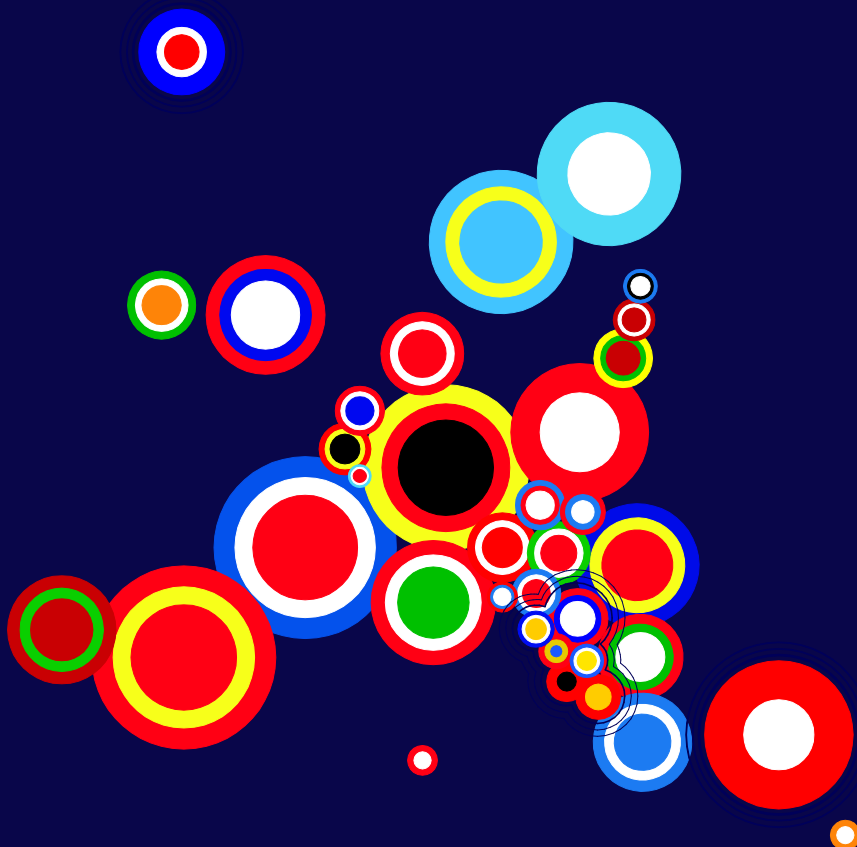




ANNEX 2

INSTRUMENT FOR PRE-ACCESSION ASSISTANCE

2014-2020



IPA CBC PROGRAMME

ALBANIA – KOSOVO*

ADOPTED ON 11/12/2014

Enlargement

** This designation is without prejudice to positions on the status, and in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.*

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Programme synopsis

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|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Programme title | IPA Cross-Border Cooperation (CBC) Programme 2014-2020 Albania – Kosovo |
| Programme area | Albania: Lezha Region and Kukes Region Kosovo: West Economic Region and South Economic Region |
| Programme overall objective | To strengthen good neighbourly relations and foster environmentally friendly and socially inclusive economic development of the bordering regions, through the promotion of their touristic potential and respect of its common cultural and natural heritage. |
| Programme thematic priorities | TP1: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management TP2: Encouraging tourism and promoting cultural and natural heritage; TP3: Investing in youth, education and skills; P4: Technical Assistance |
| Programme specific objectives | TP1: Protection and preservation of environmental resources TP2: Tourism promotion and cultural and natural heritage valorisation as a way to foster economic development TP3: Socio-economic integration of youth P4: Effective, efficient, transparent and timely implementation of the programme and awareness raising |
| Financial allocation 2014-2020 | EUR 8 400 000.00 |
| Implementation method | Direct management |
| Contracting Authority | Delegation of the European Union to Albania ABA Business Center, Rr. Papa Gjon Pali II, 17th floor ,Tirana, Albania Telephone: (+355) 4 222 8320 or 223 0871 – 222 8479 – 223 4284 |
| Relevant authorities in the participating IPA II beneficiaries [Operating Structures] | Ministry of European Integration for Albania Rr. “Papa Gjon Pali II”, Tirana, Albania Telephone: (+355) 4 222 86 23 Ministry of Local Government Administration for Kosovo Former “Rilindja” building, 10000, Pristina, Kosovo |

| | |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Telephone: (+381) 38 213 380 |
| JTS/Antenna | <p>Joint Technical Secretariat in Kukës, Albania “Hotel Amerika ” 2nd floor, Kukës, Albania</p> <p>Antenna in Prizren, Kosovo “Remzi Ademaj” No.23, 2000 Prizren, Kosovo</p> |

Section 1: Programme Summary

The programme for cross-border cooperation (CBC) between Albania (AL) and Kosovo (KSV) will be implemented under the framework of the Instrument for Pre-accession Assistance (IPA II). IPA II supports cross-border cooperation with a view to promoting good neighbourly relations, fostering union integration and promoting socio-economic development. The legal provisions for its implementation are stipulated in the following pieces of legislation:

- Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II);
- Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action;
- Commission Implementing Regulation EU No 447/2014 of 2 May 2014 on the specific rules for implementing the IPA II Regulation.

1.1 Summary of the Programme

The cross-border program area for the IPA Cross-Border Program between Albania and Kosovo covers a territory of 8,335 km² with a population totalling around 936 761 inhabitants. The length of the border is 114 km¹. In Albania the eligible areas cover 48% of the programme area covering 2 regions composed of 8 municipalities with a total of 362 settlements. The 2 regions from Albania include the Region of Kukës and the Region of Lezha. In Kosovo², the eligible area covers 52% of the programme area and includes the South Economic Region composed of 6 municipalities, and the West Economic Region composed of 6 municipalities. The programme area has a total population of 936.761 inhabitants, of which 76% live in the Kosovo territory and 24% live in Albania's side of the programme area. In the whole programme area the population is predominantly rural. In the regions of Kosovo, 65.9% of the population is rural, whereas in Albania rural population reaches 53.8%.

Main findings

¹ Kosovo Agency for Statistics: Kosovo in figures 2012

² Kosovo Cadastral Agency, 2013

Main findings of the analysis are summarised below:

Regional differences in terms of economic and social development are evident not only across the programme area, but even within regions. The programme area has a predominately industrial-agrarian **economy**, with industry more developed on the Kosovo side, while the Albanian regions are dominated by agriculture and services. Both sides have, more or less, the same economic structure relying on agriculture, services, wholesale and retail markets, while traditional industry is more present in the Kosovo regions. Agriculture and tourism are commonly important for both sides but both quite underutilised and underdeveloped. Trade between both sides is suffering from administrative barriers. Some important factors representing constraints for the economic development of the region are, inter alia, the lack of technological know-how and labour skills necessary to respond to the market demand for high-quality services and products. Local products from both sides of the border have little or no access to regional and international markets. Business support mechanisms are weak and insufficient, being slightly more active in Kosovo.

Competitiveness, productivity and know-how are quite low throughout the programme area. Further investment in increasing level of productivity and technology is a precondition to becoming more competitive both domestically and internationally. Light industry and food processing industries are also considered as a potential for accelerated economic growth of the programme area. SMEs of less than 4 employees dominate the businesses map, while business networks existing in the border areas are underutilised. Level of business cooperation across the border is minimal. Synergies between business communities need to be developed within the programme area and to be supported by CBC initiatives.

The **agriculture** sector retains a high degree of importance for the economic development and employment in the programming area in Albania, as a large portion of the population still resides in rural areas, despite significant movements towards urban areas. Agricultural activity is more a family based, subsistence oriented economic activity, and land fragmentation is rather high too. The size of agriculture farms is in average 1.5 ha. Improvement of rural infrastructure and better management of water resources could be the next priorities in the programming area. **Tourism** potential is a missed opportunities on both sides. The area's rich historic-cultural-artistic heritage is an asset for the economic development of the programme area.

Latest major investments in road **infrastructure** have been effective for boosting the economic growth of the programme area, which nevertheless requires broader infrastructures network for sustainable long-term development. The programming area is the biggest **energy** generator in both IPA II beneficiaries. Both hydro potential and lignite reserves are important resources in the programme area for energy generation and overall economic development of the IPA II beneficiaries.

Protection of the environment needs serious consideration in future development plans. Further valorization of natural resources in the view of economic development is a key issue for the development of the area. Reduction of existing pollution, management of urban waste and ensuring the quality of drinking water for purposes of protecting public health and guaranteeing a clean environment, associated with measures to protect the land from natural and man-made destruction and enforcement of a strategic urban planning process are the key challenges to cope with in the programming area. Improved waste management, control of pollution, an efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans.

Regional disparities in both sides of the border are evident. Poverty has become an urban concern, indicating a sluggish performance of the economy over the last years, while the revival of the already exhausted urban potential to lead economic growth has become imperative. Unemployment remains at a disturbing rate for the population of the programme area, especially on the Kosovo side where there is much higher unemployment especially amongst youth, rural population and women

(in some areas it exceeds 50%). Social services are poorly and unevenly developed. Especially health services need major improvements both in coverage and quality. Improving the educational system at all levels is a major priority for the programme area, particularly in rural areas. Further joint action could be undertaken to establish networks of vocational training centres as well as higher education institutions and research agencies and organisations. Advantages coming from the common language should be further utilised in developing educational curricula.

Conclusively, the PESTLE (political, economic, socio-cultural, technological, legal and environmental) and SWOT (strengths, weaknesses, opportunities and threats) analyses reveal that in the programming area can be identified underexploited potentialities for economic development in different sectors, such as economy, environment, tourism, cultural and natural resources, youth and education.

Main Areas of Interventions

The **overall objective** of this CBC Programme is to strengthen good neighbourly relations and foster environmentally friendly and socially inclusive economic development of the bordering regions, through the promotion of their touristic potential and respect of its common cultural and natural heritage.

Based on the situation analysis and the PESTLE and SWOT analysis, the following thematic priorities and specific objectives are considered instrumental for effective CBC initiatives:

(1) Protecting the environment, climate change adaption and mitigation, risk prevention and management:

- Protection and preservation of environmental resources

(2) Encouraging tourism and protecting cultural and natural heritage;

- Tourism promotion and cultural and natural heritage valorisation as a way to foster economic development

(3) Investing in Youth, Education and Skills:

- Socio-economic integration of youth

In addition to the three thematic priorities mentioned above, the programmes will include a specific technical assistance thematic priority aiming to, amongst other purposes, ensure the effective, efficient and accountable management of the cross-border program.

1.2 Preparation of the programme and involvement of the partners

The two Operating Structures (OSs), notably the Ministry of European Integration of Albania and the Ministry of Local Government Administration of Kosovo, have coherently worked together for the preparation of the programme.

The overall objective of this Cross-Border Programme is to promote/strengthen good neighbourly relations and socioeconomic development of the bordering region.

The IPA CBC Programme 2014-2020 between Albania and Kosovo is the result of joint programming exercise work carried out by the participating IPA II beneficiaries, including relevant stakeholders from the central institutions, local institutions of the eligible areas of the programme, chambers of commerce and industry, businesses, and local organizations. In addition, Joint Task Forces were established in both IPA II beneficiaries to prepare and implement the programming document together with the Operating Structures and JTS.

The programming exercise commenced in mid-September 2013, continuing until May 2014³. The programme was designed through a large consultation process involving local stakeholders and potential beneficiaries from both sides of the eligible borders. In the course of the process, both the OSs and JTC were assisted by the “Cross Border Institution Building” Project (CBIB+) and by the Technical Assistance for CBC in Kosovo.

Questionnaires were designed by the CBIB+, discussed with the OSs and disseminated by the OSs with the support of the JTS to institutions at central and local level, CSOs, to support the PESTLE and SWOT analyses for the programme and to provide one of the indicators for the identification of joint priorities for the cross-border area. A total of 69 questionnaires, making over 65% of respondents for both IPA II beneficiaries provided further input to the preparation of the SWOT and PESTLE analyses and the intervention logic. In this process, clarification interviews were also held, including discussions with relevant actors at the central and local level as well as civil society representatives at central and local grassroots level targeting the eligible regions to make the process reach a wider target.

The first draft document of the programme was submitted to the Commission on 15 November 2013, the second revised draft was submitted in 7 February 2014 and the third revised version on 5 May 2014.

During December 2013, the two OSs, in coordination with CBIB+, conducted the first wave of public consultation meetings in the form of presentations of the programme to the main local actors in the eligible areas in order to solicit their input and recommendations.

During March-May 2014 a second wave, taking into consideration a wider public consultation process, was organised by the OSs in coordination with the CBIB+ to present to civil society organisations, universities, civic activists in the eligible regions the second draft document of the CBC Program. Civil society actors and local government representatives strongly supported the thematic priorities selected for this program and also provided details as regards the needs related to their respective regions that are duly reflected in the program document.

In addition, in order to coordinate the process at national level, a consultation meeting was also organised in Albania with the representatives from line ministries covering the thematic priorities proposed in the programme.

