deal with issues of culture and sport. Others CSOs have focused on economical strengthening, craftsmen association and improvement of social quality of life, and there is small number of those connected with the promotion of healthy life and environment protection. In the Croatian part of the region there are various war veterans associations. According to municipal authorities, most pre-war residents have returned to the area. Yet, the biggest problem of returnees is the lack of employment and difficulties in securing an adequate reinsertion.

vi. Institutional Capital

Both Bosnian Municipalities and Croatia counties have spatial plans and local development strategies in place. Partners in the preparation of strategic documents were all relevant stakeholders, led by Regional Development Agencies in Croatia. In the Bosnian side, the institutions are a lot weaker (only the Cantonal touristic agency seems to be active).

There is limited experience of CB cooperation in the area. In Bosnia, only one municipality (Livno) noted participation in CBCs (IPA Adriatic A3 net). In any case, the Croatian municipalities have had much more experience.

All municipalities have web sites (one is under construction); one of them being translated in English and none bilingual (including minority languages). The only tourist web site in English is that of Sinj. Websites are intended as interactive tools and there is a possibility for local citizens to publicly address the municipal government

Key Characteristics

- Strong cultural and business ties
- Proximity to the very attractive market (Split) and traffic corridors
- Similar tradition, agricultural base and typical products; good conditions for livestock breeding, especially goat and sheep. There are some well known traditional products like *Drniški pršut* – ham, traditional cheeses and mountain honey.
- Interdependence on natural resources (production of electrical energy, water supply etc);
- Karst area – very fragile (shallow ground) requesting joint and coordinate action to solve cross border environmental problems of land degradation
- Declining aging population, small size of settlements with semi developed economies,
- Poor administrative capacities
- Damaged infrastructure particularly housing and industrial facilities
- Rich and very unique biodiversity (wild and native autochthonic breeds)

Development Opportunities

- Increasing attractiveness of rural karst areas
- Increasing demand for ecological and traditional products, possibilities for placing those products to tourists in the Adriatic coast,
- Natural resources (mountains Dinara, Kozjak, rivers Krka, Cetina, karst fields with beautiful meadows) and cultural heritage offer an opportunity for rural tourism,

Main feature of the DINARA region

The Dinara region is a 110 km long mountain range and is a natural border between Croatia and Bosnia and Herzegovina and bears high potential for agricultural (livestock) activity (with some traditional products like *Drniški pršut* – ham, traditional cheeses and mountain honey) as well as mountainous areas with wood processing and recreational value. The Dinara Mountain range is about 110 km long. The geography of the region also shapes inter-dependencies particularly concerning water supply. For example the municipalities in Croatia depend on water supply from BiH 10. All municipalities in the area consider (mountain) tourism as a vehicle for development. BiH touristic offer is very compatible with Croatian in the sense that it may enrich the experience of tourists coming to the Adriatic Sea and coast. It is also common for people from Croatia to purchase

winter houses in BiH. Likewise, people from the BiH municipalities usually go to Croatia for summer visits as well as shopping tours. Also, the educational offer in the Croatian side attracts a substantial amount of young people. Although in the municipalities of BiH human right issues are still representing open wound from the war period and the institutional capacity is low, there is an ongoing community socio-economic exchange in place in the Dinara region .

5.3.4 The NERETVA Region

The Neretva river which gives its name to this identified target area, flows through Bosnia and Herzegovina and Croatia and it is the largest karsts river in the Dinaric Alps. The proposed region covers the southeast part of Croatia, south-eastern part of Bosnia and Herzegovina, and the south-western part of the Republic of Montenegro (map 7).

Map 7. Neretva Region



Table 33. Main characteristics of the region

Municipalities	Population	Area km ²	Number of settlements	Density	Natural increase
BOSNIA & HERZEGOVINA					
Berkovići	2,740	249.7	-	11.0	-5.0
Bileća	11,877	632.3	5	18.8	-27.0
Čapljina	23,351	256.0	24	91.2	-120.0
Gacko	10,129	735.8	9	13.8	-12.0
Ljubinje	4,090	319.0	4	12.8	-15.0
Ljubuški	23,870	292.7	13	81.6	-66.0
Neum	4,605	225.0	5	20.5	-33.0
Nevesinje	18,594	887.0	5	21.0	-56.0
Ravno	1,400	286.0	14	4.9	-1.0
Široki Brijeg	26,263	387.6	-	67.8	31.0
Stolac	13,227	331.0	20	40.0	-11.0
Trebinje	30,832	854.5	10	36.1	-64.0
CROATIA					
Opuzen	3,242	24.04	2	134.9	-1
Metkovic	15,384	50.87	5	302.41	103
Ploce	10,834	129.57	9	83.61	5
Zazablje	912	60.91	6	14.9	0
Dubrovačko Primorje	2,216	197.11	20	11.2	5
Zupa Dubrovačka	6,663	22.81	16	299	88
Konavle	8,250	209.25	32	39.42	7
MONTENEGRO					
Herceg Novi	33,225	284.0	117	27	3
Kotor	22,726	329.4	69	56	21
Nikšić	58,212	1573.3	37	110	2.7
TOTAL	349,759	8800.4	39,4		

Sources: National statistical offices of Croatia, Bosnia and Herzegovina, Montenegro

The region encompasses municipalities that belong to the Herzegovina-Neretva Canton (Neum, Stolac, Čapljina, Ravno), the Western Herzegovina Canton (Ljubuški, Široki Brijeg), Republika Srpska (Berkovici, Bileća, Gacko, Ljubinje, Nevesinje, Trebinje), the Croatian Dubrovnik-Neretva county (Ploce, Zazablje, Zupa Dubrovačka, Dubrovačko Primorje, Konavle) and the western part of Montenegro

(Herceg Novi, Kotor, Nikšić). Municipalities that do not have access to the sea are at a short distance from the coast (not exceeding 100 km).

i. Physical / Environmental Capital

The area is characterised by the existence of a large number of hills and mountains with high altitude, which ranges from zero altitude

(coastal zone) to high mountains (mountain peaks: Volujak 2336m, Bjelasica 1338m, Crvnja 1856m etc). Two types of climate are present: mediterranean and continental climate with certain subtypes.

The Neretva valley contains the largest and most valuable remnants of the Mediterranean wetlands and is one of the few such areas remaining in Europe. The lower Neretva valley (Ploce, Metkovic) has been included in the Ramsar List of the Convention on Wetlands, as well as in the program of ornithological areas in Europe. In terms of soil quality, the main characteristics of soils are that karst area prevails, steep slopes and mostly brown and terra rosa land. Municipalities Stolac and Siroki Brijeg in Bosnia have a high percentage of the forested areas (70-80%).

On the territory of the region there are several outstanding natural values: National Park Sutjeska (where Mountain Zelengora with old European forest is found) and Nature Park Hutovo Blato, the Neretva valley (a candidate for receiving the status of National Park), Protected Forest Trebjesa, Natural Park Hutovo Blato, etc.. There is potential for development of hunting in the Bosnian side, although hunting grounds are presently not established. Thanks to the exceptional water resources, the region has great potential for development of fishing and related activities (Lakes: artificial lake Bilečko, Bregava, Doransko lake, Krupac, Slano, Vrtac, Liverovići, Grahovsko, Bilečko; rivers - Trebišnica, Vrijeka, Vrba, Dramešnica, Zmajevača, Jasenik, Župan, Jazia, Zeta, Bistrica, Gračanica, Mrkošnic). Rivers also provide potential for rafting activities (Neretva river in Nevesinje) and other water sports and activities (kite surfing, board surfing, waterskiing, parasailing etc.). Lastly, there are very attractive, but not investigated caves and pits within region.

ii. Infrastructure

The region is characterised by a rather good road, boat and airplane accessibility in what concerns the coast. One advantage of this area,

as regards transport links, is its proximity to airports (particularly Tivat and Dubrovnik within the area, but also Sarajevo, Mostar, Podgorica), sea ports (Bar, Dubrovnik, Ploce) and railway stations (Mostar, Sarajevo, Podgorica), which facilitate the transport of people and goods, offering a competitive advantage over other regions. The Coastal motorway is not completed yet, but under construction / plan. Local roads towards the hinterland and connections between small places are however, bad. In the winter time serious problems in transportation arise. The area has a solid relationship with neighboring countries over many border crossings on its territory (including one Bosnian enclave on the coast (Neum), see box.

The Croatian and Bosnian governments are planning to build an expressway that would connect Dubrovnik through the Neum municipality which would not require any border control. The regional government of this county is also planning to build a sea bridge that would directly connect the southern tip of the northern part of the county with to the Pelješac peninsula (the Pelješac bridge), thereby linking the southern part of the county as well.

http://en.wikipedia.org/wiki/Dubrovnik-Neretva_County

Infrastructure in urban areas is fairly good, but in rural areas it is poor and not maintained. There are problems even with electricity (Bileca, Berkovici, Ploce) and water supply (Gacko, Ljubinje, Čapljina, Ljubuški) that do not cover all settlements. There is the long-lasting problem with water supply in the coastal parts of Montenegro. The biggest problem for all municipalities (almost 80% households) is related to the sewage systems (that is not well developed) or the wastewater purification system (that is not adequate). In general, this situation requires a major effort to revitalize and repair the water supply systems, especially when considering that the existing water supplies do not meet the needs of the population. On account of its age, the

damage caused by the war, and leakage due to poor maintenance, 1/3 to 2/3 of the water supply is lost. Water supply throughout the region is subject to frequent interruptions, especially in the dry summer season.

In many municipalities, the sewage system is not capable of processing the volume of waste water generated, which overflows as untreated sewage. In parts of the area direct discharging of untreated sewage into streams, tanks, and septic dumps occurs. Only two or three of the larger municipalities possess efficient waste water processing facilities. The treatment of solid waste is handled in an unsatisfactory manner. Dump sites are poorly maintained, with minimal sanitary and hygienic conditions. Effective separation of solid waste is also minimal.

Most of the territory in the region has good quality of house building, but in some parts there has been strong neglected during and after the War (Stolac, Dubrovačka Župa, Dubrovačko Primorje). There is considerable unplanned construction in the coastal zone, especially in the Montenegrin part of the region.

Beside the city of Dubrovnik, touristic infrastructure is generally not appropriate in terms of capacity and quality. Some hotels are in very poor condition and do not operate. There also are hotels in coastal zone that need to be modernized. Small family hotels and motels were built rapidly in recent years on the Montenegrin side of the region.

iii. Cultural Heritage

There are several all around region old towns, with specific characteristics of continental Mediterranean style (mainly stone houses). Likewise, some remains of old ancient and medieval cities may be found. The medieval city of Kotor has one of the best preserved medieval old towns in the Adriatic and is a UNESCO world heritage site. The proximity of Dubrovnik and its old city should of course be mentioned.