Table of meetings and consultations

| Timing and Place | Activities and Scope |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 20-21 June 2013 | Meeting of CBIB + Project in Budva Montenegro with all Western Balkan IPA II beneficiaries, respective EUDs and DG Enlargement presenting the IPA programming process for 2014-2020 in the region |
| 26 July 2013 Prizren, Kosovo | Joint Preparatory Meeting (OS AL, OS KSV, JTS/Antenna staff, CBC TA to Kosovo) - Discussion of suggested thematic priorities for Cross-Border Cooperation under IPA II, Establishment of Task Forces |
| 6 August 2013 Pristina, Kosovo | Consultative meeting with JTS/A and RDAs - (OS KSV, EUO, RDAs, CBC TA to Kosovo). To solicit the support of the RDAs in collecting the survey data. |
| September 2013 | Setting up of Joint Task Forces respectively in Albania and Kosovo targeting the Programming Exercise for Albania - Kosovo |
| September 2013 16, 17 Tirana, AL and 18 September, | Kick-Off Meetings in Tirana and Pristine on with CBIB+ team and Coordination for the programming exercise IPA CBC 2014-2020 |

³ As indicated by the EC

| | |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pristina, KOS | |
| 27 September 2013 in Tirana 01 October 2013 in Pristine | CBIB+ Training on Strategy Development and Formulation |
| September – October (2 missions of CBIB+) | Meeting with Kosovo Operating Structures to discuss on strategic documents, development of PESTLE and SWOT analyses |
| 28 October 2013 Tirana, Albania | First Joint Task Force Meeting for Albania-Kosovo Program in Tirana to discuss on the program document PESTLE and SWOT analyses and priorities |
| 14 November 2013 Pristina, Kosovo | Second Joint Task Force Meeting for Albania-Kosovo Program in Pristine to discuss on the program intervention logic, discussed and agreed upon |
| 15 November 2013 | Submission of the First Draft of the Programming Document to DG ELARG |
| 21-22 November 2013 Belgrade, Serbia | Regional CBC Consultative Forum in Belgrade |
| 12 December 2013 Tirana, Albania | Technical meeting of the programming process: OS, DG ELARG, EUD and CBIB+ - Discussion on the programme strategies |
| 18 December 2013, Kukes region, AL Preliminary Public Consultation presentation meeting | The programme document was presented, as well as the programming process and rationale for selecting the intervention strategy. The intervention strategy was and the thematic priorities selected have been confirmed by the stakeholders |
| 19 December 2013, Lezha region, AL Preliminary Public Consultation presentation meeting | The programme document was presented, as well as the programming process and rationale for selecting the intervention strategy. The intervention strategy was and the thematic priorities selected have been confirmed by the stakeholders |
| mid January – 7 February 2014 | Reflection on the received comments |
| 7 February 2014 | Submission of the Second Draft of the Programming Document to DG ELARG |
| 27 March 2014, Lezha region, AL Wider Public Consultation Meeting with Civil Society and Local Actors | The programming process together with the program priorities were presented to civil society organisation and local government representatives of Lezha region followed by active discussions on the recommendation and suggestions from participants. The priorities were fully confirmed by the stakeholders. |
| 15 April 2014, Kukes region AL, Wider Public Consultation Meeting with Civil Society and Local Actors | The programming process together with the program priorities were presented to civil society organisation and local government representatives of Kukes region followed by active discussions on the recommendation and suggestions from participants. The priorities were fully confirmed by the stakeholders. |
| 16 April 2014, Tirana, AL, Consultation Meeting with the Line Ministries | The programming process and program priorities for the 3 borders, AL-KSV, MNE-AL, MK-AL were presented to the line ministries covering the priorities in the documents, in order to consult regarding the current national programs in the respective fields of action in order not to overlap and see possible synergies. The draft documents were in compliance also with the national strategies and conceived as highly important for the development of the regions by the participants. |
| 17 April – 1 May 2014 | Reflection on comments received from the EC and the public consultations meetings |
| 5 May 2014 | Submission of the Preliminary Third Draft of the Programming Document to DG ELARG |
| 12 May 2014 Consultation Meeting in Prizren | The programming process together with the program priorities were presented to civil society organisation and local government representatives of the South and West Economic Regions followed by active discussions on the recommendation and suggestions from participants. The priorities were fully confirmed by the stakeholders. |
| May 2014 | Final draft submitted to the European Commission |

Section 2: Programme Area

2.1 Situation Analysis

The cross-border program area⁴ for the IPA CBC Program between Albania and Kosovo covers a territory of 8,335 km² with a total population of about 936 761 inhabitants. The total length of the border is 114 km⁵.

Figure 1: Map of the Programme area

In **Albania**⁶ the eligible areas cover 3,994 km² comprising 2 regions and 8 municipalities with a total of 362 settlements:

- The **Region of Kukës**, including the Districts of Kukës, Has and Tropoje, 3 municipalities, 24 communes and 206 settlements.
- The **Region of Lezha**, including the districts of Lezha, Mirdita and Kurbin, 5 municipalities and 16 communes, 170 settlements.



In **Kosovo**⁷ the eligible area covers 4,341 km² and includes the following economic regions:

- **South Economic Region** composed of 6 municipalities: Prizren, Dragash/Dragaš, Rahovec/Orahovac, Suharekë/Suva Reka, Malishevë / Mališevo, and Mamusha / Mamuša.
- **West Economic Region** composed of 6 municipalities: Pejë / Peć, Deçan/Deçani, Gjakovë/Đakovica, Istog/Istok, Klinë/Klina, and Junik.

Neither Albania nor Kosovo have yet officially introduced the NUTS classification⁸. Therefore, the eligible areas are based for Albania on the administrative regions and for Kosovo on the "economic region" definition.

The programme area has a contrasted geographic profile. It is rich with mountain ranges, plains, valleys, rivers and lakes. It is rich in wood, wild animals and pastures (forests and grassland pastures cover over 50% of the total surface). The terrain is also quite difficult with unspoilt sites making it an attraction for tourism for both sides of the border. It has contrasts of terrains, mountainous and field, water sources, lakes, fishery, rivers, flowing from both sides of the border and exiting to the sea through Lezha. The new constructed highway through Durrës to Kukës and then through the border to Prishtinë/Priština has considerably contributed to the increase in the movement of people and goods for various purposes as trade, tourism, education and exchanges, since 2009.

It is a traditional area for sheep breeding and is considered to be a large pasture area in Europe. It is rich in minerals like chrome, coal, iron-nickel, copper, chalk, quartz sand, and marble and contains numerous natural monuments.

⁴ The eligible cross-border area is determined in accordance with article 88 of the IPA implementing regulation

⁵ Kosovo Agency for Statistics: Kosovo in figures 2012

⁶ Population and Housing Census 2011, INSTAT, Albania

⁷ Kosovo Cadastral Agency, 2013

⁸ Nomenclature of Units for Territorial Statistics

The whole programme area is inhabited predominantly by rural population. In the eligible regions of Kosovo, 65.9% of the population is rural, whereas in Albania it comprises of 53.8% rural population. The whole programming area has a relatively **young population** (about 51% of age group 0-27). The **population growth** tendency is declining in both sides of the border. There has been a continuous decrease of births rates. Furthermore, on both sides, there has been a tendency of massive internal and external migratory movements which have negatively affected the population growth and structure of the programme area.

Policy reforms

Albania and Kosovo aspire to become members of the European Union. Repeated public perception surveys indicate that they remain among the IPA II beneficiaries with the most positive stance (more than 95%) of becoming a member of the European Union family. The EU underlines⁹ a number of key challenges ahead facing Albania and Kosovo, such as: economic governance and competitiveness; the rule of law; the functioning of institutions guaranteeing democracy; fundamental rights; and overcoming the legacy of the past in the case of Kosovo.

Economy

Albania has performed comparatively well over the last decade. The country has steered clear of recession, maintaining positive growth rates despite its economic exposure to the crisis that hard-struck Greece and Italy, and also being surrounded by contracting regional economies. Its GDP growth has slowed down from a peak of 7.5 % growth rate in 2008, to a lower 1.6 % growth rate in 2012. **Kosovo** has made progress towards establishing a functioning market economy. Considerable reforms and investments are needed to enable it to cope over the long term with competitive pressure and market forces. The challenging economic situation in the region and the EU has affected Kosovo's economy, although less than in other IPA II beneficiaries in the region. Kosovo's GDP grew by 2.5% in 2012¹⁰.

Regional differences in terms of economic and social development are evident not only across the programme area, but even within regions.

The programme area has a predominately industrial-agrarian economy, with industry more developed on the Kosovo side, while the Albanian regions are dominated by agriculture and services. For the time being, economic growth is modest. However, there are signs of economic recovery after a period of stagnation.

Private Sector

Economic operators in the programme area are extremely fragmented and small in size, mirroring the enterprises structure at domestic level, indicating that business is mostly family based and self-employment prevails. The structure of enterprises is dominated by very small enterprises, employing 1-4 persons, which account for almost 90 % of the total enterprises in the eligible area.

Infrastructure

Roads: Kosovo and Albania are part of the SEETO network¹¹, with the Route 7 (314 km) crossing the both of them¹². **Railways:** There is no railway connection¹² between Albania and Kosovo. Due to lack of investments, the railway infrastructure is very poor, lacking well-developed terminals, tracks and lines. **Energy:** The programming area is the biggest energy generator in both IPA II beneficiaries.

⁹ EC - Enlargement Strategy and Main Challenges 2013-2014, October 2013

¹⁰ European Commission Progress Report on Kosovo, October 2013

¹¹ South-East Europe Transport Observatory

¹² The Route 7 directions include: Lezhe (Albania) –Prishtinë/ Priština (Kosovo) – Doljevac (Serbia)

Environment

The programme area is extremely rich in environmental resources and biodiversity. Protecting and valorising these assets is certainly one of the key points for sustainable development and can offer many possibilities for cross-border cooperation. The programme area offers a rich biodiversity and climate, including a rich landscape, from the highest mountains in the area, hills, plains, lake, rivers and coastline.

Waste and Sewage

Water supply, sewage systems and irrigation remains problematic in the programming area. Reduction of existing pollution, management of urban waste and ensuring the quality of drinking water for purposes of protecting public health and guaranteeing a clean environment, associated with measures to protect the land from natural and man-made destruction and enforcement of a strategic urban planning process are the key challenges to cope with in the programming area.

Agriculture and Rural Development

Despite having abundant water resources and a strong demand for agricultural products, the programming area has limited potential for agricultural development. Modernizing agriculture, upgrading production processes and establishing the EU compliance food safety standards, enhancing traditional agricultural production and supporting cooperation among producers are challenges to cope with in the programming area that can also be supported by cross-border initiatives. In positive note agricultural export/imports between Albania and Kosovo have seen a positive annual increase between 4-6% over the last three years. Agriculture is one of the sectors which contain a great potential for trade and exchange between communities living across the border areas and beyond.

Tourism

Whilst tourism has made an important contribution to the growth of the area, the vast size of the regional tourism market indicates a largely unexploited potential. Unlocking this potential will provide a substantial stimulus to economic growth of both sides of the border. The programme area offers a variety of local features that are suitable for tourism activities, such as: beautiful nature and spectacular landscapes, traditional folklore, and some world-famous cultural and historic sites. The mountains, national parks, protected areas and forests are renowned for their beauty and wilderness and could be of great interest to tourists and offer the possibility to organise winter and outdoor sports. The sea coastline, numerous lakes and rivers provide an excellent opportunity for resort and adventure tourism.

Labour Market

The situation on the labour market presents a clear picture of region imbalances. The unemployment rate in Kosovo is high 30.9%¹³. In Kosovo, the relative share of the working age population area is 64%, while the labour force participation rate is 36%, which is very low compared to Albania (68.2 %).

Number of unemployed persons in the Kosovo programme area is 87,181 which represent 38% of the total number of registered unemployed in Kosovo. The unemployment is especially high amongst youth (55.3%). The potential for the inactive population to grow in Kosovo is very concerning, since the number of youth entering the working age population is three times higher than the number of persons reaching the retirement age. On the Kosovo side of the programming area, the high number of youth entering the labour market each year coupled with only a small

¹³ Kosovo Agency for Statistics and World Bank: Results of the Kosovo 2012 Labour Force Survey

share of graduates finding employment results in the highest unemployment rate in the region. The concern rises due to the fact that the education system in Kosovo does not produce graduates with the required skills to match the labour market demands, and the skills of the graduates become obsolete when not used¹⁴. Overall, the level of the economic activity in the area is insufficient to absorb the labour market entrants.

The employment to population ratio in the programme area on the Kosovo side is lower than the domestic average, with 22% (45,050) in the West Economic Region and 23 % (56,599) in the South Economic Region. Manufacturing, trade, education and construction sectors employed almost half of the employed people in Kosovo in 2012.

The main employment sectors in the West Region are the trade and manufacturing with 17%, followed by public administration with 14.8%. In the South Economic Region agriculture is the sector employing 16.4% of the active labour force, followed by trade and manufacturing with 16%.

Even though a small positive change has been noticed, the percentage of jobseekers considered as unqualified is 57% (including the group without any formal education and that with only primary education), while those with higher and university education are at only 3%, and with secondary education 28.15%. In the South Economic Region agriculture is the sector employing 16.4% of active labour force, followed by trade and artisanal services with 16%. In addition, 38,388 inhabitants, or 12.38%, secure their living from pensions, social assistance and other welfare and healthcare programmes while another 12.19% depend on foreign remittances and other sources. In addition, 160,556 inhabitants or about 51% of the population are supported by others for their livelihood, a figure that covers also the “economically non-active” part of the population.

Total employment in Albania reached 56.4% in 2012, while the average unemployment rate in 2013 amounted to 13.9% stagnating at the same levels of 2011. Total labour force in Albania amounts to 2,229,652 people as of end December 2012¹⁶. The labour force participation rate in Albania is 68.2. The employment rate is showing a decreasing trend. From 58.8 % at the beginning on 2012, it dropped to 48.5 % at the end of 2013. The percentage of employed youth (15-29) in the same period decreased from 39.4% to 28%¹⁷. The agriculture sector employs over 40%, followed by the employment in market oriented services (20%), non-market services (17%), and construction and manufacturing, each approximately at 7%.