Traditional and highly distinctive local products include: stonecutting, tombstones, boats (Neretvanska lađa) carpentry, handmade wooden carpets weaving, leather clothing, stone graving, wine producing, wood carpentry.

Traditional local food are also very well known cheese varieties (sheep and cow - sir iz mješine), dry meat, lamb meat, aromatic plants, honey, potato, autochthonous beans (grah poljak), autochthonous wine grapes (Blatina i Žilavka), citrus fruit (especially tangerines, which are famous), olive oil, wine (Malvasia Dubrovačka).

iv. Economic Capital

In comparison to other areas that have seen significant war damage, the (coastal) Croatian and Montenegrin parts of this region quickly recovered and recorded a relatively high level of GDP per capita (with only a few municipalities lagging behind in comparison to the national average). Wages in the region as a whole are higher than the national average. The proportion of tertiary and public sector in GDP are higher with respect to the industry and agriculture has less significance and constitutes only 10% of GDP. The situation of the Bosnian part is less known, due to lack of data., but evidently less developed and with a higher share of primary sectors. The region is dual in its economic structure, the coastal zone being pulled by tourism activity in Dubrovnik and neighbouring villages, while, the more peripheral Bosnian areas are lagging behind, isolated from this main activity.

In the local development strategies the most important sectors include: agriculture, tourism, industry (forging and fittings, metal industry, construction, optical and mechanical appliances, carpets and food), energy and mining. In the southern parts of the region, stone and sand is exploited and rooted in long standing traditions (building stone from the Municipality of Bileća is well known for its quality). Coastal municipalities have different priorities which combine tourism with transport, shipbuilding and financial services.

The region is dominated by private companies. State-owned companies are generally medium to large enterprises operating in extremely difficult conditions. Restructuring and privatization of these enterprises in certain parts of the region has been very slow which is a major problem of development of the region.

The percentage of agricultural land ranges from about 10% to 35% in coastal municipalities and from 50% to about 70% in hinterland municipalities. Large areas of agricultural land are permanently lost to agriculture, because of hydropower plants on the river Neretva. Agriculture is also dual in the sense that the coastal area is characterised by permanent crops (olive, vineyards and citrus fruit) while the hinterland is mainly concentrating on livestock (sheep).

v. Social and Human Capital

In terms of demography, the area sees positive trends on the coasts (up to 10% of natural change per year in some areas close to Dubrovnik or in Metkovic), while on the contrary, the hinterland is characterised by the common trait of most rural areas in the region, probably more severe in this area (Bosnian part with several municipalities around -5 / -6% per year) than in average in the region. Globally the dependence ratio is rather low (between 0.4 and 0.6, similar level as for the Drina Sava region) demonstrating a demographic structure not too difficult for economic development; however in terms of age structure, there is a clear difference between rather young coasts (dependants are mostly young people) and old hinterland (dependants are elderly). There is not significant gender imbalance in the region. In addition, the ethnic structure of population is very homogeneous, which is partly a consequence of territorial demarcation on ethnic principles.

Human resources of the region are mainly linked to the extensive labour force experience in sectors such as fisheries and agriculture. The number of primary and secondary schools is relatively sufficient. A key problem is the

mismatch between the school system and the needs of the economy, the low level of awareness about the potential of civil society and social entrepreneurship, and others.

There is also a large number of registered NGOs, but only about one third remains active (mainly in the field of culture and sport with more than a hundred). A smaller number of associations focused on ecology and agriculture (olives, wine) may be found along with associations working on humanitarian and charitable activities (concerning culture and health). Only a few CSOs are dealing with the science and environmental issues.

CSOs are not included in discussions on matters of public interest and do not participate in decisions important for community development. The action of associations is often fragmented, limited to specific campaign with less-developed strategies, and therefore no greater influence. One of the characteristics of CSOs is also insufficient coordination and lack of cooperation throughout the region. In the case of several associations engaged in the same area, cooperation between them is usually weak, and each focuses largely on the implementation of its program, although the target users group the same.

vi. Institutional Capital

Efforts to improve institutions, reforming their capacity building in all parts of the region are taking place slowly in relation to the needs and development potential of the area as a whole. Some of the main problems are: slow implementation of development plans and programs, inadequate information sharing, slow process of adoption strategic decisions and key activities (unresolved property-legal relations, records management and public property). Businesses supporting institutions (chambers, associations and centres for entrepreneurship) are not adequately functioning.

From the perspective of local population there are too many administrative obstacles to

the exploitation of natural resources, but also insufficient attention given to research of bio resources. The region also suffers insufficient entrepreneurial incentives, financial support, and interest from foreign donors/investors.

Key Characteristics:

- Territorial affiliation to river Neretva and surrounding natural resources
- Different level of economic development among municipalities
- Shared environmental problems, especially pollution in the Adriatic sea
- Underutilized natural resources
- Similar typical food products

Development Opportunities

- Proximity to attractive markets and economic vitality of some towns in the region.
- Possibility for economic development, especially through agriculture and tourism,
- Natural advantage in the production of vegetables and fruit
- City of Ploče has a cargo transport harbour that is the second most important in Croatia's Adriatic region.
- Opportunity to re-develop trust and to contribute to political stability of the region through community interaction

Main feature of the NERETVA region

The non coastal Neretva region is dependent on agriculturally-based employment

and income, and higher value added business sectors are generally missing. Agricultural production is based on small-scale family households partly due to landscape but also due to unsettled property issues. On the contrary, the coastal area is tourism-dependent and could potentially promote the mountainous hinterland destination. In other words, another source of income for the upper lands could be obtained through tourism which complements coastal activities and tours.

This region also includes examples of how resource management needs a cross border approach (water in this case). Adequate water supply and regulated hygiene standards are a main concern of many rural areas in the Neretva region. Water supply pipes are cross border and the Herceg Novi municipality depends entirely on water sources from B&H (Bileća Lake). Also, Dubrovnik depends on Trebinje which supplies water from a hydro energy plant. Often different types of disputes arise regarding water management and addressing these common issues from a participatory approach could also help in improving the socio-cultural relations in the area which were damaged during the war period and have not been entirely recovered.

5.3.5 The SAR PLANINA Region

The Sar Planina region comprises the cross-border region of Macedonia and Kosovo UNSCR 1244. The Macedonian share in Sar Planina region refers to the two municipalities: Tearce and Jegunovce, which are part of the statistical region of Polog in Macedonia (The region of Polog consists of nine municipalities), at the foot of Tearce Shara. The Kosovo UNSCR 1244 part of the area, Prizren, is located on the slopes of the Šar Mountains in the southern part of the country. Prizren is located in southern Metohija, in Prizren valley (map 8).

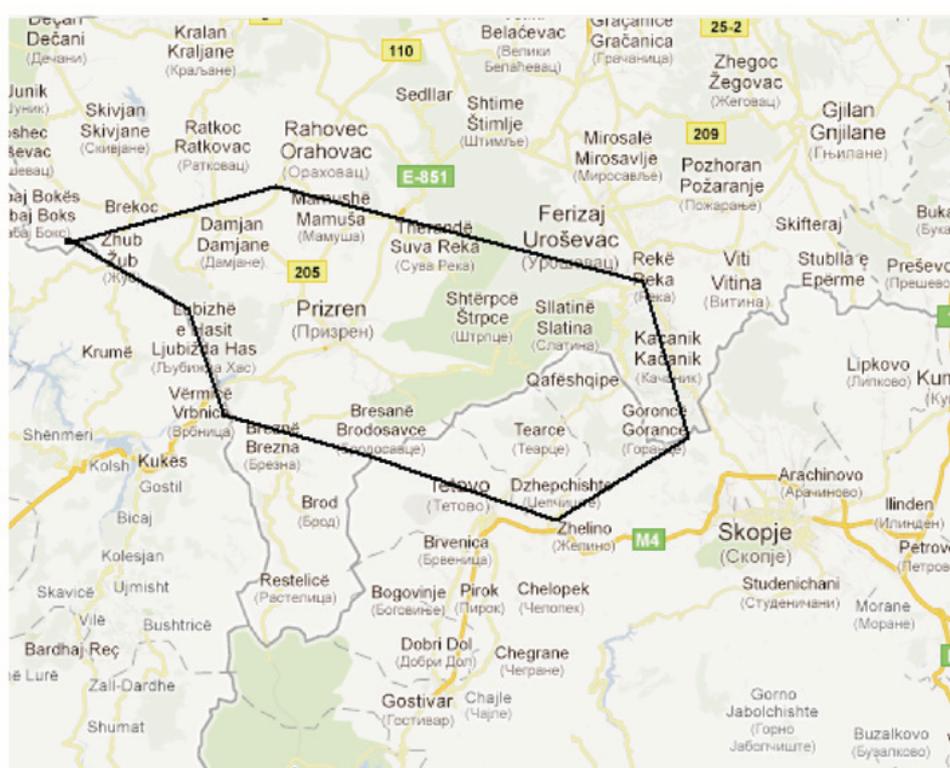


Table 34. Main characteristics of the region

Municipalities	Population	Area km ²	Number of settlements	Density	Natural increase
FORMER YUGOSLAV REPUBLIC OF MACEDONIA					
Tearce	22,454	136.54	13	164.45	9
Jegunovce	10,790	174	17	62	-8
KOSOVO UNSCR 1244					
Prizren	178,112	640	76	284.2	n.a.
TOTAL	211,967	950,54	106	223	

Sources: National statistical offices of FYROM

i. Physical / Environmental capital

The average altitude in the Macedonian municipalities is of 540 m. Prizren town is situated at an altitude 412-500 meters. It is surrounded by the hills Cvilen (1381 m) and mountain Ošljak (2212 m), Pastrik (1978 m) and Koritnik (2395 m) as well as on the South the Sar Mountains mountain range.

In the higher regions feel strongly influences the mountain massif of Sar mountain climate, while the low-field regions of Prizren is significant influence of the Adriatic Sea, which penetrates through the valley of the Drin river. Due to the influence of air masses from the Adriatic Sea the winters are less cold.

There is an abundant and dense river network within the Municipality of Prizren. The

rivers all flow towards the Drini i Bardhe River and into the Adriatic Sea. The rivers, which flow from the Sharr Mountains, are very fast and deep, and have narrow gaps, which often form canyons.

The soils in this area offer good conditions for agricultural production. The mountain regions have high percentage of quality pastures with plants.

There are several national parks, in particular the large Sar Planina national Park in Kosovo occupying nearly one fourth of the total area. There are also protected areas in this region, i.e. the municipality of Jegunovce is located in the first protection zone of the spring Rasce, providing most of the capital Skopje with drinking water. The mountain Sar Planina could also be protected in future as national park in FYROM.

There is a hunting ground at the mountain of Sar Planina, and fishing is also developed on some of the rivers.

ii. Infrastructure

The region is relatively difficult to access by car and not connected through other means. The railway transportation is not in function since 2001. The closest airport is in Skopje on more than 50 km distance. The few existing roads within the region are in a relatively good condition but they are badly connected to national roads.

In the region, there is a reasonable supply of water and electricity, but the sewage system is only partial in the Macedonian municipalities and absent in the rest of the area: therefore, all waste water is dump in river Lumbardh without being treated. There are also areas with old asbestos-cement pipes that need to be replaced. Telecommunication networks are little developed, and there are no radio and television local stations.

iii. Cultural Heritage

In the Sar Planina region there are some archaeological sites dating from the Stone Age,

few settlements since Roman times and complex of medieval churches. Some of them are in good condition and are in active use, while others need restoration. Prizren is the most important and most valuable ancient urban settlement in Kosovo UNSCR 1244, with several picturesque housing complex and winding alleys bordered by high white walls (Mahala - Potkaljaja, Pantelija, Maras, Potok and Terzi). Prizren costume, especially women is very colorful and totally atypical compared to other parts of the costumes from the Balkans. One of the characteristics of women's costumes is Prizren pantaloons (*dimije*), which is a clear influence of Turkey.

In terms of local foods, the area does not seem to be particularly rich. However, in terms of dairy products, one specialty is well known: fresh Sar mountain cheese.

iv. Economic capital

Statistics on economic performance were not available at the municipal level for any of the three municipalities. Therefore, data has been obtained at the immediately higher administrative level.

The Macedonian region of Polog is one of the less developed regions of FYROM. GDP per capita in Polog also lags behind the national average (by approximately 43% of the national FYROM average). There are no data available for the structure of the GDP in terms of the level of activities it refer to.

The most important sector (as identified by local development strategy documents in the region) is agriculture. The primary production is mostly oriented towards the production of grains and vegetables, as well as wine in Prizren, but noteworthy is that considering the good potentials for pastures, the livestock production could be improved. Several small dairy plants are present in Prizren. The agriculture is highly charcaterised by a very fragmented structures and subsistence farming.

In Prizren particularly, industrial sector (41 % of formal employment), wholesale and retail trade (24.6 %), services (20%) and construction (13.4 %) sectors are also important. Unemployment is very high (close to 20.000 persons decalred, 25% at least of the active population, not counting undeclared employment and the large share of population being involved in subsistence activities).

Tourism is not developed (in fact, no facilities could be found in the Macedonian part of the region), but with the construction of the tourist village in Tearce, improvement is expected. Jegunovce has prepared a video (available on DVD) for promotion of rural and mountain tourism. There is an expectation that in Tearce weekend houses will be constructed and thus give the opportunity for more domestic and foreign guests to visit it.

The largest company in the region is JSC Vratnica, dealing with exploitation of high quality sand and stone of calcium carbonate. There are also some small and medium enterprises as well as family farms, traders, craftsmen and others. The number of firms on 1000 inhabitants is around 19.35 for the whole region of Polog.

v. Social and Human capital

Population density in the area is rather high (>100, despite the presence of several uninhabited mountains). On the FYROM side, the natural increase seems close to nil, and

despite absence of precise data, it seems the trends are slightly positive in Kosovo UNSCR 1244. Dependence is rather high on The FYROM side (around 50% of the undependent population), however smaller than in the Pcinja region or parts of the two previous coastal areas. In addition, the age ratio shows that a very large part of the dependent population is composed of young people. The gender structure is balanced.

The majority of population living in the Macedonian part of area is Macedonians and Albanians. The municipality of Prizren is principally populated of alva-banians (including a group (Gorani) speaking Macedonian) with a socially prominent and influential Turk minority (the Turkish language is widely spoken even by non-ethnic Turks) and other minorities such as Bosniaks and Romas. Only a small number of Serbs remains in Prizren and area, residing in small villages, enclaves, or protected housing complexes.

There are many cultural and artistic organizations in the region mainly devoted to support initiatives related to gender and multi-ethnicity. In this region there are no universities or other scientific institutes. The closest universities are in Tetovo and Skopje which are part of other region. Data from the Macedonian side of the region reflects the problematic situation of primary and secondary education. More than half of the population is without education or with primary education only. Situation seems to be similar on the Kosovo UNSCR 1244 side

	JEGUNOVCE*	TEARCE*
Dependence ratio	0.52	0.49
Share of population 65+	12.45%	8.72%
Share of population up to 15	21.83%	24.29%
Aging ratio	1.75	2.78

*Source: Census 2002

vi. Institutional Capital

An EU funded cross-border cooperation program (2010-2013) covers the three municipalities of the proposed region of Sar Planina as well as others from the Polog region. Before, no joint development program has been recorded to have taken place in the proposed Sar Planina region. In fact, not even the two Macedonian municipalities have had joint experiences. The strategic plan for regional development of the Republic of Macedonia 2009-2019 is the main document for Tearce and Jegunovce. This strategy has been developed jointly by the Ministry of Self-governance, GTZ and UNDP, and is based on several governmental reports. Additionally, Tearce has developed a local strategy for education for the period 2007-2014. Tearce has an economic development agency, which is not a case for Jegunovce. Although municipalities in the region have active websites, the web site of Jegunovce is in Macedonian, while the one for Tearce is in Albanian language. There are no bilingual websites.

On the Kosovo UNSCR 1244 side, the Regional Centre for Employment (RCE) provides a wide-range of services for the inhabitants in the Municipality of Prizren. The business community in Prizren is active and has a long tradition of engaging in a meaningful manner in the matters pertaining to municipal economic development. The following organisations and associations are currently active in Prizren: Regional Agency for Small and Medium Enterprises (this is an association that is from the Eureka-UNMIK program), ESNAP business Association, Association of Artisans (Business Association), Prizren's Businessmen Club established in 1991 (Business Association), Regional Chamber of Commerce, 20 professional NGOs active in the area of local economic development. Prizren municipal directorate of urbanism and spatial planning has recently developed an urban regulatory plan for a 'Business Park' and the 'New Centre' (80,4 hectares) which will be used for residential, recreational, and commercial purposes.

Key Characteristics

- Strong social ties
- Region with very high population density, but with high migration rate, especially in Macedonia and high rate of unemployment,
- Economy lagging behind principally based on agriculture and mining
- Interesting natural resources (mountain, water sources,...)

Development opportunities:

- Specific vegetation and mountainous surrounding provides opportunities for development of the agriculture, especially the livestock production,
- Implementation of economic development initiatives in order to support development of the tourism and promotion of the agro-food products,

Main feature of the SAR PLANINA region

The cross border region of FYROM and Kosovo captures the three municipalities: Tearce and Jegunovce on FYROM side, as well as Prizren in Kosovo UNSCR 1244. Most of the border is located to the Sar Planina Mountain, a very poorly developed economy with high density of people and poorly accessible, which provides favourable conditions for the agricultural development (livestock) and, possibly, tourism. The region shares homogenous characteristics regarding landscape, agricultural/pasture land and farm structure. The production structure is also similar and there are a lot of similarities regarding local customs and potential for exchange. In Kosovo there is an Albanian population speaking Macedonian language (Gorani), which confirms the close connection between the municipalities in this region and reciprocally in FYROM some Albanian speaking populations.

5.3.6 The PRESPA LAKE Region

The region comprises only the municipality of Resen in FYROM and the municipality of Korçë in Albania (map 9). Neighbouring Greek municipalities could be assimilated to this area. Unfortunately,

statistical data for the Korçë Municipality were not available and thus data is presented at the Korçë district level when possible. The analysis is therefore based on figures from the municipality of Resen which nonetheless portray somehow the situation in the Korçë Municipality.

Table 35. Main characteristics of the region

Municipalities	Population	Area km ²	Number of settlements	Density	Natural increase
MACEDONIA					
Resen	16,825	562	44	29.94	-14
ALBANIA					
Korçë *	138,873	1,752		79	
TOTAL	155,698	2,314		67	

Sources: National statistical offices of FYROM, Albania

NB: *Data does not exist at municipality level, see data on territorial units below

Table 36. Territorial division of Korçë Count

	District	Municipality	Cities	Communes	Villages
County KORÇË	Korçë	Korçë, Maliq	Korçë, Maliq	14	153v
	Kolonjë	Ersekë, Leskovik	Ersekë, Leskovik	6	76
	Devoll	Bilisht	Bilisht	4	44
	Pogradec	Pogradec	Pogradec	7	72
Total number	4	6	6	31	345

Sources: National statistical offices of Croatia, Serbia, Bosnia and Herzegovina

Map 9. Prespa Lake region



i. Physical / Environmental Capital

Resen is one of 9 municipalities in the Pelagonija region, located in the Prespa valley in the south-western part of Macedonia. This municipality covers an area of 739 km², out of which 562 km² are land and the remaining 177 km² or 19% are water area. The average altitude is for the Prespa Lake region is above 880 m, with peaks over 2600 m high. The soil in this area is favourable for fruit production. Apple production dominates and represents around 70% of the total fruit production in this region. In terms of climate, moderate Continental and Mediterranean climate prevails.

There are several national parks and protected areas in this region, such as: Pelister and Galicica as national parks; Erzani and Big City as protected natural areas and the Prespa Lake as natural monument. In this region caves, rafting spots, spa centres and geothermal waters do not exist. However, there is a well known hunting ground "Brajcino". The region also has mine resources (i.e. copper in Evla, Petrino and Lavci mines, iron in Dolno Dupeni, Ljubojno, Krani, Bolno, Evla and Izbishte mines, and coal at Lavci mines).

ii. Infrastructure

The region is not easily accessible by car or bus. Although there is rail transportation, the closest rail station is in Bitola (50km). Similarly, the closest airport is in Ohrid on 55 km distance from the city of Resen. Generally speaking the density of roads along the border is poor. There is good electric coverage and water supply. The sewage network is good in the urban areas, but it is less developed in the rural areas. Additionally, the waste water networks are partially developed while there is no implemented system for process water networks. The irrigation system is also well developed with coverage of 263.26 km.