Unemployment in Kukes region mirrors the same average unemployment rate as at the national level, and also the same employment structure. Kukes Region has a relatively young population. The 15-64 age group, which represents the labor population, makes up 46% of the total. The number of unemployed in Lezha was 15,021 by the end of 2012. Unemployed persons in Lezha account for 10.6% of the total active labour force, while in Kukes 10,322 unemployed count for about 7% of the total¹⁸.

Also on the Albanian side of the programming area, the high number of youth entering the labour market each year is high, while the small share of graduates finding employment results in the highest unemployment rate, especially in the Kukes region. This is related also to the fact that the education system in the programmes area does not offer the required skills to match the labour market demands. On the other hand, the level of the economic activity in the area is insufficient to absorb the labour market new entrants.

¹⁴ OECD, 2013

¹⁵ Labour and Employment – Performance Report 2012 – MLSW April 2013

¹⁶ INSTAT, Labour Market 2011-2012

¹⁷ INSTAT, Labour Force Survey, Q1.2012-Q4.2013

¹⁸ INSTAT, Quarterly Statistic Bulletin, No. 2, 2013

The social protection system provides support to a substantial part of the population in both sides of the programme area.

Poverty

The absolute poverty line in **Albania** in 2012 was EUR 35.2 per adult¹⁹. Poverty increased in Albania as the poverty rate in 2012 increased to 14.3% compared to 12.4% registered in 2008. Vulnerability of the Albanian population increased in 2012; the registered number of persons below the poverty line rose by 8.4%. Extreme poverty has reached 2.2% in 2012 compared to 1.2% registered in 2008.

During 2012, increases in poverty rate in urban areas have been more accelerated compared to poverty rate in the rural area. The number of poor persons in rural areas has decreased with 11.8%, while the number of the poor in urban areas has increased sharply by 36.8% in 2012 compared to 2008. This indicates that the population of rural areas and northern regions of Albania has moved towards urban areas, mainly Tirana, the capital, and in the coastal areas – these latter register the highest poverty rate in 2012 at an average of 17.6%.

Regional disparities in Albania are evident, although it looks like poverty has migrated from the northern area towards the coast area. All the regions in the programming area are above the average national poverty rate, with Kukes being the poorest region of the country averaging a 21.8% poverty rate, followed by the region of Lezha with 17.5%. Poverty has become an urban concern, indicating a sluggish performance of economy over the last years, and that the revival of the already exhausted urban potential to lead economic growth has become imperative.

Kosovo Poverty level data are also not promising. Poverty indicators in Kosovo have deteriorated instead of improving over the years. Based on the official statistical data in 2012, it is estimated that about 34.5% of the Kosovo population live in general poverty and about 12.1% live in extreme poverty²⁰. The level of poverty in the rural areas is higher than in urban areas, while between males and females the poverty level in 2011 was almost the same.²¹ There are no data related the poverty rates by economic regions of Kosovo.

Education

Education remains one of the major priorities in the programming area. Education is provided at all levels primary, secondary and tertiary (university). There are 589 schools for 137.557 pupils attending **primary education** level in the total programming area²². There are 89 schools in **secondary education** in the programming area, out of which 34 in the Albanian areas and 55 in the Kosovo area. There is a high percentage of young people following secondary education in the urban area, compared to 37.02% in the rural area. There are 3 **vocational schools** in Lezha, 1 in Kukes. Vocational training centres in Peja and Gjakova offer various vocational training programmes for adults. There are institutions of **higher education** in the area. The University of Tirana has opened its branch in Kukes with 3 faculties. During the academic year 2011-2012, there were 671 students enrolled. There are 3 universities in the larger urban centres in the Kosovo area, such as in Pejë/Peć, Gjakova/Đakovica and Prizren.

¹⁹ Albania, Poverty trends, September 2013, INSTAT-World Bank

²⁰ Household Based Survey 2011 estimated that 29.7% of Kosovo's population lived below the poverty line, with 10.2% of the population living below the extreme poverty line. (Kosovo Statistical Agency).

²¹ In 2011, 30.3% of females in Kosovo live in poverty in comparison to 29.2% of males, a one percentage point difference. From 2009 to 2010 poverty rate declined slightly more for males than females.

²² Ministry of Education and Science, Statistical Yearbook 2010-2011: <http://www.mash.gov.al/File/statistika/vjetari-statistikor-per-arsimin-2010-2011-dhe-seri-kohore.pdf>

With regards to **Research and Development**, the programming area is lacking totally the infrastructure and capacities.

Health

In **Albania**, the public health system is managed by the central government²³. Primary health care in Albania is provided at commune and municipal level, while secondary health care is mainly located in the biggest urban centers of the programming area as part of the regionalization of the hospital health services. The health-care system in **Kosovo** provides health-care protection on three levels: Primary²⁴, Secondary and Tertiary. In all the programme area the healthcare system is confronted with the need to respond in more efficient and effective ways comparable to other European countries and EU standards.

Culture

The historical and cultural heritage is one of the most important assets of the programme area. There are very strong bounds between the populations of the two sides of the programme area, which derive from the common language and history and from the deep common roots and intense human, cultural and commercial relations and exchanges that have linked these territories and their inhabitants for centuries. The region is rich in religious and historical sites and monuments, as well as in own traditions and folklore. Numerous cultural events and festivals are organised, and there are diversified culinary traditions and handicrafts that could play an important role in the promotion of tourism but, so far, these are insufficiently well known, underestimated and not exploited. Cultural exchanges present a great boost to implementation of cross-border cooperation. Both Albania and Kosovo participate in the Lisbon Programme for protection and promotion of culture heritage.

Civil Society

Albania's CSO sector is small and unevenly developed. Most of the CSOs are concentrated in the capital and major towns. CSOs are weakly present in rural and remote areas. Main activities of CSOs are advocacy and research in the fields of promoting human rights, the protection and rights of children, democracy and good governance, as well as policy thinking and economic development as well. Civil society in **Kosovo** includes many registered non-governmental organisations (NGOs). Only a few examples of non-registered initiatives may be found and most of them arise on an ad-hoc basis and do not continue being active after the concrete issue/problem is solved.

2.2 Main findings

The programme area is diverse, but still several common features related to nature, geographic position, demographic trends, economy, human capital etc, could generate synergies and be a good opportunity for developing and implementation of CBC initiatives.

- **Economy's structure of the bordering area is more compatible than complementary.** Both sides have, more or less, the same production structure. Both sides rely on agriculture, services, wholesale and retail markets, while traditional industry is more present in the Kosovo regions. Agriculture and tourism are commonly important for both sides but both quite underutilised. The 4-6% of annual rise in exports/imports of the past years, especially of agricultural products is an indication that potentials are there. Key challenges include;

²³ Within the Region, the various district Directorates for Health, parts of the Ministry of Health in Tirana, has certain operational and administrative responsibilities.

²⁴ Primary health-care/family medicine is part of governmental health-care system and is regulated in all municipalities of Kosovo. The concept of family medicine implies application of preventive measures and public health care.

addressing regional economic disparities; low level of productivity as a result of lack of technological know-how and labour skills and mismatch of market demand for high quality services and products and inadequate labour skills. Trade between both sides is suffering heavy administrative barriers, which are difficult to explain.

- **Competitiveness, productivity and know-how are quite low on both sides of the border.** Further investment in increasing the level of productivity and technology is a precondition to becoming more competitive both domestically and internationally. Key challenges on both sides of the programme are include; need to improve conditions and especially the infrastructure for doing business and attraction of FDIs. Light industry and food processing industries are also considered as a potential for accelerated economic growth of the programme area but the quality and standards of the products as well as their access to both Kosovo and outside market remain a challenge.
- **SMEs of less than 4 employees over dominate the businesses map, while business network existing in the bordering areas is an underutilised potential.** A key challenge is the SMEs poor access to financing. The overly prudent lending policies adopted by financial institutions in both IPA II beneficiaries are a serious impediment to the growth of enterprises in the programme area. Level of business cooperation across the border is relatively. Synergies between business communities need to be developed within the programme area and to be supported by the CBC initiatives.
- **Agriculture remains the most significant sectors of the economy of the programme area,** considering the fact that the majority of the population lives in rural areas and their main revenues come from agriculture-related activities. Agriculture is a major economic potential in the programme area, but underutilised. In general rural economy is fragmented and small agricultural holdings have difficulties in accessing markets. Production is moderately diversified and the range of main agricultural produce on both sides of the border is more complementary than competing. Improving access to market and strengthening the food security system and inspection bodies will be important for increasing agriculture sector competitiveness.
- **Unemployment remains at a disturbing rate** for the population of the programme area, especially on the Kosovo side, where there is much higher unemployment especially amongst youth, rural population and women (in some areas it exceeds 50%). High unemployment has lead to de-population and outflow of skilled and educated people in rural part of the programming area and a very low integration of cross-border labour markets, and low cross border mobility. Due to employment insecurity there has been a high rate of migration, especially from the rural areas toward more developed regions or abroad. Social assistance as a result of unemployment is a heavy burden to public spending. Some key challenges ahead include the need to improve the level of vocational education in view of better serving the labour-market needs with skills needed so as to increase the skills of youth labour force and enhance employment opportunities, especially of the young population. Need to promote activities of research and development by using the existing research and high educational centres in areas of common interest which increase the benefits deriving from cross-border cooperation is also a challenging priority for cross-border interventions.
- **The low living standards in the border area is causing a continuous de-population,** in particular in the remote and mountain areas, the living standards have deteriorated during the last years and together with the labour market crisis they have increased the phenomenon of marginalization, social hardships and youth emigration. The presence of strong migration flows has impacted the labour force and resulted in loss of skilled and educated workers in lower urbanised areas. The continuous depopulation of some regions in favour of the central area is a real threat to the development of tourism and in particular agriculture, as it depends at a large extends on the presence of an active and relatively dense rural population.

- **Environment protection needs serious consideration in future development plans of the programme area.** Area is rich in natural resources, therefore the environmental protection and preservation of these resources is crucial for its sustainable development. Some key challenges relate to uncontrolled exploitation of natural resources in the programming area and low level of enforcement of environment regulation and standards to ensure better management of forestry and protected areas to prevent environmental degradation. Increase of awareness of local stakeholders for the better use of natural resources is also a challenge. Improved waste management, control of pollution, an efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans. Further valorization of natural resources in the view of economic development is a key issue for the development of the area.
- **Latest major investment in road infrastructure have been effective for boosting development of the programme area,** but still broader infrastructure network remain impeding for a smooth economic and social development. The sustainable development and improvement of transport and public infrastructure could contribute to sustainable economic growth and a general increase of wealth in the programme area. Development of infrastructure that facilitates business and the diffusion of networks and services to support business development and innovation, could contribute to a general increase of wealth and economy in the area.
- **Tourism potential is another missed opportunity on both sides.** The area has a rich historic-cultural-artistic heritage that needs to be preserved and promoted. Further valorisation of historical and culture heritage could contribute to strengthening the identity of the area. Key challenges remain; the need to develop diverse type of tourism (mountain culinary and agro-tourism) throughout the programming area; low visibility of the rich historical and cultural heritage and traditional peculiarities, need to increasing income in the programming area by promoting activities to preserve tradition, cultural and natural heritage; need to increase the level of cooperation between stakeholders in the area of tourism development and cultural and natural heritage preservation. Tourism potential is an opportunity that needs to be valorised on both sides and best exploited. CBC initiatives need to support development of joint touristic offers.
- **The area has a rich historic-cultural-artistic heritage that needs to be preserved and promoted.** Further valorisation of historical and culture heritage could contribute to strengthening the identity of the area. Cultural heritage is an asset for the economic development of the programme area. The cooperation among culture institutions is present, but it could be intensified further.
- **Improving the educational system at all levels is a major priority** for the programme area, particularly in rural areas. Further joint actions could be undertaken to establish network of vocational training centers as well as higher education institutions and research agencies and organisations. Advantages coming from the common language should be further utilised in developing educational curricula.
- **Social services are poorly and unevenly developed.** Especially health service needs major improvements both in coverage and quality. Legal framework for health insurance (in Albanian side of rural areas) is still hampering the progress of health service delivery development. Given that the health sector is centrally managed, perhaps not much can be done under CBC programmes, but certainly there is room for potential joint activities related to health promotion campaigns and health education.
- **Encouraging regional CSO networks** (including sport, youth and cultural organisations) could contribute to maintaining and strengthening the ties between the communities on both sides of the border in this multi-ethnic programme area.

- **Research & Development and ICT penetration is at distinctly low levels.** There are insufficient investments, governmental, regional or local support activities for R&D activities, despite the fact that universities are present in the programme area. There is no specific data on R&D but there is virtually lack of co-operation between education institutions in both IPA II beneficiaries, and the research, development and innovation area is not explored.
- **Local and regional governments are in general financially weak and cannot boost local development.** They are lacking skills in management, financial control and budgeting, as well as democratic approaches in decision making processes. Absorption of EU funds is low. Cooperation between local and regional governments between the two IPA II beneficiaries could be improved. Decentralization process is on-going in both beneficiaries.