Although some touristic infrastructure exists, they are almost abandoned. The most famous are Asamati with 200 beds, Pretor with 400

beds, Krani with 200 beds and Otesevo which is under reconstruction. Otesevo is also known for the Centre for prevention, treatment and rehabilitation of respiratory diseases which have 24 rooms and 72 beds. There are also three hotels and two motels in the municipality of Resen. Rural tourism is relatively developed in Stenje, Brajcino, Dolno Dupeni, Pretor and Ljubojno.

iii. Cultural Heritage

Considering that the old-Roman road 'Via Ignatia' is passing through this region, it is not surprising that there is rich cultural, archaeological and architectonic heritage. In the municipality of Resen there are 130 archaeological sites, 1000 archaeological exhibits, 500 coins and 450 exhibits of ethnological heritage. There are 95 churches and monastery complexes and 1024 icons, of which more famous are St. George in Kurbinovo dating since 1191, as well as Muslim building, the Hadzhiramadan mosque dating since 1592.

From an architectural point of view there are several villages (Brajcino, Ljubojno, Dolno Dupeni, Konjsko) famous in this region. The building, Saraj, is a monument of culture built in the early XX century in which the Resen ceramics colony and the memorial museum art exhibition Keraca Visulceva are located.

Concerning local foods, the tradition in the area is focusing on both sweet and candies as well as confectionary. Fruit production (in particular apples) is a core food business in the area.

iv. Economic Capital

The Macedonian part of the Prespa Lake region is part of the administrative region of Pelagonia. The share of the Pelagonia region in the total GDP is around 12% which makes it second in the country with Skopje, the capital area, being the first.

There are no data available concerning the economic structure of the GDP but in local

development strategy documents, the food industry including primary production and processing is categorized as the most important sector in this region. In this region the fruit production dominates, especially the production of apples (with typical varieties growing in the region). The food industry is also focused on the production of sweets and candies. There is relatively good access to the markets, i.e. the apples are mainly sold to the processors, as well as they are partly exported. The export is oriented towards Romania, Egypt, and Russia with scope for improvement. Tourism is also considered a sector of great potential in the area.

Other industries such as textile, plastic and aluminium profiles and furniture are present in the area. It is noteworthy that the employment rate is around 70% in the region, giving an indication of the lower share of subsistence farming in relation to the other regions of the area. Most of them (41.4%) are in services, around 40% in industry, 18% in agriculture and around 1% in other industries. Out of the 70% of employment, the majority are female employees (40.3%).

v. Social and Human Capital

Regarding the composition of the population, there are mainly Macedonians and Albanians in the area, as well as a strong Turk minority. The gender structure is in balanced. In Resen, the natural change is moderately negative (-1.4%). The proportion of dependents is also moderate: 4 dependents for 10 active people, similar to the cross border areas with the best ratio in the region (Neretva, Drina Sava). However, the age ratio is low (0.75) and demonstrates an important ageing trend in the area. In this region there are no universities or other scientific institutes. The closest universities are in Bitola and Ohrid (around 50km away from Resen and 80km from Korce). There is also a low educational level.

In the municipality of Resen there are 70 registered associations and NGOs, out of which around 25 are more active. There are 5

associations and NGO's dealing with agriculture, 5 with ecology and environmental protection, 3 are focused on presentation and promotion of culture and cultural heritage, while 2 on protection of cultural heritage. In addition there 4 associations and NGO's dealing with tourism and 6 organizations are committed to protecting and promoting the rights of youth, civil society and human rights.

vi. Institutional Capital

EU funded cross-border cooperation programs have been carried out in the Prespa Lake region in recent years and these have mainly focused on environmental and social aspects such as:

- Enforcement of good neighbourly relations and mutual understanding regarding regional development
- Biodiversity conservation and enhancement
- Border lake protection

Beyond this experience, there are few institutions dealing with development issues. The Regional Centre of the National Extension Agency has a working unit in Resen. The closest regional Centres of the Chamber of Commerce are located in Bitola and Ohrid. There is also Centre for Development of Pelagonia Region as well as the Pelagonia Regional Development Agency (PREDA). The closest business incubators are located in Bitola.

Key Characteristics

- Favourable conditions for development of fruit production and food industry,
- The area around Prespa Lake is protected as a national park
- There are potentials for development of an alternative tourism based on the use of natural resources,

- High emigration rate and ageing / depopulating trends
- There is a low awareness on the benefits from the business cooperation with the cross border cities.

Development opportunities:

- Increase the public awareness on environmental protection measures.
- Opportunities to attract investments through development of partnerships and business clusters

Main feature of the PRESPA LAKE region

Considering the favourable geographic location, despite difficult accessibility, and the opportunities which the Prespa Lake offers in terms of tourism, as well as the strength of an active existing fruit production sector on the Macedonian side, this region has some potential for economic development and cross border cooperation. There are nonetheless real threats in the form of depopulation trends and the concentration of economic activity outside the

region and closer to capital cities. Although there is also a low level of awareness concerning the benefits of cross border business cooperation, specific environmental measures (protection of Prespa Lake and of autochthonous species) can shed light on the importance of coordinated action. Finally, infrastructure development can also be a common issue of relevance for the municipalities of the region.

5.3.7 The SKADAR LAKE Region

The selected area between Albania and Montenegro is positioned in South-Eastern Europe, close to the southern end of East shore of the Adriatic Sea. The Region is situated in south-eastern Montenegro in the Zeta-Shkoder valley, and in the north-west part of Albania, in the karst terrain of the south-eastern Dinaric Alps. Lake Skadar is the largest Balkan lake with a cross border catchment of 5,180 km² at 770 m above sea level. It is located only 20 km from the Adriatic Sea at the Montenegrin-Albanian border (separated by steep karst mountains). The Albanian Montenegrin border is around 220 km long, out of which 126 km are land borders, 22 km sea borders, 38 km lake borders and 8 km stream borders. (map 10)

Table 37. Main characteristics of the region

Municipalities	Population	Area km ²	Number of settlements	Density	Natural increase
MONTENEGRO					
Podgorica	169.132	1.441	143	117	5,0
Cetinje	18.482	910	94	20	-0,9
Bar	40.037	598	83	67	8,3
Ulcinj	20.290	255	39	80	4,6
ALBANIJA					
District Shkodër	185.612*	1.973		94	
TOTAL	433.553	5.177			

Sources: National statistical offices of, Montenegro and Albania

NB: *Data does not exist at municipality level, see on territorial units below

Table 38. Territorial division of Shkodër County

	District	Municipality	Cities	Communes	Villages
County SHKODËR	Shkodër	Shkodër, Vau-Dejës	Shkodër, Vau-Dejës	15	141
	Malsi e Madhe	Koplik	Koplik, Bajzë	5	56
	Pukë	Pukë, Fushë-Arrëz	Pukë, Fushë-Arrëz	8	75
Total number	3	5	6	28	272

Sources: National statistical office

Map 10. Skadar Lake Region



i. Physical / Environmental Capital

The lowlands in the Shkodra Region (alluvial plain) together with Valley of Zeta in Montenegro compose the biggest lowlands and the most fertile part of the proposed area. The Shkodra depression is partly filled by deposits from the rivers that have flowed through the depression to the Adriatic Sea. Other fertile agricultural land lies along valleys of Zeta and Moraca rivers favouring the cultivation of vegetables and fruits. The coastal part has a significant share of

deep and relatively fertile alluvial-diluvia land, while terraces and the plateau represent brown anthropogenic land.

Mountains on the Albanian side, contrary to Montenegrin part, are rich with water, timber and mineral resources. Slope, altitude and temperature make these mountainous areas diverse with varied ecosystems. In the centre of the selected area, the massif of the Albanian Alps (south-eastern of Montenegro and northern Albania) reach the highest peak in Jezerca with an altitude of 2,642

meters above sea level. Dispersion of many small communities in rugged remote areas, particularly in the Albanian part, has implications for their subsistence that is based on limited arable plots and shorter growing seasons.

The climate is Mediterranean, with a continental and maritime mixture. In the coastal zone wet Mediterranean climate prevails with cool rainy winters and hot dry summers.

National parks, Nature parks and protected areas in the region include: “Lovcen” mountain, “Skadar Lake”, and “Buna–Velipoja”. The most valuable resources of the Montenegrin coast is Velika Plaza (Large Beach), which is a 12 km long stretch of sandy beach and the longest beach in Ulcinj, but not preserved.

There are a lot of possibilities for different kind of sport and leisure activities, like: kite surfing at Ada Bojana, all manner of water sports, scuba diving, mountain biking, hiking, orienteering, cycling, deep sea fishing on the Adriatic, lake fishing at Lake Skadar, and river fishing, are among the many possibilities for sport and recreation

The most important local metal mineral resources are to be found at the copper mine of Palaj Karne. Other copper ore sources are located in Turrec. In addition, there are reserves of Bauxite (aluminium ore) at Villgar, 13 km from Shkodra. In the periphery of Shkodra City reside resources of raw materials used for the production of construction materials, including cement, lime, bricks, tiles, ceramics, marble, decorative stone, etc.

ii. Infrastructure

The geographical location of the region is of great importance, since transport Adriatic – Ionian corridor of the European road network crosses the territory. Other improvements in transport infrastructure are planned which include the construction of a ferry line through the Lake of

Shkodra/*Skadar* and a new bridge over the Buna River, which will significantly shorten the connection between the two sides of the border (south bank of the lake). Despite of the ongoing improvements, the connections between the two parts remain incomplete and limited. The transport infrastructure is far from meeting contemporary technical requirements. It requires substantial rehabilitation and reconstruction interventions, in particular in the Albanian part. Furthermore, unevenly distribution throughout the territory and insufficient development to meet intense traffic, hamper the economic development and optimal use of geographic location. A functioning road transport network is essential to the selected area’s further development. There is one airport in the region, located in Podgorica.

The Montenegrin part of the region has a much better-developed tourism infrastructure. Beautiful sea and coast lies along the western part starting from Ulcinj (*velika plaža* 13 km long) to Bar and Budva (21 km long with 17 beaches). Bar is a port town, but well known for many important historical and cultural sites, offering a great number of festivals and cultural events. Ulcinj and Bar are coastal places with a lower quality of service, where the mass tourism is prevalent. The hotels are of lower standards and prevalent category of accommodation is private hotels and rooms of different standards. There is no tourism infrastructure or professional services in the hinterland.