Section 3: Programme Strategy

3.1 Rationale - Justification for the selected intervention strategy

The Cross-Border Programme between Albania and Kosovo will aim to promote sustainable socio-economic development in the cross-border area through encouraging cooperation among people, communities and institutions. In the framework of this program, the following **Thematic Priorities (TPs)** have been identified to be targeted for the period 2014-2020:

THEMATIC PRIORITY 1: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management

The programme area is extremely rich in environmental resources and biodiversity. Protecting and valorising these assets is certainly one of the key points for sustainable development and can offer many possibilities for cross-border cooperation. The programme area offers a rich biodiversity and climate, including a rich landscape, from the highest mountains in the area, hills, plains, lake, rivers and coastline. Therefore, the actions under this priority will support the protection, preservation and valorisation of environmental resources in the programme area through joint initiatives to address environment protection and promotion in the programme area such as: promoting sustainable use of environmental resources, fostering renewable energy, supporting joint actions related to strategies, action plans, research targeting environmental issues including solid waste management, water management, preparation of strategies and action plans on soil erosion, preparation of strategies and action plans on prevention and mitigation of manmade hazards and natural disasters. In addition, encouragement of environmentally-friendly economic activities, awareness raising actions targeting the population on the importance to protect environmental resources, encouragement of partnership and networking actions between local and regional authorities from both sides of the border to target environmental issues, support small scale environmental infrastructure interventions and procurement of equipment and promotion of environmental awareness and education.

Approximately 1/3 of the overall IPA allocations of the Programme, i.e. EUR 2 520 000, will be devoted to actions under this thematic priority.

THEMATIC PRIORITY 2: Encouraging tourism and cultural and natural heritage

The second priority will promote joint cross-border initiatives and actions aiming at tourism, cultural and natural heritage promotion, as a way to promote economic development of the area. This priority is highly important to be targeted by the program due to the fact that although tourism has made an important contribution to the growth of the area, the vast size of the regional tourism market indicates a largely unexploited potential. Unlocking this potential will provide a substantial

stimulus to economic growth of both sides of the border. In addition, the programme area offers a variety of local features that are suitable for tourism activities, such as: beautiful nature and spectacular landscapes, traditional folklore, and some world-famous cultural and historic sites. This priority of the programme will contribute to improving growth and living standards by providing opportunities for wider partnerships and exchanges of common interest across the border to develop tourism and valorise cultural heritage of the area. Actions to be implemented are expected to affect improvement of quality of services and products.

Approximately 1/3 of the overall IPA allocations of the Programme, i.e. EUR 2 520 000, will be devoted to actions under this thematic priority.

THEMATIC PRIORITY 3: Investing in Youth, Education and Skills

The program area is relatively young and faces challenges such as: lack of employment opportunities, limited access to education and attaining of skills, health issues and insufficient ability to impact policy making and gender mainstreaming in all levels in education. Education specifically remains one of the major priorities in the programming area. It requires reform, including teacher training, quality assurance measures, transparency, and practical learning experiences. There is a need to orient the education system towards market demands, to enable its contribution towards increasing market competitiveness and improving citizens' lives. Therefore, this priority is ranked third to be addressed by the programme, with the aim to empower youth and promote education and skills in the cross-border area. This will be achieved through promotion of youth empowerment, through self-employment initiatives, start up businesses, exchanges and networking, state-of-the-art technology, organising youth exchange programs, supporting youth networking activities such as sports tournaments, culture and music festivals and events, encouraging youth voice at decision-making process at local level, strengthening partnership between youth groups, NGOs with local government to undertake joint initiatives, investing in education, including skills and lifelong learning by developing education and training infrastructure, teacher training and qualification, gender mainstreaming at all levels of the educational and VET system, promoting health and healthy lifestyles in schools and joint actions in the field of research and development.

Approximately 1/3 of the overall IPA allocations of the Programme, i.e. EUR 2 520 000, will be devoted to actions under this thematic priority.

PRIORITY 4: Technical Assistance

Technical Assistance (TA) will aim to ensure the effective, efficient and accountable management of the cross border programme. Support will be provided at 2 levels:

- at management level through support for the Operating Structures and the Joint Management Structures in order to ensure the effective implementation, monitoring, control and evaluation of the CBC programme.
- at operational level through support to the Joint Technical Secretariat (JTS) located in Kukes (Albania) and its Antenna in Prizren (Kosovo). TA will support actions which ensure the preparation and selection of high quality programme operations and the dissemination of information on programme activities and achievements.

Table 1: Synthetic overview of the justification for selection of thematic priorities

| Selected thematic priorities | Justification for selection |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management.</p> | <ul style="list-style-type: none"> ▪ The programme area is extremely rich in natural resources and biodiversity. Protecting and valorising these assets is certainly one of the key points for sustainable development and can offer many possibilities for cross-border cooperation; ▪ The programme area offers a rich biodiversity and climate, including a rich landscape, highest mountains in the area, hills, plains, lake, rivers and coastline; ▪ Need to promote and enhance the enforcement of environment regulation and standards to ensure better management of forestry and prevent degradation; ▪ Need to promote joint efforts in the management and control of natural resources and preventing uncontrolled exploitation of natural resources; ▪ Need to promote the increasing of the awareness of local stakeholders for the better use of natural resources, the existing high potential in forests and renewable energies and also promoting eco-tourism. |
| <p>Encouraging Tourism and Cultural and Nature Heritage</p> | <ul style="list-style-type: none"> ▪ Tourism potential is an opportunity that needs to be valorised on both sides and best exploited; ▪ CBC initiatives need to support development of joint touristic offers; ▪ The programme area offers a variety of local features that are suitable for tourism activities, such as: beautiful nature and spectacular landscapes, traditional folklore, and some world-famous cultural and historic sites; ▪ The area has a rich historic-cultural-artistic heritage that needs to be preserved and promoted. Further valorisation of historical and culture heritage could contribute to strengthening the identity of the area. Cultural heritage is an asset for the economic development of the programme area; ▪ Need to promote development of diverse type of tourism (mountain culinary and agro-tourism) as the programming area has an unbalanced tourism development with the prevalence of seaside tourism ▪ Need to increase the level of cooperation between stakeholders in the area of tourism development and cultural and natural heritage preservation. |
| <p>Investing in Youth, Education and Skills</p> | <ul style="list-style-type: none"> ▪ There is the need to invest in youth as the program area has a relatively young population; ▪ Need to improve the level of vocational education in view of better serving the labour-market needs with skills needed so as to increase the skills of youth labour force and enhance employment opportunities; ▪ High unemployment rates especially among young population and women, de-population and outflow of skilled and educated people in rural part of the programming area and a very low integration of cross-border labour markets, and low cross-border mobility; ▪ Need to promote activities of research and development by using the existing research and high educational centres in areas of common interest which increase the benefits deriving from cross-border cooperation. |

3.2 Description of Programme Priorities

The following tables provide a description of each priority supported by specific objectives, results, activities and indicators:

| PRIORITY 1 | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE ADAPTATION AND MITIGATION, RISK PREVENTION AND MANAGEMENT | | | | |
| Specific objective(s) | Results | Indicators | Sources for baseline | Types of Activities |
| <p><u>Specific Objective 1</u></p> <p>Protection and preservation and valorisation of environmental resources in the programme area</p> | <p><u>Result 1.1</u></p> <p>Environment resources and biodiversity better managed and promoted</p> | <p>1.1.1. A least 30% of population of the programme area has been target of environment awareness raising activities</p> <p>1.1.2. At least one harmonised environmental education curricula and/or an extra-curricular programme introduced in secondary education on both sides of the border by 2022</p> <p>1.1.3. At least 5 partnerships of CSOs and local government in management of environmental resources and biodiversity by 2022.</p> <p>1.1.4. At least 30% of the CBC eligible area has been covered by strategies and action plans (disaggregated by solid waste, wastewater, soil erosion) by 2022</p> <p>1.1.5. At least one strategy and action plan adopted on prevention and mitigation of</p> | <p>National Statistics Offices</p> <p>Reports from the relevant central authorities/ministries</p> <p>EU Reports</p> <p>Reports of municipal authorities/institutions</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> ▪ Preparation of strategies and action plans on solid waste and wastewater management ▪ Preparation of strategies and action plans against soil erosion ▪ Preparation of strategies and action plans for prevention and mitigation of manmade hazards and natural disasters (e.g. re-forestation, civil emergency services, etc.) ▪ Encouragement of environmentally-friendly economic activities through partnership and networking actions between local and regional authorities from both sides of the border to target environmental issues and ensure local ownership ▪ Promotion of environmental awareness and education on the importance to |

| | | | | |
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| | | <p>manmade hazards and natural disasters</p> <p>1.1.6. Presence of at least 1 specialised risk and crisis management CBC team</p> | | <p>protect environmental resources</p> <ul style="list-style-type: none"> ▪ Support small scale environmental infrastructure interventions and procurement of equipment ▪ Cross-border mapping and integrated environmental monitoring systems ▪ Small-scale interventions to foster renewable energy |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

PRIORITY 2 – ENCOURAGING TOURISM AND CULTURAL AND NATURAL HERITAGE

| Specific objective(s) | Results | Indicators | Sources for baseline | Types of Activities |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><u>Specific Objective 2</u></p> <p>Tourism, cultural and natural heritage is valorised as a way to promote the economic development of the area</p> | <p><u>Result 2.1</u></p> <p>The quality of tourism services and products is improved to become more competitive</p> | <p>2.1.1. No. of tourists visiting the programme area until 2022 increased by 20% <i>(baseline 2014 around 120.000 tourists)</i></p> <p>2.1.2. Contribution of tourism to regional GDP for each side of the programme increased by 20% in 2020 <i>(baseline 2014 around 10%)</i></p> <p>2.1.3. At least 10 new tourism business initiatives up and running by 2022</p> <p>2.1.4. At least 5 new joint tourism products developed by 2022</p> | <p>National Statistics Offices</p> <p>Reports from the relevant central authorities/ministries</p> <p>EU Reports</p> <p>Reports of regional authorities/institutions</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> ▪ Small scale infrastructures interventions (including the upgrade of less known but potential touristic sites, touristic paths) and procurement of equipment ▪ Promotion of joint tourist sites and offers, sharing of good practices, strategies and plans to extend tourism actions and improve standards of the tourism offer ▪ Promote entrepreneurship and competitiveness of local tourism enterprises and the quality of products and services they offer across the border, including active and health tourism ▪ Know how transfer and skills by introducing new technologies, marketing |

| | | | | |
|--|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>and new promotion techniques, including mapping, use of ICT, multi-media, research in tourism and service provision</p> <ul style="list-style-type: none"> ▪ Introduction of an integrated touristic mapping (historic and gastronomy) ▪ Develop and promote existing/new regional brands of typical local products (agro-food products, handicrafts, etc) in the programming area |
| | <p><u>Result 2.2</u></p> <p>Cultural, historical and natural heritage is better preserved and promoted</p> | <p>2.2.1. At least 2,000 participants in new cultural events by 2022</p> <p>2.2.2. At least 1,000 visitors in the cultural and natural sites</p> | <p>National Statistics Offices</p> <p>Reports from the relevant central authorities/ministries</p> <p>EU Reports</p> <p>Reports of regional authorities/institutions</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> ▪ Joint actions to sustain and foster the cultural heritage in the programme area ▪ Organisation of local festivals, fairs, competitions across the border in connection with cultural values and/or the natural heritage ▪ Awareness education programs (such as trainings, including schools) to improve services quality in cultural and natural sites ▪ Promote new artists and youth initiatives on cultural exchange through houses of culture, resource centres, etc ▪ Training and awareness education programs, including schools to improve services quality in cultural and natural sites ▪ Initiatives to restore, preserve and upgrade cultural and historical sites |

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|--|--|--|--|-----------------------------------|
| | | | | through small scale interventions |
|--|--|--|--|-----------------------------------|

| | | PRIORITY 3 – INVESTING IN YOUTH, EDUCATION AND SKILLS | | |
|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Specific objective(s) | Results | Indicators | Sources of baseline | Types of Activities |
| <p>Specific Objective 3</p> <p>The socio-economic integration of youth is fostered</p> | <p>Result 3.1</p> <p>The access to employment, education and skills for young people is improved</p> | <p>3.1.1. At least 10% of young people (disaggregated by gender) going through CBC initiatives manage to get a job</p> <p>3.1.2. At least 300 young people (disaggregated by gender) trained through new life-long learning services by 2022</p> <p>3.1.3. At least 10% of the youth (disaggregated by gender) targeted by self-employment measures established a start-up business by 2022</p> | <p>National Statistics Offices</p> <p>Reports from the relevant central authorities/ministries</p> <p>EU Reports</p> <p>Reports of regional authorities/institutions</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> ▪ Sustain youth self-employment initiatives, start -up businesses, exchanges and networking, introducing innovative practices and state-of-the-art technology, etc ▪ Supporting exchange programs, networking activities such sports tournaments, culture and music festivals and events ▪ Promoting social and economic inclusion of youth ▪ Encourage the participation of youth at the decision-making process at local level ▪ Strengthen partnership between youth groups, NGOs with local government to undertake joint initiatives ▪ Investing in education, including skills and lifelong learning by developing education and training programmes and infrastructure ▪ Prevention of school drop-outs especially in rural areas |

IPA II Cross-border programme

| | | | | |
|--|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <ul style="list-style-type: none"> ▪ Provision of teachers' exchanges and training for new qualifications ▪ Strengthen vocational training links to labour market ▪ Contributing to gender mainstreaming in all levels of the educational and VET system ▪ Promoting health and healthy lifestyles in schools |
| | <p><u>Result 3.2</u> Youth networking and exchanges are enhanced</p> | <p>3.2.1. At least 3 youth exchange networks continued beyond the programme support</p> <p>3.2.2. At least 1,000 participants (disaggregated by gender) took part in the events organised across border such as youth sport tournaments, and/or youth festivals by 2022</p> | <p>National Statistics Offices</p> <p>Reports from the relevant central authorities/ministries</p> <p>EU Reports</p> <p>Reports of regional authorities/institutions</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> ▪ Promote youth empowerment initiatives ▪ Supporting exchange programs, networking activities such sports tournaments, culture and music festivals and events ▪ Encourage youth voice at decision-making process at local level |

PRIORITY 4 – TECHNICAL ASSISTANCE***Specific objective:***

The specific objective of the technical assistance is to ensure the efficient, effective, transparent and timely implementation of the cross-border cooperation programme as well as to raise awareness of the programme amongst national, regional and local communities and, in general, the population in the eligible programme area. It also supports awareness-raising activities at wider level in order to inform citizens in both IPA II beneficiaries. Moreover, as experience has shown under the programming cycle 2007-2013, this priority will also reinforce the administrative capacity of the authorities and beneficiaries implementing the programme with a view to improve ownership and suitability of the programme and projects' results.