Due to insufficient investments, the overall water and wastewater treatment infrastructure of the area is poor, more problematic in the Albanian side. In the Montenegrin side there are more investments on modern systems of waste collection. The sewage system is self-flowing, i.e. it uses the natural incline of the land and, through the mains collector the sewage goes to the pumping station located in the Liria neighbourhood of Shkodra. The pumping station then pumps the waste directly into the River Drin. Moreover, most of the time the pumping station is not working and untreated sewage flows directly into Lake Shkodra, creating a serious health risk.

Telecommunication is based on both land (fixed) and mobile system. User's access to telephony service is different among countries. Much more land phone subscribers are on the Montenegrin side of the border. Penetration of Albanian telecom in rural areas is low.

iii. Infrastructure

The region has several very important features of traditional architecture. Unlike other Adriatic medieval towns, Bar was not inhabited continually, so new times did not bring changes to affect its earlier ambience. Also, Cetinje has nice old fashioned architectural complex from the end of XIX and XX century. There are also traditional, picturesque settlements all around Skadar Lake. Many examples of Turkish architecture could be found on both sides of region, as well as medieval churches, monasteries etc. In the vicinity of Shkodra the following relevant sites/buildings may be mentioned: Church of Shirgji, Mes Bridge, Illyrian ruins of Gajtán and medieval city of Sarda. Shkodra is also a good starting point for trips to the Albanian Alps.

Some famous traditional products from this region are: grape brandy, wines (from one of the largest vineyard in Europe), vegetable oil, "Njeguški" cheese and ham "Njeguski prsut", tobacco and manufacture of cigarettes etc.

iv. Economic Capital

The overall economic development of the region is dual. The Albanian part has lower economic development, not only compared to Montenegrin part but also compared to the rest of Albania. In Albania there are no official figures of the GDP per capita at regional level. Unemployment rate in the Albanian part is twice higher than the national average, and it counts for about 1/4 of total unemployed people in Albania.

Poor infrastructure and problems related to land ownership have affected heavily the development of local businesses and has

discouraged foreign investors. Only a small fraction of foreign capital is invested in the Albanian part of the region, while the situation is slightly better in the Montenegrin part due to investments in tourism. There are no available data for Montenegro on SMEs distribution by main sectors of economy, but judging by the employment data the most relevant sectors are those related to trade and processing industry.

The hilly parts of selected area (particularly on Albanian side) are suitable for the breeding of small ruminants. This part is also rich in honey plants, medical herbs etc. In more flat areas, natural conditions are suitable for diversified development of agriculture, including higher value added ones such as permanent crops and glasshouses. Both Montenegro and Albania agricultural productivity is based on small-scale family households often oriented to self-consumption. In Albania, the large-scale migration of labour force from rural areas has brought about declining of utilization of arable land and the production.

Most present businesses are linked to trade, agriculture, industry, tourism, and transportation. The structure of employment by sector is somewhat different in each side of the border. In Montenegro the sectors of tourism, services, agriculture, construction and trade employ the majority of labour force. In the Albanian side the majority of labour force is employed in agriculture, trade light industry (textile and leather) and services. The industrial sector area is based on electricity generation, coal mining, forestry and wood processing, textiles, leather industry. The majority of privatized businesses did not continue their original production lines, particularly in the mechanical engineering industry. The industry sector is more present in the Montenegrin part, with significant capacities especially of agro-industry processing and finishing products, production of cigarettes and confectionary products, etc. The SMEs play an important role for economic development in both sides of the region. They are vital for offering

employment opportunities, promoting the diversification of economic activity, supporting sustainable growth, and contributing significantly to exports and trade exchanges.

High unemployment rate and domination of agriculture sector contribute to a higher poverty level in the Albanian part. According to Montenegrin Poverty Reduction Strategy Paper of 2004, 12.2% of the population is poor. The poverty rate is largest among the Roma minority and similar populations (52.3%).

v. Social and Human Capital

The Albanian part of region is characterised by strong trends of migration over last decade, directed mainly towards urban centres with higher economic potentials. The significant migratory movements have negatively affected the population growth and population structure of the area. Despite of high fertility rates and positive natural growth (including in Montenegro, see table 37), the population in the Albanian bordering area is reduced by 1/3 due to internal and external population migratory movements. On the Montenegrin side, there is a high urbanization level around which the economic activity is concentrated (i.e. Podgorica and Bar). The inter-regional migration has mildly affected population growth trends. Overall, the area is a moderate dependence ratio (around 0.5) and a quite elevated age ratio demonstrating a prominence of young populations, still characterising the area despite the outmigration mentioned above.

Several ethnic groups live in this area, particularly in the Montenegrin part. Heterogeneity of population results in a variety of cultural and social norms in different locations. In the Montenegrin part, apart from the Montenegrin majority, other ethnic minorities are Serbs and Albanians. The Albanian part is more homogenous inhabited by ethnic Albanians, with less than 1% of ethnic Montenegrins.

The education system in Montenegro is well developed in the three levels. There are secondary schools different kind of occupation in Podgorica, Bar and Cetinje. The major university centre is Podgorica with 10 faculties, but there is also the University in Bar as well as The Centre for Subtropical Cultures. Shkodra University represents the most important centre of intellectual, cultural and social development of the Albanian side of the region. Dense demographic changes in Shkodra region have affected the normal functioning of schools, especially in the rural areas. In some urban areas there is overpopulation of classes. Beside some improvements, still many schools suffer from a lack of qualified teachers, laboratories and didactic means as well as insufficient investment, etc.

Montenegro has a vibrant civil society with many active NGOs, but their presence is uneven, both regionally and in terms of thematic focus. The strongest are those in Podgorica, which act mainly in the field of good governance, human rights, environmental issue, anticorruption, EU affairs etc. It is interesting to note that civil actors have in several occasions supported the cultural exchange initiatives. This has been the case with Alba-Montenegro association, Mobil Art Foundation in Podgorica, Montenegrin Doclean Academy of Arts and Sciences, Shkodra office of Regional Environment Centre etc.

vi. Institutional Capital

All municipalities in the region have development strategies but their implementation is not proceeding as planned although all of them were developed with support of foreign companies and consulting companies and in all of them a decent structure of stakeholders was secured.

A business incubator was established in Shkodra in 1999 by the World Bank and was under the responsibility of the Ministry of Labour and Social Affairs. The business incubator was subsidized for the first three years of their operation and is now operating

on a self-financing basis, except for it premises which remained rent-free until 2005. Very little is known however about the extent to which the Albanian business incubators have been successful, their governance structures and/or their financial state. The authors of the study 'Small and Medium-Sized Enterprises Development, Albania' were surprised by the fact that the SME strategy refers to the establishment of incubators (and industrial parks) while there is no reference or/and description of the experiences with existing incubators in order to build on successful experiences or call for potential changes on the structure/management to make it a success story. Although the business incubators were under the responsibility of the Ministry of Labour and Social Affairs, no reference in any of the ministerial documents could be extracted. As confirmed by the representative of AlInvest in April 2008, two business incubators in Tirana and Shkodra are not any more in operation.

In previous years there were several attempts to boost the development of this area. One example is the Protocol of Cooperation signed between Albania and Montenegro. Also the Regional Forum for Cooperation of Shkodra region and Montenegro is established. However, most of the joint initiatives under these schemes were never really implemented. Shkodra and Podgorica municipalities as well as other local stakeholders have facilitated several cross border cultural activities such as: performances in Montenegro of Migjeni Theatre and of the choral group Preng Jakova of Shkodra, concerts and joint exhibitions in Shkodra, Podgorica, Ulcinj etc.

Key Characteristics

- Varied landscape (extended across mountains, fields, valleys and lakes) allowing wide range of agricultural activities
- Area rich in natural resources relatively preserved due to the lack of developed industries

- Uneven level of development (Montenegrin part better developed)
- High fertility rates and positive natural growth ; young population
- Underdeveloped transport infrastructure

Development opportunities:

- Possibilities to create and develop integrated tourism (combining lake, coastal and mountain visits) as well as to develop ecological, spa, cultural and other type of tourism, including the development of cross-border regional tourism
- Opportunity to attract investments and to increase public/private partnership for building adequate road infrastructure
- Possibility to apply cross border management of national parks
- Improvement of the level of vocational education
- Opportunities for agricultural production

Main features of the SKADAR LAKE region

The area seems to offer good development perspectives (one of the most promising of the seven regions identified) thanks to a still positive demographic situation and some natural and physical resources. However, municipalities from Montenegro have recently experienced faster economic development than the Albanian municipalities. The latter is a consequence of a stronger dependence on mass tourism and due to the fact that the capital city of Montenegro is located in this area. The latter has influenced the increasing economic disparities between these bordering municipalities but their shared dependence on mountain tourism and natural resources and their proximity to local markets are strong binding factors.

5.4 Concluding remarks

In this section, the 7 rural cross border regions which have potential to implement an ABD approach have been described, taking into account the limitations in data availability, in particular from Kosovo UNSCR 1244 and Albania. Their identification has been based not only in their ability to comply with ABD principles which require that the target area is characterized by a common development problem (or set of problems) but also that the social setting and physical background (i.e. transport infrastructure) allow for participation and interaction of stakeholders.

Table 39 below summarizes the main characteristics/resources as well as the development opportunities and challenges which these 7 potential ABD target areas face.

An attempt to clusterise the 7 regions on the basis of the comparative assessment in table 39 and figure 45 follows:

The DRINA SAVA region is one of the better off regions in economic terms of the 7 identified potential target areas for ABD implementation. Despite its depopulation, it benefits from a good and accessible location for the development of competitive (agro-)industries and trade. There is scope for participatory joint initiatives not only for competitive productive industries and services, but also for promoting measures related to environment: improvement of sanitary infrastructure (sewage system) and reduction of pollution (solid waste landfills and air pollution, mine fields) which affect this cross border rural area. One advantage of this region with respect to the others is its developed institutional capacities and experience with official cooperation programs. To a certain extent, the socio-economic development situation of this area being so much better than other cross border areas of the region, one can question the priority to engage there in an ABD approach.

Two other areas (DINARA and NERETVA) share certain characteristics in the sense that they cover a Croatian (and Montenegrin) coastal corridor enjoying a very dynamic development and a Bosnian hinterland isolated from the benefits of the coastal development. There seems to be obvious and strong interests in both of these areas to develop joint cross border cooperation. The DINARA region has a natural comparative advantage in livestock production with access to markets on the Croatian coast and could easily see a development of tourism in complement to the Coastal offer. The neighboring cross border municipalities share not only this economic activity but have specialized in the production of similar typical products which could benefit from a shared brand and advertising strategy. In addition, in this area there is strong interdependence in the access to water which requires joint actions in order to avoid the too frequent disputes, with a similar situation concerning the fragility of karstic ecosystems. In this sense, a participatory framework would also help improve the social and economic relations, following difficult times during the war. The NERETVA region is facing similar problems, with two slight differences, first: a deeper hinterland facing stronger structural handicaps and second: less potential concerning natural resources. Another issue of relevance is that the coastal zone is very limited and environmentally fragile and needs much more than in the Dinara area to rely on its hinterland.