The technical assistance allocation will be used to support the work of the Operating Structures (OS) and of the Joint Monitoring Committee (JMC) in ensuring the efficient set-up, implementation, monitoring and evaluation of the programmes as well as an optimal use of resources. This will be achieved through the establishment and operation of a Joint Technical Secretariat (JTS) based on the territory of Albania, and an Antenna Office on the territory of Kosovo. The JTS will be in charge of the day-to-day management of the programme and will be reporting to the OS and JMC.

Intended results:**1. The administrative support to the Operating Structures (OS) and Joint Monitoring Committee (JMC) of the programme is enhanced**

This priority will secure a smooth programme implementation during all its phases. It includes the availability of the financial means and the deployment of qualified staff in charge of assisting the Operating Structures and the Joint Monitoring Committee, as well as establishing and enforcing management, monitoring and control mechanisms and procedures. If required, it will also contribute to the preparation of the successive financial cycle (2021-2027).

Result indicators:

| <i>Indicator</i> | <i>Unit</i> | <i>Baseline</i> | <i>Target 2022</i> |
|-------------------------------------------------------------------------------------|--------------------|------------------------|---------------------------|
| Average share of beneficiaries satisfied with the programme implementation support* | % | no data | 75% |

*As regards to the Indicator of the Result 1, kindly note that the Programme Albania – Kosovo has launched only one CfP, and the implementation of the projects that falls under this call will start within the winter of 2014, therefore this indicator is marked as “no data”. For future reference, when an assessment will be carried out upon the completion of the current program, it will be taken into account for the upcoming programming 2014-2020 including baseline and more accurate targets.

2. The technical and administrative capacity for programme management and implementation is increased

This priority will also provide opportunities for improving the competences and skills of the management structures of the programmes, as well as of the potential applicants and grant beneficiaries. Specific capacity building activities will be planned and executed on the basis of identified needs in the course of the implementation of the programme. As part of the lessons learned from the programme cycle 2007-2013, (i) an increased participation of the JMC members in the tasks stipulated under the IPA II legal framework will be expected; (ii) the capacity of potential

applicants to develop sustainable cross-border partnerships will be enhanced; and (iii) the capacity of grant beneficiaries to satisfactorily meet the obligations of their contracts will be reinforced.

Result indicators:

| <i>Indicator</i> | <i>Unit</i> | <i>Baseline</i> | <i>Target 2022</i> |
|-------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Average increase in the number of proposals received within each consecutive call * | No. | Number of Proposals submitted under the 1 st CfP of the ongoing Programme (2007-2013) | 20 % |
| Average share of the concept notes that would qualify for further assessment** | No. | n/a** | Increasing share over the lifespan of the programme |

*Please note that in the financial perspective 2014-2020 possible tailored/strategic Calls for Proposals are envisaged with clear focus and/or certain requirements regarding potential beneficiaries. Also, Calls for Proposals might use the rotating principle for the selection of thematic priorities (TP) and their specific objectives and in that respect the number of proposals might not necessarily be increased. For these reasons, the potential expected increase in the number of applications received could be calculated for each consecutive call individually and will be affected by a factor that could be calculated based on: 1) Total financial envelope available, 2) Thematic priorities, specific objectives and results included in the Call for Proposals, 3) Minimum and maximum amounts of grants allowed, 4) Number of applications and grants allowed per applicant/co-applicant/affiliated entity and 5) Any other special provisions influencing various eligibility criteria applicable for a specific call for proposals.

**not applicable due to the fact that baseline cannot be set because calls for proposals were open ones where all documents were to be submitted at one place with no concept-note.

4.1.3. The visibility of the programme and its outcomes is guaranteed.

The CBC programmes have been very popular in the eligible areas thanks, amongst other things, to the visibility actions undertaken during the 2007-2013 programme cycle. Looking at the number of applicants in subsequent calls, it has been noted that there is an increasing interest for cooperation initiatives. These achievements should be maintained and even improved during the implementation of the financial perspective 2014-2020. A variety of communication channels and publicity tools should be developed to ensure regular information between programme stakeholders and a wider audience.

Result indicators:

| <i>Indicator</i> | <i>Unit</i> | <i>Baseline</i> | <i>Target 2022</i> |
|------------------------------------------------------------|-------------|-----------------|--------------------------------------|
| Increase in the people participating in promotional events | No. | 550 | 30% |
| Visits to the programme website | No. | No data* | At least 1000 visitors per year. 50% |

*The current Programme website is under construction and for the time being has no tool to measure the visitors.

Type of activities:

A non-exhaustive list of potential activities covered by the technical assistance allocation would include:

- Establishment and functioning of the Joint Technical Secretariat and its Antenna.
- Organisation of events, meetings, training sessions, study tours or exchange visits to learn from best practice of other territorial development initiatives
- Participation of staff of the management structures in Western Balkans or EU forums
- Preparation of internal and/or external manuals/handbooks
- Assistance to potential applicants in partnership and project development (partners search forums, etc.)
- Advice to grant beneficiaries on project implementation issues
- Monitoring of project and programme implementation, including the establishment of a monitoring system and related reporting
- Organisation of evaluation activities, analyses, surveys and/or background studies
- Information and publicity, including the preparation, adoption and regular revision of a visibility and communication plan, dissemination (info-days, lessons learnt, best case studies, press articles and releases), promotional events and printed items, development of communication tools, maintenance, updating and upgrading of the programme website, etc.
- Support to the work of the Joint Task Force in charge of preparing the programme cycle 2021-2026
- Other

Target groups and final beneficiaries (non-exhaustive list):

- Programme management structures, including the contracting authorities
- Potential applicants
- Grant beneficiaries
- Final project beneficiaries
- General audience

3.3 Horizontal and cross-cutting issues

The program has reflected the importance that the EU gives to the horizontal and cross-cutting issues. It will integrate and incorporate horizontal and cross-cutting issues in compliance with the EU objectives and policies. Such issues are reflected in all the priorities selected for the program such as building cross-border partnership, local ownership and equal opportunities, ensuring non-discrimination of minority and vulnerable groups, participation of civil society organisations, environment protection, gender rights, and good governance.

The program specifically targets the issue of environmental protection in its priority 1, covering interventions towards its protection against hazards and actions for environmental education and environmental sustainability.

Projects prepared under the Area Based Development (ABD) approach to facilitate sustainable growth in defined geographical areas in cross-border regions in the Western Balkans, in particular rural areas characterized by specific complex development problems, may be considered for funding under this cross-border cooperation programme. Account will be taken of the preparatory work for the ABD approach already carried out in the cross-border region covering Albania and Kosovo.

The issue of gender mainstreaming is also tackled directly in the third priority in order to empower and include gender mainstreaming in all levels of education and VET system, including rural and urban areas.

In addition, the issues of supporting partnerships among civil society and local government in order to ensure local ownership and sustainable actions are also part of the program through all its priorities. The program takes into account as well vulnerable groups, all-inclusiveness and human rights.

Section 4: Financial Plan

Table 1 shows the indicative annual amount of Union contribution to the cross-border cooperation programme for the period 2014-2020.

Table 2 provides an indicative distribution of the allocations per thematic priority, i.e. approximately 1/3 per each priority, as well as an indication on the maximum amount of Union co-financing.

Table 1: indicative financial allocations per year for the 2014-2020 cross-border cooperation programme

| Year | IPA II CBC PROGRAMME ALBANIA – KOSOVO | | | | | | | Total (EUR) |
|------------------------------------------|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2014-20 |
| CBC Operations (all thematic priorities) | 840 000 | 1 200 000 | 1 200 000 | 840 000 | 1 200 000 | 1 200 000 | 1 080 000 | 7 560 000 |
| Technical Assistance | 360 000 | 0 | 0 | 360 000 | 0 | 0 | 120 000 | 840 000 |
| Total (EUR) | 1 200 000 | 1 200 000 | 1 200 000 | 1 200 000 | 1 200 000 | 1 200 000 | 1 200 000 | 8 400 000 |

Table 2 : Indicative financial allocations per priority over the period 2014-2020 and rate of Union contribution

| PRIORITIES | IPA II CBC PROGRAMME ALBANIA – KOSOVO 2014-2020 | | | |
|--------------------------|-------------------------------------------------|-------------------------------|------------------|----------------------------|
| | Union contribution | Beneficiary /ies Co-financing | Total funding | Rate of Union contribution |
| | (a) | (b) | (c) = (a)+(b) | (d) = (a)/(c) |
| 1 - Thematic Priority | 2 520 000 | 444 706 | 2 964 706 | 85% |
| 2 - Thematic Priority | 2 520 000 | 444 706 | 2 964 706 | 85% |
| 3 - Thematic Priority | 2 520 000 | 444 706 | 2 964 706 | 85% |
| 4 - Technical Assistance | 840 000 | 0 | 840 000 | 100 % |
| GRAND TOTAL (EUR) | 8 400 000 | 1 334 118 | 9 734 118 | |

The Union contribution has been calculated in relation to the eligible expenditure, which is based on the total eligible expenditure including public and private expenditure. The Union co-financing rate at the level of each thematic priority shall not be less than 20% and not higher than 85% of the eligible expenditure.

The co-financing of the thematic priorities will be provided by the grant beneficiaries. Grant beneficiaries should contribute with a minimum of 15% of the total eligible expenditure .

The amount dedicated to technical assistance shall be limited to 10% of the total amount allocated to the programme. The Union co-financing rate shall be 100%.

Funds for the thematic priorities will be committed through Commission Implementing Decisions covering one to three years allocations, as appropriate. Funds for technical assistance will be committed through a separate Commission Implementing Decision

Section 5: Implementing Provisions

All three priorities of the programme will be implemented through calls for proposals. The Joint Monitoring Committee will be responsible for identifying the thematic priorities, specific objectives, target beneficiaries and specific focus of each call for proposals which shall be endorsed by the European Commission. In this respect, a further consultation process could be held with stakeholders at local and central level and donor community.

During the preparation of the programme, no strategic projects to be selected outside a call for proposals have been identified. However, during the programme implementation period it might be considered to allocate part of the programme financial allocation (one or two yearly allocations) to fund one or more strategic projects in particular related to the thematic priorities of Environment and Tourism. This option has been supported during the programme consultation process by some of the potential beneficiaries.

Strategic projects can be selected through calls for strategic projects. They can also be selected outside call for proposals. In that event, after being proposed and approved by the JMC and endorsed by the Commission, the CBC programme will have to be amended to incorporate such a strategic project.

Strategic projects are defined as interventions that have a significant cross-border impact in the whole programme area which, independently or in combination with other strategic projects, substantially contribute to the achievement of major objectives at priority level. Some general criteria for selecting the strategic projects would be: impact on both sides of the programme area; link with regional or other strategies for development of the bordering areas; level of contribution and co-financing from regional authorities; number of population benefiting from the intervention; cost effectiveness of the intervention; complementarily with parallel actions and sustainability of the intervention. Furthermore, these projects must have a complete tender documentation and, in case of infrastructure investments, apart from the necessary environmental impact assessments, all the necessary permits for location and construction.

The third priority “youth education and skills” will be implemented through calls for proposals only, but funding can optionally cover 1 or 2 years allocations. For the purpose of increasing efficiency and impact of the programme, the intended results will rotate in subsequent calls for proposals following a model similar to the one illustrated in the table below:

| Round of CfPs | Specific objectives | Type of CfPs |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| First | <p>Specific objective 1, result 1.1. Environment resources and biodiversity better managed and promoted</p> <p>Specific objective 2, result 2.1. The quality tourism services and products is improved to become more competitive</p> <p>Specific objective 3, result 3.1 The access to employment, education and skills for young people is improved</p> | General CfP |
| Second | <p>Specific objective 1, result 1.1. Environment resources and biodiversity better managed and promoted</p> <p>Specific objective 2, result 2.2. Cultural, historical and natural heritage is better preserved and promoted</p> <p>Specific objective 3, result 3.2. Youth networking and exchanges are enhanced</p> | General CfP |
| Third | <p>Specific objective 2, result 2.1. The quality tourism services and products is improved to become more competitive</p> <p>Specific objective 3, result 3.1 The access to employment, education and skills for young people is improved</p> | General CfP |

Annex 1

Situation and SWOT analysis

IPA CBC Programme Albania - Kosovo*

2014-2020

**This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.*

1. INTRODUCTION

The cross-border programme area²⁵ for the IPA Cross-Border Programme between Albania and Kosovo covers a territory of 8,335 km² with a population totaling about 936 761 inhabitants. The total length of the border is 114 km²⁶.

Map of the Programme area



In Albania the eligible areas cover 3,994 km² comprising 2 regions and 8 municipalities with a total of 362 settlements. The 2 regions from Albania²⁷ include:

- The **Region of Kukës**, including the Districts of Kukës, Has and Tropoje, 3 municipalities, 24 communes and 206 settlements.
- The **Region of Lezha**, including the districts of Lezha, Mirdita and Kurbin, 5 municipalities and 16 communes, 170 settlements.

In **Kosovo**²⁸, the eligible area covers 4,341 km² and includes the following economic regions:

- **South Economic Region** composed of 6 municipalities: Prizren, Dragash/Dragaš, Rahovec/Orahovac, Suharekë/Suva Reka, Malishevë / Mališevo, and Mamusha / Mamuša.
- **West Economic Region** composed of 6 municipalities: Pejë / Peć, Deçan/Dečani, Gjakovë/Đakovica, Istog/Istok, Klinë/Klina, and Junik.

Neither Albania nor Kosovo has not yet officially introduced the NUTS classification²⁹, therefore the eligible areas are based, for Albania on the administrative regions and for Kosovo on the "economic region" definition.

²⁵ The eligible cross-border area is determined in accordance with article 88 of the IPA implementing regulation

²⁶ Kosovo Agency for Statistics: Kosovo in figures 2012

²⁷ Population and Housing Census 2011, INSTAT, Albania

²⁸ Kosovo Cadastral Agency, 2013

²⁹ Nomenclature of Units for Territorial Statistics

Table 1: Geography of the programme area

| | Area (km ²) | % of the total territory |
|----------------------------------------------------------|-------------------------|--------------------------|
| Albania | 28,748 | 100% |
| Cross-border area | 3,994 | 48% |
| Region of Kukës (Districts of Kukës, Has and Tropoje) | 2,374 | 28.48% |
| Region of Lezha (districts of Lezha, Mirdita and Kurbin) | 1,620 | 19.44% |
| Kosovo | 10,908 | 100% |
| Cross-border area | 4,341 | 52% |
| South Economic Region | 2,016 | 24% |
| West Economic Region | 2,325 | 28% |
| TOTAL Programme Area | 8,335 | AL: 48%, KOS: 52% |

The size of the territory of the programme area for Albania is slightly smaller (48%) compared to territory in Kosovo (52%). On the Kosovo side there are 4 municipalities at the direct border with Albania (Deçan /Deçani, Gjakovë/Đakovica, Prizren, and Dragash/Dragaš) and Kukës is along its territory at the borderline with Kosovo.

There are currently six operating border-crossing points between Albania and Kosovo. Of these, three (Shishtavec/Kukës, Orgjosë/Kukës and Borje/Kukës) are for pedestrians only; while three are for freight and vehicles (Morinë/Kukës, Qafa Prush/Kukës and Qafa Morinë/Tropojë, one on the highway between Kukës and Prizren, and the two others on local border roads connecting the Kukës Region to Pejë/Peć and Gjakovë/Đakovica in Kosovo). All three border crossing points for cars and trucks are under-equipped for processing the transit of goods.

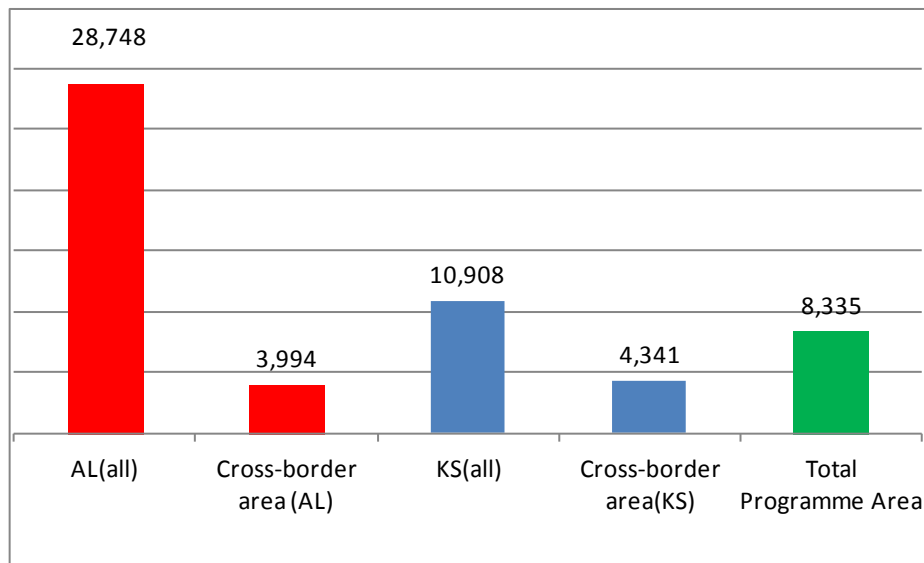
The whole programme area is rich in mountains ranges, wood, wild animals and pasture and rich in minerals and water. The terrain is also quite difficult with unspoilt sites making it an attraction for tourism for both sides of the border. It has contrasts of terrains, both mountainous and field, water sources, lakes, fishery, rivers, flowing from both sides of the border and the exit to the sea through Lezha. The highway through Durrës to Kukës and then through the border to Prishtinë/Priština has considerably increased since 2009 the movement of people and goods for various purposes as trade, tourism, education and exchanges.

On the **Albanian** side, the two regions of the programme area with Kosovo cover around 13.9% of the territory of Albania.

Kukës Region has a territory of 2,374 km². It is situated in the northeastern part of Albania. It features a model of difficult terrain. The region is situated at an average altitude of 680 meters above the sea level. Kukës Region is very rich in water and hydric sources. What makes it of particular interest is the collection of all streams, flows, and rivers running into Drin River. Fierza Lake is the center of all flows and water environments and is suitable for cultivating various fishes. Water assets of the region are also used as energy sources. The region's access to road infrastructure and connection with the rest of the country, particularly with the capital, international airport, and port, improved significantly, particularly following the investments in Durrës-Kukës-Morinë highway.

Lezha Region covers a territory of 1,620 km² and lies across the Adriatic sea with a coastline of 38 km at the north-west side of Albania. It confines with Kukës region in its northeastern side. Lezha territory is composed of mountain areas in the east (65%) and field area in the west (35%). Its geographical position – being at the centre of the main transport crossing connecting the north with the south and the east with the west landline and its proximity to the main coastal harbors as Durrës and Shengjin (the latter being part of Lezha territory) makes the region a huge attraction and easily accessible not only at domestic level, but also international one). It has water resources, being situated by rivers flows (Drin, Gjader, Fan i Vogel, Fan i Madh, Droje, Urake, Mat), the Adriatic sea, mountains and hills with a rich flora and fauna – adding to the economic interest and touristic potential. Lezha has archaeological areas, cult objects, monuments of culture of national historic value.

Figure 2: Programme area in km²



On the **Kosovo** side, the two Economic Regions in the border area with Albania cover around 39, 8 % of Kosovo territory. Municipalities with a direct border with Albania cover an area of 1,967 km², or 18% of the whole Kosovo territory.

South Economic Region with 2,016 km² has Prizren as an ancient historic city lying throughout coasts of river Lumëbardh, in the picturesque valleys beside mountains of Sharri/Šar; which at a height of 2,496m and with its glacial lakes makes a potent tourist attraction. The Mirusha/Miruša Gorge with its 13 lakes and 12 waterfalls is one of the four natural resources of the region. Archaeological findings prove that Prizren is one of the oldest cities in Southeast Europe and even broader. It has cultivated cultural heritage, tourist sites and tourism development. Other municipalities like Dragash/Dragaš are rich in pasture, meadows, mountains, and agriculture fields.

The West Economic Region with 2,325 km² is the western portal of Kosovo bordering with Albania, Montenegro and Serbia. Pejë/Peć, which is considered as center of the region is located at the foot of the impressive mountain Bjeshkët e Nemuna (the Accursed Mountains). The area is covered largely by the Dukagjini Plain that borders the Albanian Alps. The highest peak is Gjeravica Mountain (2,656 m) which is also the highest peak in Kosovo. There are thermal and mineral hot-springs, 3 karstic rivers, very powerful waterfall called White Drini Spring (Drini i Bardhë/Beli Drim) making it a tourist attraction.

The programme area has a contrasted geographic profile. It is rich with mountain ranges, plains, valleys, rivers and lakes. It is rich in wood, wild animals and pastures (forests and grassland pastures cover over 50% of the total surface). It is a traditional area for sheep breeding and is considered to be large pasture area in Europe. It is rich in minerals like chrome, coal, iron-nickel, copper, chalk, quartz sand, and marble and contains numerous natural monuments.

The programme area has important groups of mountains, consisting of alpine-shape massifs, which offer great possibilities for the development of tourism and wood industry, but also hamper the transport infrastructure and the communication with neighbours.

The area is the richest part of Kosovo in water resources, with the rivers Drini, flowing to Albania, Bistrica, Lumëbardhë, Lepenec crossing the mountain relief. Several lakes, such as lakes Livadhi, Strbacko, Jazhnica, and the Brod canyons are resources with great potential for development of winter sports, fishing and other tourism activities. The Sharr/Šar Mountains, one of the two national parks in Kosovo, lies across the three municipalities of Prizren, Dragash/Dragaš and Suharekë/Suva Reka.

Albania is dominated by the chain continuation of Dinaric mountains. The main rivers are the Drini river, coming from Kosovo, and the Valbonë. There are natural and artificial lakes, which are of potential value for tourism, the most important two artificial lakes in the region of Kukës, Komen and Fierzë. The Drini river, which flows through the territory of Albania and Kosovo, represents an opportunity for cross-border cooperation. Another significant part of the area consists of valleys, plains and highlands, which differ in size, density of population, vegetation and altitude and offer favourable conditions for the cultivation of cereals, forage, vegetables and fruits. The largest and more fertile plains on the Kosovo side are found in the Dukagjini basin. The most fertile agricultural lands on the Albanian side lie in the region of Lezha.

The climate of the area ranges from transitional-continental in the mountains, to transitional-Mediterranean along the Adriatic coast and plains with cold and wet winters and hot, dry summers.

2. PESTLE ANALYSIS

2.1 Overall political and economic context

3.1.1 Policy reforms process

Albania and Kosovo aspire to become members of the European Union. Repeated public perception surveys indicate that they remain among the IPA II beneficiaries with the most positive stance (more than 95%) of becoming a member of the European Union family. The EU underlines³⁰ a number of key challenges ahead facing Albania and Kosovo, such as; economic governance and competitiveness; the rule of law; the functioning of institutions guaranteeing democracy; fundamental rights; and, in the case of Kosovo overcoming the legacy of the past.

Albania

In recognition of **Albania's** progress with political and economic reforms, the European Union (EU) signed the Stabilization and Association agreement with Albania in June 2006, which entered into force on April 2009. Albania joined NATO in April 2009. The Visa liberalization for citizens of Albania entering the Schengen states entered into force on December 15th 2010.

The entry into force of the Stabilisation and Association Agreement marked a qualitatively new stage in bilateral relations, entailing significant new obligations and reforms in the areas of justice, freedom and security, free movement of workers, right of establishment and free movement of capital and services as well as on transport, audiovisual field and telecommunications. Essential improvements were made in areas such as internal and economic market reforms, public order and border management, legal reforms and public administration, public procurement, statistics, justice, freedom and security, customs.

³⁰ EC - Enlargement Strategy and Main Challenges 2013-2014, October 2013

In view of Albania having achieved the necessary progress, the *European Commission recommended in October 2013 that the European Council should grant Albania the status of EU Candidate Country*³¹.

Looking ahead, Albania needs to accelerate the reform³² of the judiciary, to ensure its independence, transparency, accountability and efficiency. Albania needs to progress in the implementation of public administration reform, in particular regarding structural laws and administrative acts; make additional efforts to ensure effective enforcement of internal market regulations, intellectual and industrial property rights, and to the energy sector, including the diversification of energy sources, reinforce environmental protection including through sustainable investments in the field of waste management and waste water. Further challenges include also employment and social policy. The administrative capacity and professionalism of bodies charged with the implementation of the *acquis* needs to be strengthened and the independence of regulatory bodies safeguarded.

Albania's National Strategy for Development and Integration 2014-2020 (NSDI) is considered as the overarching policy framework for the country in the context of EU integration. It defines four strategic policy pillars that lay down foundation for sectoral and place-based interventions³³:

- *Strengthening democracy and the rule of law that addresses aspects like:* justice and home affairs, human rights and media, effective governance and foreign and defence policies;
- *Creating conditions for competitive and sustainable economic development* through efficient use of resources that covers: macroeconomic stability and sustainability, competitive market economy, efficient use of resources, integrated regional and sustainable development;
- *Fostering social inclusion, welfare and development of labour market* that aim to promote: employment and social inclusion policies, social policy;
- *Development of society based on knowledge, innovation and digital technology* that includes interventions in the following areas: higher education, research and innovation technology.

Albania's Regional Development Cross-cutting Strategy distinguishes border areas as a cross-cutting policy planning subject and introduces cross-border issues into development policy planning at county level.

Kosovo

Kosovo has made fast progress to deepen its EU approximation. Following the agreement reached on 19 April 2013 between Kosovo and Serbia in the EU-facilitated dialogue, the European Commission concluded³⁴ that Kosovo fulfilled all short-term conditions from the Feasibility Study of October 2012 and as a consequence *recommended that negotiations be opened with Kosovo on a Stabilisation and Association Agreement (SAA) with the EU in October 2013*. The European Commission aims to complete these negotiations in spring 2014. This was recognition for the progress made on key reforms³⁵. In parallel, the visa liberalization dialogue with EU is opened.