The next group of regions (PCINJA and SAR PLANINA) refers to regions strongly handicapped, very isolated and lagging behind. In the case of the PCINJA region, major constraints relate to a very negative demographic trend (ageing / depopulation / out migration) and for the SAR PLANINA its isolation and the absence of structural change are substantial obstacles. However, both areas are characterised by homogeneous cultural background which could aid in attempting an increase in socio-economic interactions. Linking with Bulgarian sides of this mountainous region could also foster the development of the FYROM and Serbian sides in PCINJA as well as linking with the Skopje area might have a similar impact in the SAR PLANINA region.

Table 39. Comparative assessment of criteria used for identification of selected regions

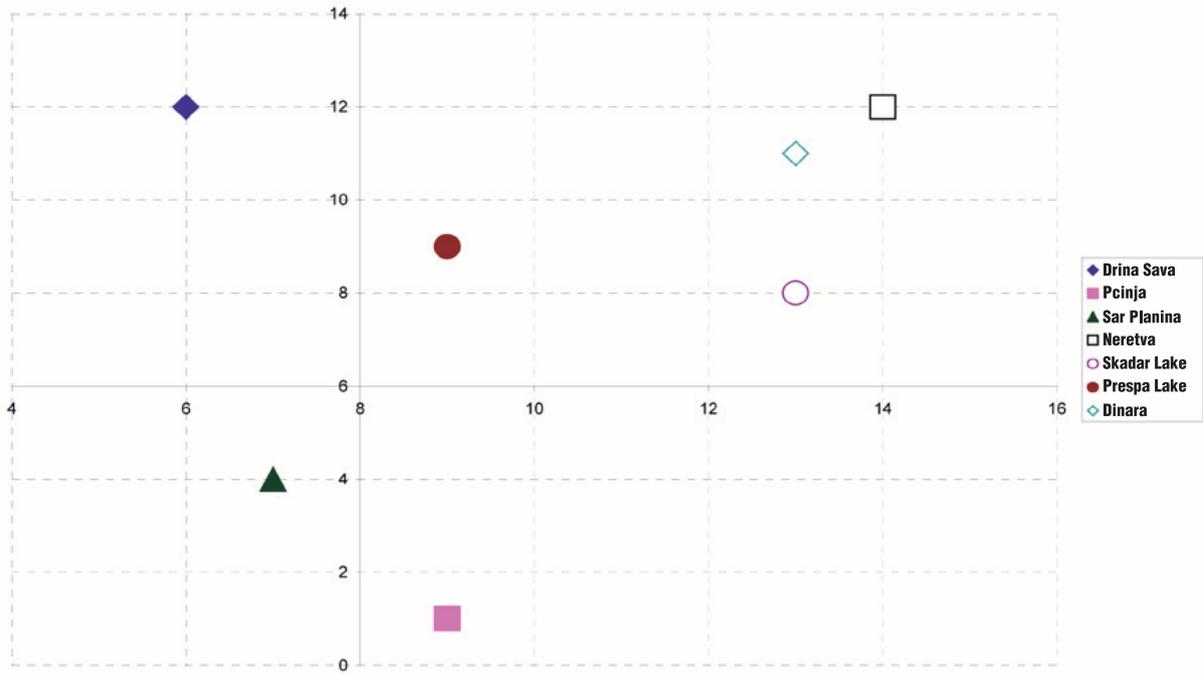
	Drina-Sava	Pcinja	Dinara	Neretva	Sar Planina	Prespa Lake	Skadar Lake
Key Characteristics / Resources							
Strong economic links, based on well-integrated regional economy and compatible economic structure	++	–	+++	+++	++	++	+
Demographic situation characterised by potential in human capital (less outmigration, better educational attainment)	++	-	++	+++	+	+++	+++
Homogeneous characteristics of natural resources: agricultural land, biodiversity, agri business and farm structure	+++	+++	+++	++	+++	++	++
Well-developed physical infrastructure	+++	–	++	++	-	+	+
Development of institutional capacity of local governments and CSOs	++	+	+	++	–	+	+
Overall score baseline (1 per +, -1 for -)	12	1	11	12	4	9	8
Development Opportunities / Challenges:							
Proximity of attractive markets	+++	+	+++	+++	+	++	+++
Opportunities for tourism development	-	++	+++	+++	++	+++	+++
The possibility of improving environmental protection	++	++	+++	+++	++	+++	+++
Existence of typical products	+	+++	+++	++	+	++	+++
Necessity of renewing of social connections among border population	+	+	+	+++	+	-	+
Overall score ABD potential	6	9	13	14	7	9	13

Legend: + identified that exists, ++ positive, moderate connection, +++ positive, strong relationship, – identified as a problem, x not relevant

The last two regions are located near lakes which imply that their protection and management must be organized from a cross border perspective. In the case of the PRESPIA LAKE region, besides the need to attend to environmental issues, the involved municipalities have experienced depopulation and a decrease in economic activity. There is also little awareness of the potential benefits of cross border cooperation particularly concerning economic aspects. On the other hand, the SKADAR LAKE region has been subject to frequent CBC programs which unfortunately have only remained on paper and never implemented. Despite their proximity to attractive markets and the focus on mountain

tourism, these municipalities have dissimilar economic performance which could be partly solved by engaging in more frequent trade and socio-economic interaction. Potential seems easier to trigger in the SKADAR LAKE region because of the existence of a still quite positive demographic trend contrary to most rural areas of the Balkans). To a certain extent, the SKADAR Lake shares also some similarities with the DINARA and NERETVA areas described above, in the sense that the coastal dynamism should percolate or permeate to the hilly areas in vicinity; while the PRESPIA LAKE and its depopulating / isolation traits reminds of the PCINJA and SAR PLANINA areas.

Figure 45. Comparative Assessment – Graphic Presentation (X overall scor ABD; Y overall score baseline)



■ 6 References

Aghion, P., Howitt, P., 1992. A Model of Growth through Creative Destruction. *Econometrica*. 60(2), 323-51.

Aghion, P., Howitt, P., 1997. *Endogenous Growth Theory*. The MIT Press.

Asian Development Bank, 2006. A review of community-driven development and its application to the Asian Development Bank. September 2006.

APF 2011 Border unrest snags Serbia-Kosovo talks. *World News*. 28 September 2011

Association for European Border Regions (AEBR) 2000, *Practical Guide to Cross-border Cooperation*, Third Edition 2000, Gronau.

Ateljevic, J. T. O'Rourke, and Z. Todorovic. 2004, 'Entrepreneurship and SMEs in Bosnia and Herzegovina. Building institutional capacity', in: *ENTREPRENEURSHIP AND INNOVATION*, November 2004, pp. 241-253.

Ateljevic, J. & D. Gallagher 2009, 'Building Institutional, Economic and Social Capacities: The Role of NGOs in the Context of Bosnia–Herzegovina & Serbia', in: J. Ateljevic and S. Page (eds), *Tourism and Entrepreneurship: International Perspectives*, Publisher: Butterworth-Heinemann/ Elsevier, pp. 222-239

Bacsi, Z., Kovács, E. 2006. The Role of Cross-Border Cooperation in Rural Development – A new European Perspective. Working Paper. 1st International Conference on Agriculture and Rural Development. Topusko, Croatia. 23-25. Accessed August 2010. Available at: http://www.agr.hr/jcea/issues/jcea7-3/pdf/jcea73-17_plenary_ses_1.pdf.

Barca F., 2009. An agenda for a reformed cohesion policy – a place-based approach to meeting European Union challenges and expectations. Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy. DG REGIO.

BCID (Bradford Centre for International development), 2007. Research Briefing: Community-driven development: how can individuals, community-based workers and institutions work effectively in partnership? University of Bradford.

Brugger, E.A., 1986. Endogenous development: A concept between Utopia and reality. In:

Bassand, M., Brugger E.A., Bryden J.M., Friedman J., Stuckey B.(eds.). *Self-Reliant Development in Europe: Theory, Problems, Actions*. Brookfield, VT: Gower. 38-58.

CIPRA (Integrated rural development and village renewal), 2006. CRPOV programme. Accessed August 2010. Available at: <http://www.cipra.org/alpknowhow/bestpractice/ciprabestpractice.2006-01-03.6282053564>.

BCID (Bradford Centre for International development), 2007. Research Briefing: Blokker, P. and B. Dallago (eds) 2008, *Youth Entrepreneurship and Local Development in Central and Eastern Europe*, Ashgate.

CARE International 2005, 'Project: "DRINA VALLEY TOURISM DEVELOPMENT". Ref. No. TOURISM/LESP/1/2006. FINAL REPORT'.

Canzanelli, G. 2003. The role of International Organizations for the Promotion of Endogenous Development. Mimeograph. Geneva: ILO and Napoli: University of Naples.

Chambers, R. 1992. Rural Appraisal: Rapid, Relaxed and Participatory, Brighton: Institute of Development Studies, 1992

Chambers, R. 1984, Rural Development: Putting the Last First, London: Longman Group 1984

Cohen, A. P. Ed. 1982. "Belonging" Manchester University Press: Manchester

Cooke, P. and Morgan, K. 1998. The associational economy. Firms, regions, and innovation. Oxford: Oxford University Press

Council of Europe, 2010. Co-operation and assistance programmes. Secretariat memorandum. Accessed August 2010. Available at: <http://www.coe.int>.

Council of Europe, 2006. Strengthening local democracy and developing cross-border co-operation in South-Eastern Europe. Accessed August 2010. Available at: <http://www.coe.int>

Council of Europe, 2002. The cross border co-operation in/for the Balkan/Danube area, an analysis of strengths, weaknesses, opportunities and threats. Accessed August 2010. Available at: <http://www.coe.int>.

Council of Ministers of Bosnia-Herzegovina, Directorate for Economic Planning, 2010. Strategy of Development of Bosnia-Herzegovina, Working Paper

Crouch, C. and C. Trigilia 2001, 'Conclusions. Still Local Economies in Global Capitalism?', in: C. Crouch et al. (eds), *Local production systems in Europe: rise or demise?*, Oxford/New York: Oxford University Press.