In terms of policy reforms, Kosovo now needs to focus on the implementation of the reforms to meet its obligations under a future SAA. The rule of law continues to be a key priority for Kosovo, along with the need to strengthening judicial and public administration reforms and ensuring the rights of minorities – including the Roma. Kosovo needs to urgently address unemployment and the

³¹ A decision expected to be taken in December 2013

³² European Commission Progress Report on Albania, October 2013

³³ Draft National Strategy for Development and Integration 2014-2020 (NSDI)

³⁴ European Commission Progress Report on Kosovo, October 2013

³⁵ European Commission Progress Report on Kosovo, October 2013

structural weaknesses that affect its labour market, as well as continue implementing the legal framework for trade, competition and the internal market. A faster progress is also needed to step up its efforts in a number of phytosanitary and veterinary areas that affect food safety. In the energy sector, efforts to decommission the Kosovo A power plant need to be enhanced. As part of social inclusion policies the government is embarked on a special programme for supporting a sustainable return and reintegration of displaced persons and the economic reintegration of communities³⁶. One particular and rather negative element directly related to border crossing is human trafficking. The reforms in this area are focusing³⁷ at preventing trafficking; protecting the victims of trafficking and prosecuting the traffickers.

Some key reforms/initiatives related to CBC include; legal and regulatory reforms to improve doing business environment; facilitating the *business registration procedures*; *Small Business Act* has been implemented by SME Support Agency; establishment of *economic zones*, business and industrial parks, innovation centres and improvement of related legislation allowing the municipalities to have a sole right to establish economic zones; measures that improve *investment protection* through amendment of related legislation (including merging of SME Support Agency and Investment Promotion Agency into a single institution); establish *investment incentives*, and improve legal and procedures framework for attracting FDIs (avoiding double taxation, customs regulations improvement, investment guarantees and land³⁸); established of Association of Regional Development Agencies (ARDA); improve regulatory framework and implementation of CBC activities in the area of environmental protection, climate change and risk prevention, industrial pollution prevention.

Kosovo benefits from non-reciprocal, customs-free access to the EU market based on the EU Autonomous Trade Preference (ATP) Regime. Kosovo development efforts are supported also by becoming member of EBRD, EIB and CEDB³⁹. In February 2013, the Regional Cooperation Council decided to amend its statute to allow Kosovo to become a participant in its own right.

Future policy framework is clearly stated in the **Kosovo Government Programme** which is based on four main pillars⁴⁰:

- *Sustainable economic development*: covering investments in the economy, improving the investment environment that stimulates private sector; the energy and minerals sector, infrastructure and environment, rural development, higher education, financial sector.
- *Good governance and rule of law*: which besides aiming to strengthen the rule of law, also aims to increase protection and security, reform the public administration and ensure the rights and freedom of citizens and communities.
- *Human capital development*: covering education; culture, youth and sports; and increasing the care for diaspora and policies on the migrated.
- *Social welfare*: aimed at the policies and social programs, health and improvement of the living environment.

³⁶ Strategy for Community and Return 2009-2013

³⁷ National Strategy and Action Plan against Trafficking in Human Beings 2011-2014

³⁸ According to the Law on Local Self Government (No. 03/L-040), the municipalities in Kosovo have the right to lease movable and immovable property to foreign investors. The lease can be granted for a term of ten years with an extension opportunity of up to 99 years.

³⁹ Kosovo joined European Bank for Reconstruction and Development (EBRD) in December 2012. It signed a framework agreement for joining the European Investment Bank and the Council of Europe Development Bank in June 2013.

⁴⁰ The Program of Kosovo Government 2011-2014

2.1.2 Overall Economic Context

Albania has performed comparatively well over the last decade. The country has steered clear of recession, maintaining positive growth rates despite its economic exposure to the crisis hard-struck Greece and Italy, and also being surrounded by contracting regional economies. Its GDP growth has slowed down from a peak of 7.5 % growth rate in 2008, to a lower 1.6 % growth rate in 2012. The services sector is the main GDP contributor accounting for more than half of the country's GDP. Albania qualifies as a lower middle income country with a GDP per capita which in 2012 stands at EUR 3,415. Unemployment rate at an average of 13 % is one of the lowest in the region. The total Albania's public debt has reached to 60.6 % of GDP by the end 2012. The economy remains vulnerable to both domestic structural weaknesses and global economic volatility. Key challenges ahead remain ensuring long term sustainable growth by pursuing prudent fiscal and monetary policies and structural reforms. Albania has to cope reducing the high levels of budget deficit and public debt. It will have to improve fiscal predictability by abandoning the overestimation of revenues and by significantly improving tax compliance. Further improvement of the business and investment environment is essential for diversifying the economy and boosting its long-term growth potential. Reinforcing the rule of law, tackling corruption and addressing payment arrears, as well as developing infrastructure and enhancing human capital are thus the main areas where much effort needs to be concentrated. Reducing of the grey economy remains an important challenge. Albania has Free Trade Agreements with the entire region, including Kosovo, and is a CEFTA member since 2006.

Kosovo has made progress towards establishing a functioning market economy. Considerable reforms and investments are needed to enable it to cope over the long term with competitive pressure and market forces. The challenging economic situation in the region and the EU has affected Kosovo's economy, although less than in other IPA II beneficiaries in the region. Kosovo's GDP grew by 2.5% in 2012⁴¹. Fiscal policy has been prudent and budget performance has been on track. A legally binding fiscal rule has been maintained, to be implemented in 2014. Unemployment remains very high. Kosovo has continued significant investments in its infrastructure. Continuous efforts are needed to support macroeconomic stability and improvement in the social situation. Kosovo needs to improve its competitiveness and business environment, and support the private sector so as to reduce unemployment. Kosovo's economic policies are aimed at a sustainable economic development, as formulated in Kosovo's Government Program (2011 – 2014), which states that "the main generator of economic growth will be private investments and further development of entrepreneurship." "Private sector development strategy 2013 – 2017" further defines the basis for economic policies for the upcoming years. A sound business environment demands further measures to tackle the weak rule of law and corruption. Privatisation needs to continue. The informal sector remains an important challenge.

2.2 Economic Features of the Programme Area

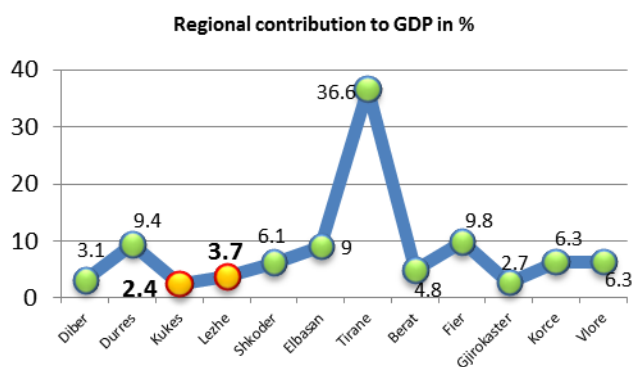
Regional differences in terms of economic and social development are evident not only across the programme area, but even within regions.

The programme area has a predominately industrial-agrarian economy, with industry more developed on the Kosovo side, while the Albanian regions dominated by agriculture and services. For the time being economic growth is modest, but however there are signs of economic recovery after a period of stagnation. Some important factors representing a constraint for the economic development of the region are, inter alia, the lack of technological know-how and labour skills necessary to respond to the market demand for high-quality services and products. Local products

⁴¹ European Commission Progress Report on Kosovo, October 2013

from both sides of the border have little or no access to regional and international markets. Business support mechanisms are weak and insufficient. In Kosovo, there are Regional Development Agencies that can help supporting the economy. In Albania, business support structures are not very active.

In **Albania** regional disparities are evident. The socio-economic development of the country leans heavily in favor of the central regions. The Tirana region contributes with more than one third to the country's GDP, and is by far the most developed region compared to all other regions of Albania. It indicates clearly that all other regions are below their development potential, as they have yet to find ways and opportunities to concentrate on their comparative advantages. Kukës and Lezha regions reflect broadly these bottlenecks as regards socio-economic development



Kukës is the poorest region of Albania and also of the programme area having a GDP of EUR 223 million or equal to 2.4 % of the country's GDP⁴². The region's reliance in agriculture sector is emphasized as agriculture contributes with 34 % in the formation of the regions GDP for the year 2011. The share of trade hotels, transport and communication amounts to 20 % of the regions GDP. The share of the financial and real estate sectors is calculated at 17 % , followed by other services accounting

for 13 % of the regions GDP for 2011. The sector with the lowest contribution is industry, which share is a mere 3 % of the region's GDP in 2011.

Lezha region GDP for the year 2011 amounted to EUR 334 million or about 3.7 % of the country's GDP⁴³. Main sectors are trade, hotels, transport and communication accounting for 26% followed by the agriculture sector accounting for 25 %. The share of the financial and real estate sector is calculated at 19 %, followed by other services accounting for 13 % of the regions GDP for 2011. The contribution of construction sector is measured at 10 %, below national average estimated at 12.8 %, while industry is the smallest contributor to Lezha's region economy, accounting for 8 % of the regions GDP in 2011.

Beside the services sector which is the main contributor to the country's GDP, the agriculture sector retains a high degree of importance for the economic development and employment in the programming area in Albania, as a large portion of the population still resides in rural areas, despite significant movements towards urban areas.

In **Kosovo**, economic and private sector development has been largely small-scale and not very capital intensive. The Kosovo GDP growth peaked at the level of 7.5 % in 2008, declining at 2.5% in 2012⁴⁴. Despite such declined trends the annual average growth rate of Kosovo has been the highest among other Western Balkan countries⁴⁵ in the last four years⁴⁶. However Kosovo's economy continues to await a solution to its major problems: that is, Kosovo is living beyond its means and conditions. Kosovo suffers from an imbalance of payments with imports significantly dominating exports. This is mainly due to the fact that the Kosovo's SMEs are not internationally competitive⁴⁷.

⁴² INSTAT, Regional Accounts 2013

⁴³ INSTAT, Regional Accounts 2013

⁴⁴ Effect of the global crises end eurozone in the Kosovo economy have been at lesser degree due to the low level of integration into the financial market and low export's base (MTEF 2014-20²⁰).

⁴⁵ IMF Country Report No. 223, June 2013

⁴⁶ World Bank, "SEE Countries Regular Report, "From Double-Dip Recession to Accelerated Reforms", December 2012

⁴⁷ SME Development Strategy for Kosovo 2012 – 2016 with Vision 2020

Weak export oriented SMEs hinder the further contribution of SMEs to GDP, job creation and economic growth. Exports are dominated by base metals and ores produced by large companies.. Kosovo needs to create a more competitive and export- friendly economy (trade deficit of Kosovo remains at an average close to 90%, or expressed in monetary terms about €2.2 billion⁴⁸), and improved infrastructure that facilitates attraction of foreign investors. In Kosovo, there are no data on GDP contribution by regions, or regional GDP per capita, but based on other sector macro indicators, the Center region is providing the biggest contribution in overall development of Kosovo economy, while the two South and West economic regions contribute more or less at the same level.

The Kosovo side of the programme area has an industrial-agrarian economy. Economic activities vary between the two economic regions and even within them. Services, agriculture, trade, construction and food processing are generating the majority of local turnover and revenues. The economy of the two regions suffered a lot from damages during the Kosovo conflict of the nineties and for many years has experienced a severe transitional stagnation. Parts of the area have also suffered because of their remoteness from the economic and political heartland of Kosovo.

Currently, the major strengths of the South and West Economic Regions lie in their geographical location as a gateway to neighbouring countries (Albania and Montenegro) with which they have a long tradition of trade. The regions have a relatively developed food industry with enterprises supplying the Kosovo market and exporting to the neighbouring countries. The construction sector (apartment buildings) and the food and drinks industry are particularly expanding. Both regions are very rich with forest products which are very much required in the external market and the timber industry is reviving.

2.2.1 Private Sector

Economic operators in the programme area are extremely fragmented and small in size, mirroring the enterprises structure at country level, indicating that business is mostly family based and self employment prevails. The structure of enterprises is dominated by very small enterprises, employing 1-4 persons, which account for almost 90 % of the total enterprises in the eligible area.

The Albanian programme area, comprising two regions – Lezha and Kukës - registers a total of 3,797 enterprises⁴⁹ as of end 2012 or about 3.6 % of the total number of enterprises in Albania. It has a SME registering birthrate of 10.8 %, lower compared to the national average of 12.2 %.

Total number of enterprises in **Kukës** region as of end 2012 amounts to 914 enterprises⁵⁰, accounting for less than 1 % of the total number of enterprises in Albania, registering a birthrate of 10.8 %, below the national average of 12.2 %. About 81.7 % of the enterprises registered in the Kukës region operate in the services sector. Most of these enterprises – about 54.7 % – operate in the trade sector, whereas 120 enterprises or 16 % operate in the hotels and restaurants sector. The remaining 17.6 % are registered as operating in other services. The production sector registers 167 enterprises, within which about 50 % operate in the industry sector; 37.1 % in the construction sector and the remaining 13.2 % operate in the agriculture sector. About 84 % of the enterprises in the Kukës region employ 1-4 persons, with only 12 enterprises employing more than 50 persons. The share of enterprises managed by females in the Kukës region is the lowest in Albania at 14.2 %.