Curran, D., Gleeson, J., 2009. Cross-border population Accessibility and Regional Growth: An Irish Border Region Case-Study. National Institute for Regional and Spatial Analysis (NIRSA) Working paper series 54, 1-24.

Dimitrov, M. G. Patrakos, S. Totev, and M. Tsiapa 2003, 'Cross-Border Cooperation in South-eastern Europe. The Enterprises' Point of View', in: *Eastern European Economics*, 41(6), pp. 5-25.

Deloitte Consulting, 2008. Ad hoc evaluation of the CARDS regional programmes in the Western Balkans. December 2008.

DFID (Department for International Development), 2004. Rural Development in Africa: A Synthesis of Project Experience. July 2004.

DG AGRI, 2002. Guidelines for the evaluation of Leader+ programmes.

DG ELARG, 2009. Retrospective evaluations of CARDS programmes in Montenegro, Serbia and FYROM

DG REGIO – Panteia, 2010. Interreg III Community initiative (2000-2006) Ex post evaluation. No. 2008.CE.16.0.AT.016. Accessed August 2010. Available at: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/interreg_executive_summary_en.pdf.

DG REGIO, 2006. 4th Report on Economic and Social Cohesion. Accessed August 2010. Available at: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/interim4_es.htm.

DG REGIO, 2004. 3rd Report on Economic and Social Cohesion. Accessed August 2010. Available at: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion3/cohesion3_es.htm.

DG REGIO, 2003. 2nd Report on Economic and Social Cohesion. Accessed August 2010. Available at: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/contentpdf_es.htm.

DG REGIO, 1996. 1st Report on Economic and Social Cohesion. Accessed August 2010. Available at: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/repc0_en.htm.

Directorate of Rural Development, 2009. Republic of Croatia, Ministry of agriculture, Fisheries and Rural development, IPARD programme 2007-2013. Agriculture and Rural Development Plan. Accessed August 2010. Available at: http://ec.europa.eu/agriculture/enlargement/countries/croatia/ipard_en.pdf.

Domar, E., 1946. Capital Expansion, Rate of Growth and Employment. *Econometrica* 14(2), 137-147.

EAFRD (The European Agricultural Fund for Rural Development), 2009. Republic of Bulgaria, 2007. National Strategy Plan for Rural Development 2007-2013. Accessed August 2010. Available at: http://www.mzh.government.bg/Articles/432/Files/NSRDP_draft633518227577343750.pdf.

EC European Commission 2006. Fact Sheet: The Leader approach. A basic guide. Accessed August 2010. Available at: http://ec.europa.eu/agriculture/publi/fact/leader/2006_en.pdf.

EC European Commission (2008) “Community Strategic Guidelines on Cohesion Policy 2007 – 2013”

EC European Commission 2007. “Growing Regions, growing Europe”, 4th report on economic and social cohesion, European Commission, Office for Official Publications of the European Communities, Luxembourg.

EC European Commission. IPA CBC 2007. Albania – Montenegro Programme Summary 2007-2009

EC European Commission IPA CBC 2007 Serbia – Bosnia and Herzegovina Programme Summary 2007-2013

EC European Commission IPA CBC 2007 Serbia – Montenegro Programme Summary 2007-2013

EC European Commission IPA CBC 2007. Croatia – Bosnia and Herzegovina Programme Summary 2007-2013

EPRC and Metis 2009 Ex-Post Evaluation of Cohesion Policy Programmes 2000-2006 cofinanced by the ERDF (Objective 1 and 2) WP 11: Management and Implementation Systems for Cohesion Policy. Commissioned by DG REGIO

European Union 2010, Directorate General for agriculture and Rural Development, Rural Development in the European Union, Statistical and Economical Information, Report 2010 Eurostat, Agricultural Products database

Faguet, J.P., 2004 Does decentralization increase government responsiveness to local needs? Evidence from Bolivia. *Journal of Public Economics* 88, 867–893.

FAO, 2004. Participatory Land use Development in the municipalities of Bosnia and Herzegovina Guidelines.

FAO, 2006. Toolkit for the application of participatory and negotiated territorial development in trans-border zone. July 2006. GCP/RAF/367/BEL.

FAO, 2007. An approach to rural development: participatory and negotiated territorial development (PNTD). In: Cristoiu A., Ratering, T. Gomez y Paloma, S., 2007 Sustainability of the Farming Systems: Global issues, modelling approaches and policy implications. Seville: EU JRC IPTS, 33-52.

FAO 2008. GAUL (Global Administrative Unit Layers). Available at: <http://www.fao.org/geonetwork/srv/en/main.home?uuid=f7e7adb0-88fd-11da-a88f-000d939bc5d8>

FAO 2009. The evolution and impact of EU regional and rural policy. FAO Investment Centre Working Paper commissioned under the FAO/World Bank Cooperative Programme

Federal Office of Statistics, Federation of Bosnia and Herzegovina, Statistical Yearbook, 2009

Federal Office of Statistics, Federation of Bosnia and Herzegovina, 2009, Plant Production, Statistical bulletin 138(2009)

FORS (Foundation for the Development of Northern Montenegro) 2008, Socio-Economic analysis of Northern Montenegro

Garafoli, G. 1992. Endogenous Development and Southern Europe. Aldershot, Avebury

Gligorijević, V., Stepić, M., 2010. Rural regions in Serbia – population structure and change. Written paper, IVth International Conference of Balkans Demography 'Spatial demography of the Balkans: trends and challenges', Budva, Montenegro, 13-15 May 2010.

Gorzalak, G. 2009, 'Regional Development in Central and Eastern Europe', in: P. Blokker and B. Dallago (eds), *Regional Diversity and Local Development in the New Member States*, Palgrave/MacMillan, pp. 43-62

Government of the Republic of Montenegro, Ministry of Tourism and Environmental Protection, 2007. National Strategy of Sustainable Development of Montenegro

Government of the Republic of Serbia. 2003, Poverty Reduction Strategy paper for Serbia

Government of the Republic of Serbia. 2007, National Sustainable Development Strategy

Harfst, 2006. A practitioner's Guide to Area-Based Development Programming. UNDP Regional Bureau for Europe & CIS

Harrod, R.F. 1939. An essay in Dynamic theory. Economic Journal Vol 49, March pp 1 – 33

Harrod, R.F. 1948. Toward a Dynamic Economics, London; Macmillan

Hoff, K., Stiglitz J.E., 2001. Modern Economic Theory and Development. In: Gerald M. Meier, Joseph E. Stiglitz (eds.). Frontiers of development economics: the future in perspective.

Howitt, P, 2007. Innovation, Competition and Growth: A Schumpeterian Perspective on Canada's Economy. C.D. Howe Institute Commentary 246, April 2007.

Howitt, P. 2009. „Endogenous Growth Theory“ Pp 68 – 73 in Economic Growth Edited by Durlauf, S and Blume, S. Palgrave Macmillan

IIASA (International Institute for Applied Systems Analysis), 2010. Global Agro-Ecological Zones (GAEZ). Available at: <http://www.iiasa.ac.at/Research/LUC/GAEZ/index.htm>

IIASA, 2002 Global Agro-Ecological Zones, 2010. Available at: <http://www.iiasa.ac.at/Research/LUC/GAEZ/index.htm>

ILO 2006, Combining flexibility and security for employment and decent work in the Western Balkans. Available online at http://www.ilo.org/public/english/region/eurpro/geneva/download/events/meetingpaper06_en.pdf

IMC (Inter-Municipal Cooperation), 2010. Accessed September 2010. Available at: http://www.municipal-cooperation.org/index.php?title=Inter-municipal_cooperation.

IPA (Instrument for Pre-Accession Assistance) 2009. Multi-annual Indicative Planning Documents 2009-2011 for Serbia, Bosnia-Herzegovina, Montenegro and FYROM. Accessed August 2010. Available at: <http://www.delmkd.ec.europa.eu/en/bilateral-relations/eu-assistance/IPA%202007-2009.htm>

IPA (Instrument for Pre-Accession Assistance) CBC (Cross-border Cooperation), 2007. Serbia-Bosnia and Herzegovina, Serbia- Montenegro, Bosnia and Herzegovina – Montenegro. Accessed August 2010. Available at: http://ec.europa.eu/enlargement/pdf/serbia/ipa/cbc_srb_-_mne_annex_2_final_clean_en.pdf

Jennings, R 2000. Participatory Development as New Paradigm: the transition of Development Professionalism. Prepared for the “Community based reintegration and rehabilitation in post-conflict settings” Conference. Washington D.C.

Klemencic, M. The border agreement between Croatia and Bosnia-Herzegovina: The first but not the last. IBRU Boundary and Security Bulletin, Winter 1999-2000

Krugman, P.R. 1996. Economic Growth of the nations: Total Output and Production Structure. New Haven CT: Yale University Press.

LEADER+ fiches for Slovenia, Bulgaria and Romania. Accessed on August 2010, available at http://ec.europa.eu/agriculture/rur/leaderplus/memberstates/index_en.htm

LEADER European Observatory, 1999. Assessing the added value of the LEADER approach. Rural Innovation Dossier 4

Lederach, J. P., 1997. Building Peace. Sustainable Reconciliation in Divided Societies. US Institute of Peace Press, Washington.

Lampietti, J.A., Lugg D.G., Van der Celen, P., Branczik, A., 2009. The Changing Face of Rural Space. Agriculture and Rural Development in the Western Balkans. The World Bank, Washington, D.C.

Lucas, R.E. Jr 1988. On the Mechanics of Economic Development. Journal of Monetary Economics Vol 22, No. 1 July pp 3 - 42

Massey, D. 1984. Spatial Divisions of Labour. Social Structures and Geography of Production. London: Macmillan.

Metis GmbH, 2010. Ex-post evaluation of LEADER+

Milic, R.(undated) – Forestry and wood processing in Zlatibor Region

Montenegro Statistical Office (2011), Census of Agriculture 2010

Mukanbetova, A., 2009. Responding to the economic crisis in Kyrgyzstan. The regional impact of the Global Economic Crisis. Working Paper 13/2009. London School of Economics.

Nemes, G., 2006. Integrated rural development, the concept and its operation. Discussion Paper. Institute of Economics. Hungarian Academy of Sciences. Budapest.

North, D. 1990, Institutions, Institutional Change and Economic Performance, Cambridge: Cambridge University Press

Nurkovic, 2009, 'Influence of Tourism on the Regional Development of Bosnia and Herzegovina', in: *International Journal for Euro-Mediterranean Studies*, 2(2), pp. 201-214.

OECD, 2006. Policy Brief: Reinventing Rural Policy. OECD Observer. October 2006

OİR, 2006. Managementdienste GmbH – Synthesis of mid-term evaluations of LEADER+ programmes

OİR, 2003. Managementdienste GmbH – Ex-post evaluation of the Community initiative LEADER II.

Perkmann, M. 2007 Policy Entrepreneurship and Multi-Level Governance: A Comparative

Prescott, E.C. 1988. Robert M. Solow's Neoclassical Growth Model: An Influential Contribution to Economics. *Scandinavian Journal of Economics*, Vol 90 No. 1 pp 7 - 12

- Putnam, R. 1995 Bowling alone: America's Declining Social Capital. *Journal of Democracy* 6(1), 65-78
- Ray, C., 2000. Endogenous Socio-Economic Development and Trustful Relationships: Partnerships, Social Capital and Individual Agency. Centre for Rural Economy Working Paper 45. University of Newcastle upon Tyne, UK.
- RDA (Regional Development Agency) Zlatibor 2008, Systemic Context Analysis, main report and annexes on human resources and fruit production
- Romer, P., 1990. Endogenous Technological Change. *Journal of Political Economy* 98 (5), 71-102.
- Romer, P., 1986. Increasing Returns and Long Run Growth. *Journal of Political Economy* 94(5), 1002-1037.
- Ruttan, V.W. 1998. The new growth theory and development economics: A survey. *Journal of Development Studies*. Vol 35, No. 2 pp 1 - 16
- Sen, A., 1999. Development as freedom, New York. Knopf. pp.366
- Shah, A., 1998. Balance, Accountability and Responsiveness: Lessons about Decentralization. Policy Research Working Paper 2021. The World Bank, Washington DC.
- Shortall, S., 2008. Are rural development programmes socially inclusive? Social inclusion, civic engagement, participation and social capital: Exploring the differences. *Journal of rural Studies* 24, 450-457.
- Shortall S., Shucksmith, M., 2001. Rural development in practice: issues arising in Scotland and Northern Ireland. *Community Development Journal* 36 (2), 122-133.
- Shortall, S., Shucksmith, M., 1998. Integrated Rural Development: Issues Arising from the Scottish Experience *European Planning Studies* 6(1), 73-88.
- Smallbone, D., Labrianidis, L., Venesaar, U., Friederike W. and Zashev, P. 2007, 'Challenges and Prospects of Cross-Border Cooperation in the Context of EU Enlargement. Deliverable 7: State of the Art Literature Review', Kingston University.
- Slee, B., 1994. Theoretical aspects of the study of endogenous development. In: van der Ploeg, J.D., Long, A. (eds.). *Born from within: Practice and perspectives of endogenous rural development*. Van Gorcum, Assen., 184-194.
- Slee, B. 1999. Endogenous Development: A concept in search of a theory. *Options Mediterraneennes*, Ser. A / no. 23
- Solow, R, 1956. A Contribution to the Theory of Economic Growth. *Quarterly Journal of Economics* 70, 65-94.
- Srinivasan, T. N. 1995. Long-Run Growth Theories and Empirics: Anything New in Growth Theories in the Light of East Asian Experience edited by Takatoshi Ito and Anne O Krueger. Chicago: University of Chicago Press, pp 37 - 70

- Statistical Office of the Republic of Serbia, Municipalities of Serbia)
- Statistical Office of Republika Srpska, 2009. Statistical Yearbook 2009.
- Statistical Office of the Republic of Macedonia 2009 a. Census Data 2002.
- Statistical Office of the Republic of Macedonia 2009 b. Regions of Macedonia 2009.
- Statistical Office of the Republic of Montenegro 2010. Statistical Yearbook 2009.
- Statistical Office of the Republic of Serbia 2006 to 2010.
- Strathern, M. 1984. The Social Meanings of Localism pp 181-197 in *Locality and Rurality*
- Swan, T.W., 1956. Economic Growth and Capital Accumulation. *Economic Record* 32, 334–361.
- SWG-RRD (Regional Rural Development Standing Working Group), 2009. Assessment of rural areas, Drina Tara region. Report.
- SWG-RRD (Regional Rural Development Standing Working Group), 2005. Assessment of rural areas in the South East border region of Macedonia, Bulgaria and Serbia. Report.
- Tomic, B. 2010, 'Truth, Responsibility, and Reconciliation: Bajina Basta and Srebrenica', in: Meghan Simpson & Radimir Šovljanski (eds), *Managing Multiethnic Cities in South Eastern Europe. Case-based Solutions for Practitioners*, Local Government and Public Service Reform Initiative/ Open Society Institute–Budapestpp. 113-136.
- Tomicevic, J. M.A. Shannon, and D. Vuletic 2010, 'Developing Local Capacity for Participatory Management of Protected Areas: The Case of Tara National Park', in: *Šumarski list* br. 9–10, CXXXIV, p. 503-515.
- Tenbrink, S. 2010 Cross-Border Cooperation & Metropolitan Economic Strategy. Accessed August 2010. Available at: <http://www.worldbank.hr/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/CROATIAEXTN/0,,menuPK:301250~pagePK:141159~piPK:141110~theSitePK:301245,00.html>
- Tosic S., Gluhak I., Kaminski R., 2010. The LEADER approach in rural development. *Agroekonomika i agrosociologija*, 44. hvartski I 4.međunarodni simpozij agronoma. 267-271 UNDP, 2010a. Kosovo – Social Inclusion – ABD programme. Accessed August 2010. Available at: www.ks.undp.org
- UNDP 2010b *Final Evaluation of the PRO 2 Project*. January 2010.
- UNDP 2009a. Central Asia Cluster Meeting. ABD Key issues and policies. Almaty, Kazakhstan.
- UNDP, 2009 b. UNDP and Area-Based Development programmes: An Overview. ABD – BCPR 08/25/09
- UNDP (2009)c United Nations Development Programme. Srebrenica Regiona Recovery Programme PHASE III.

UNDP 2008. *Final Evaluation of Municipal Improvement and Revival Project Phase II*. October 2008

UNDP, 2007. Project Brief. Rural Network and LEADER. Accessed August 2010. Available at: http://www.undp.bg/uploads/images/1451_en.pdf

UNDP, 2006. Local Sustainable Development Strategy and Action Plan for Kumanovo.

UNDP, 1999. The Report of the Evaluation Mission. The programme for Rehabilitation and Sustainable Social Development in Bosnia and Herzegovina (PROGRESS BiH). BiH/96/025

UNDP, 1993. Informe Sobre Desarrollo Humano. CIDEAL, Madrid.

UN ESCAP (United Nations Economic and Social Commission for Asia and the Pacific), 2009. Participatory Approaches to Rural Development and Rural Poverty Alleviation. Working paper. 34 pp.

USAID (The United States Agency for International Development), 2006. Integrated rural Development. Lessons Learned.

Vázquez-Barquero, A. 2002. Endogenous development. London and New York: Rutledge.

Vázquez-Barquero, A. 2005. Las nuevas fuerzas del desarrollo. Barcelona, Antoni Bosch editor.

Vázquez-Barquero, A 2006. Endogenous Development: Analytical and Policy Issues in “The regional Question in Economic Development” edited by Scott, A and Garofoli, G. New York and London, Rutledge.

Vrbensky, R., 2008. Can development prevent conflict? Integrated area-based development in the Western Balkans – theory, practice and policy recommendations. Working paper WP02/2008. Centre for the study of Global Governance. London School of Economics.

Wallis, J.J., Oates, W.E., 1988. Decentralization in the public sector: an empirical study of state and local government. In: Rosen, H.S. (Ed.), *Fiscal Federalism: Quantitative Studies*. University of Chicago Press, Chicago, 5-32

World Bank, 2003. *The World Bank Participation Sourcebook*. The World Bank. Washington, DC.

World Bank, 1995. *Colombia Local Government Capacity: Beyond Technical Assistance*. World Bank report 14085-C. The World Bank, Washington, DC.

Zivanovic, Z. 2009, ‘Macro regional centres in function of regional development in Serbia’, in: *Bulletin of the Serbian Geographical Society*, 3, pp. 3-50.

European Commission

EUR 25240 – Joint Research Centre – Institute for Prospective Technological Studies

Title: 'Facilitating an area-based development approach in rural regions in the Western Balkans'
Volume 1: Main Report

Authors: Fabien Santini, Silvia Saravia Matus, Geertrui Louwagie, Gert Guri, Natalija Bogdanov, Sergio Gomez y Paloma

Luxembourg: Publications Office of the European Union

2012 – 206 pp. – 21.0 x 29.7 cm

EUR – Scientific and Technical Research series – ISSN 1831-9424 (pdf), ISSN 1018-5593 (print)

ISBN 978-92-79-23184-1 (pdf)

ISBN 978-92-79-23183-4 (print)

doi:10.2791/74324

Abstract

The present report covers an exercise where a defined development approach (ABD) has been tested in a rural cross border case study area† in the Western Balkans. The aim is to draw lessons both for continuing implementation of the ABD in this particular area and more generally initiating it in the Western Balkans. Concretely, the† UNDP Area-Based Development (ABD) approach is targeting specific geographical areas characterised by a particular complex development problem (setting it apart from surrounding areas), through an integrated (multi-sector), inclusive (community versus particular groups or individuals), participatory (bottom-up) and flexible (responsive to changes) approach. This approach has been implemented in the pilot case of the Drina valley†- Tara Mountain area (Bosnia-Herzegovina, Montenegro, Serbia). As a result of 6 months of interaction among stakeholders, 4 priority development themes were identified in tourism, rural development (with a special focus on agriculture), SME and entrepreneurship and environmental protection. This pilot case allowed drawing relevant lessons for the implementation of ABD to what concerns the area delineation process, the bottom-up process, the top-down accompanying framework and the institutional / legal framework. Lastly, 7 other rural cross border areas within the Western Balkans region have been identified as potential ABD target areas.

As the Commission's in-house science service, the Joint Research Centre's mission is to provide EU policies with independent, evidence-based scientific and technical support throughout the whole policy cycle.

Working in close cooperation with policy Directorates-General, the JRC addresses key societal challenges while stimulating innovation through developing new standards, methods and tools, and sharing and transferring its know-how to the Member States and international community.

Key policy areas include: environment and climate change; energy and transport; agriculture and food security; health and consumer protection; information society and digital agenda; safety and security including nuclear; all supported through a cross-cutting and multi-disciplinary approach.