Total number of enterprises in the **Lezha** region region at the end of 2012 amounts to 2,883 enterprises⁵¹, representing 2.76 % of the total number of enterprises registered in Albania with a birthrate of 10.8 %, below the national average of 12.2 %. Most of the enterprises 80.6 % operate in

⁴⁸ World Bank, "SEE Countries Regular Report, "From Double-Dip Recession to Accelerated Reforms", December 2012

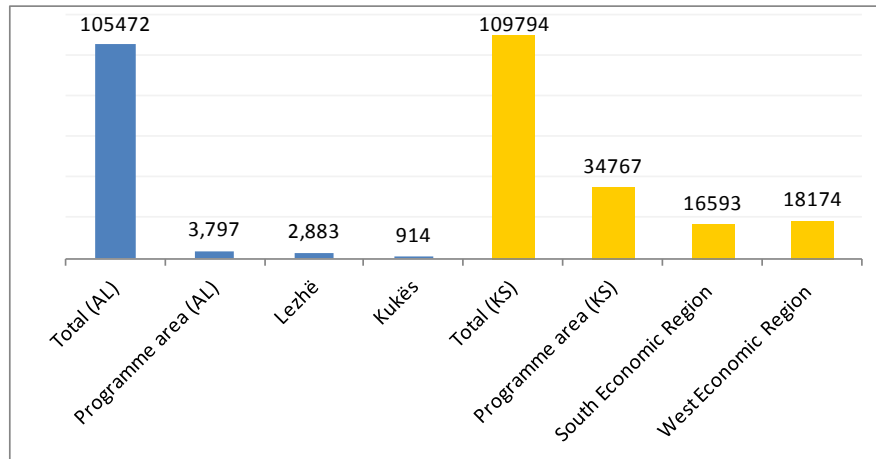
⁴⁹ INSAT, Business Registry 2013

⁵⁰ INSAT, Business Registry 2013

⁵¹ INSAT, Business Registry 2013

the services sector. About 1,201 or 41.7% enterprises operate in the trade sector, while 448 enterprises operate in the hotels and restaurants sub – sector of services. The production sector registers 557 enterprises, or less than 1/5 of the total enterprises in the Lezha region, most of which in the industry sector – 327 units or 58.7 %, followed by 153 enterprises operating in the construction sector. About 91.3 % of all enterprises in Lezha region employ 1-4 persons, while only 25 enterprises employ more than 50 persons. About 24.7 % of the enterprises in the Lezha region are managed by females.

Figure 2: Number of registered enterprises



In **Kosovo**, the programme area has a total of 34,767 registered enterprises, accounting for around 32% of the total enterprises registered in Kosovo⁵². Analyzing the whole programming area, Albania and Kosovo, in total of 38,564 enterprises, it is clearly notable that the Kosovo area has the most part of enterprises, around 90%. In terms of sector breakdown, SMEs in Kosovo are mostly concentrated in: retail (around 50%); transport, storage and distribution (14%); food products, beverages and tobacco (9%); and, hotels and restaurants (9%).

In the **South Economic Region** registers 34,767 enterprises or 15% of the total amount of enterprises in the whole territory of Kosovo⁵³. The sectoral distribution of registered businesses shows heavy dependence of the economy on the service sector⁵⁴. Almost half of registered businesses (49%) are in the wholesale and the retail commerce combined with the automobile trade and auto service sector. Some 11% of businesses are in the tourism and hospitality services (hotels, restaurants etc.) followed by transport (9%). Only 12% of businesses are involved in processing (including food industry) and further 5% in construction. Only 5% of registered businesses are active in the agricultural sector.

The **West Economic Region** of Kosovo registers 34,767 enterprises, or 17 % of the total amount of enterprises in the whole territory of Kosovo. From the perspective of new business establishments the western region has marked an increase in the number of new enterprises as in 2011 there were 963 new registered business, while in 2012 there were 1,459 businesses established⁵⁵, which marks an increase of 51.5%. While in the first quarter of 2013 there were 4,846 new business registered, which compared to the first quarter of 2012 marks an increase of 31.9%. On the other side, according to the same KSA reports in 2011 there were 164 existing businesses dissolved in the western region, another 152 in 2012, and 49 in the first quarter of 2013. This makes for the relation between new businesses and those dissolved to be for each new 100 businesses, 13 others are

⁵² SME Development Strategy for Kosovo 2012 – 2016 with Vision 2020

⁵³ Kosovo SME Strategy

⁵⁴ Regional Development Strategy for the Economic Region South 2010-2013

⁵⁵ Statistical report on economic enterprises in Kosovo TM1, TM2, TM3 and TM4 2012 – KSA

dissolved. Again at a general level, which does not differ too much from the regional one, businesses are mainly focused in the following five sectors, of which trade represents 50%, followed by transport at a much lower rate of 14%, food production and tourism (hospitality) with 9% and others with 12% (ARBK, December 2012). Individual businesses clearly dominate the ownership structure with 90%. The remaining part is made up of limited liability companies (5.8%) and general partnerships (3.2%). Certainly the type of ownership presented above is representative of the deficiencies of businesses in Kosovo, because it indicates the hesitation of owners to bring their financial capital and human resources together in more advanced forms of business (ARBK, December 2012).

Amongst the important factors representing a constraint for the SMEs development in all programme area are the lack of technological know-how and labour skills necessary to respond to the market demand for high-quality services and products. In the food industry, the lack of distinctiveness (packaging, marketing strategy, etc.), poor branding and lack of quality standards are major constraints not only for export but also for supplying the respective internal markets.

2.2.2 Labour Market

The situation on the labour market presents a clear picture on region imbalances. Employment rate for **Kosovo** in 2012 was 25.6%⁵⁶. In the West Economic Region in 2011 there were 87,989 persons considered as “economically active” but only 52% of them were employed⁵⁷. The main employment sectors in the West Region are the trade and artisanal service with 17.02% followed by public administration with 14.8%. Even though a small positive change has been noticed, the percentage of jobseekers considered as unqualified is 57% (including the group without any formal education and that with only primary education), while those with higher and university education are at only 3%, and with secondary education 28%⁵⁸. In the South Economic Region agriculture is the sector employing 16.4% of active labour force, followed by trade and artisanal service with 16%. In addition, 38,388 inhabitants, or 12.38%, secure their living from pensions, social assistance and other welfare and healthcare programmes while another 38,388 inhabitants or 12.19% depends from foreign remittances and other sources. In addition, 160,556 inhabitants or about 51% of the population are supported by others for their livelihood, a figure that covers also the “economically non-active” part of the population.

Total labour force in **Albania** amounts to 2,229,652 people as of end December 2012⁵⁹. It has seen no major developments, despite the economy has slowed down during the last 2-3 years. Total employment in Albania reached 56.4% in 2012, while the average unemployment rate amounted to 13.9% stagnating at the same levels of 2011. Unemployment in Kukes region mirrors the same average unemployment rate at national level, and also the same employment structure. The number of unemployed in Lezha was 15,021 by of end 2012. Unemployed persons in Lezha account for 10.6% of the total active labour force, while in Kukes 10,322 unemployed count for about 7% of the total⁶⁰.

The social protection system provides support to a substantial part of the population in both programming areas.

2.2.3 Agriculture and Rural Development

Agricultural land covers 22 % of Albania’s territory which accounts for 0.22 ha per capita. The share of agriculture in the Albania’s GDP amounts to 21% of GDP in 2012. In Kosovo agriculture sector

⁵⁶ Kosovo Agency for Statistics and World Bank: Results of the Kosovo 2012 Labour Force Survey

⁵⁷ Kosovo Agency for Statistics: Labour market data by municipalities 2011 : Final Results of the population census 2011

⁵⁸ Labour and Employment – Performance Report 2012 – MLSW April 2013

⁵⁹ INSTAT, Labour Market 2011-2012

⁶⁰ INSTAT, Quarterly Statistic Bulletin, No. 2, 2013

contribution to GDP is 14%. Pastures, forests and meadows make up for about 78% of the total Albanian territory, representing an unexploited opportunity for livestock production. Around 59% it is situated in this programme area.

Agriculture **Albania's** programme area displays persistent structural deficiencies resulting in low productivity and low competitiveness. Food processing industry is poorly developed while struggling to meet the demanding food safety standards. The most typical characteristics of the Albanian agriculture are; highly fragmented and small-scale holdings which constraints production and profit; prevalence of subsistence production; low level of finalization of agricultural products and underdeveloped food industry. Agriculture land covers about 22% of the whole programming area⁶¹. The larger part is on the Lezha region (13%), while Kukës region 9%. Kukës is mainly dominated by mountains with 37% of the whole programme area. Most of the territory of the programming area is dominated by forests and pastures (59%). Despite being rich with water resources, only 31.4% of the agriculture land in the programme area is irrigated. This has an impact in the low level of development of the agriculture sector. Rural population dominates the programming area with about 52%. Agriculture in the programme area is a family based activity oriented toward subsistence needs. Ownership of agriculture land is highly fragmented – with the farm size as low as 0.6 ha in Kukës and 0.89 ha in Lezha as against Albania's average of 1.20 ha⁶². Kukës has the higher rural population (66%), followed by Lezha region with 46%. The terrain in the programming area is mostly mountainous and rugged, significantly restricting the areas where agriculture potential can retain some comparative significance. Such areas are mainly situated in the Kukës region where the landscape and climatic conditions are favourable for the livestock, but still the region cannot fulfill even its own needs. Kukës region shares only 4% and 5% of the total livestock production of Albania⁶³. Lezha region has a tradition for pig farming as it has around 92% of the total country's inventory.

The programme area covers about half of the total agriculture land of **Kosovo**, while it has more than 50% of the pastures and meadows. The agriculture cultivated land is about 38% of all cultivated land in Kosovo. The agricultural land represents approximately 61% of the total area of the Southern Region and offers a great potential for further development of agriculture. The area is rich also with water resources. Rural population dominates the programme area with about 67.3 % of its total population. Employment in agriculture is more dominant in the South Economic Region with 16.5% of all labour force in this region, while in the West Economic region, agriculture sector employs only 8.5% of the total employed⁶⁴.

Agriculture activity is more a family based, subsistence oriented economic activity, and that land fragmentation is rather high too. The size of agriculture farms is in average 1.5 ha. Municipality of Dragash/Dragaš and the municipality of Malishevë/Mališevo have the highest share of rural population, respectively 97% and 94% of population living in the rural areas. The programme area includes 42% of total family economies in Kosovo that possess livestock. The area offers optimal conditions for diversified production: vegetable, field crop production, livestock, fruit and wine. The agriculture sector in Kosovo is facing continues bottlenecks such as low level of efficiency and use of outdated farm technologies; small average farm size and fragmented agricultural production; low quality of agricultural produce; fragmented processing of agricultural products, food safety and environmental problems. In order to address the situation the government has approved the Agriculture and Rural Development Plan 2009-2013.

In conclusion, despite having abundant water resources, and a strong demand for agricultural products, the programming area has limited capacities potential for agricultural development. Rural

⁶¹ INSTAT 2011, Albania

⁶² INSTAT 2011, Albania

⁶³ See: Kukës Regional Development Strategy 2012-2016 (pg 16)

⁶⁴ Source KAS : Labour market data ; August 2013

roads infrastructure is seen a major improvement in the programming area (especially in the Albanian side), improving access to markets to a large extent. However, an integrated approach aimed at promoting agriculture, tourism and economic activity in one package is possibly appropriate to be followed in order to develop agriculture in the programme area, especially in view of the negligible farm sizes. Improvement of rural infrastructure, better management of water resources could be next priorities in the programming area. Modernizing agriculture, upgrading production processes and establishing the EU compliance food safety standards, enhancing traditional agricultural production and supporting cooperation among producers are challenges to cope with in the programming area that can also be supported by cross-border initiatives. In positive note agricultural export/imports between Albania and Kosovo have seen a positive annual increase between 4-6% over the last three years. Agriculture is one of the sectors which contain a great potential for trade and exchanges between communities living across the border areas and beyond.

3.2.4 Tourism

Whilst tourism has made an important contribution to the growth of the area, the vast size of the regional tourism market indicates a largely unexploited potential. Unlocking this potential will provide a substantial stimulus to economic growth of both sides of the border. The programme area offers a variety of local features that are suitable for tourism activities, such as: beautiful nature and spectacular landscapes, traditional folklore, and some world-famous cultural and historic sites. The mountains, national parks, protected areas and forests are renowned for their beauty and wilderness and could be of great interest to tourists and offer the possibility to organise winter and outdoor sports. The sea coastline, numerous lakes and rivers provide an excellent opportunity for resort and adventure tourism.

In **Kosovo**, statistical data indicate a growing trend of domestic visitors in Kosovo of about 60% in 2012 compared to four years before in 2008⁶⁵. The programme area most visited by tourists in the two regions include cities like Prizren, Pejë/Peć and Istog, the Recreation-Tourist Centre in Brod, and other locations such as Restelica, Radesha, Zaplluxha, Namazgjahu, Bjeshkët e Nemuna, Pishat e Deçanit, the lakes of Brezna and Ranoniq, the Zgatar and Rugova Caves, the Mirusha Canyons, the Sharr/Šar Mountains, with the skiing resort of Brezovica, and the Beleg Mountains, also with skiing facilities. Mountain ranges with Alpine relief, where there is snow for up to 280 days per year, offer opportunities for developing winter tourism. There are possibilities of further developing ski slopes and other winter sports in the Sharr/Šar and Beleg Mountains. The rich variety of flora and fauna, lakes, caves, and other natural attractions that can be found in the lower parts offer good attractions for summer tourism.

Tourism development potential in the Kosovo Economic Region South is still underutilized⁶⁶ despite of abundant natural resources that are attractive for tourism purposes as well as rich cultural and historical heritage. The relative importance of tourism in the region can be drawn from the fact that out of 12,000 businesses, 11 % of them are directly linked to tourism. At present, the city of Prizren is the most important tourism attraction in the region. It hosts approximately 95 % of Region's visitors. During 2009, 2010 and 2011, the Region has been visited respectively by 3,249, 4,178 and 4,148 daily and overnight (or longer) visitors⁶⁷. Out of 4,735 that visited Prizren in 2012 some 61% are foreigners⁶⁸. In the South Economic Region there are operational 23 hotels and 13 guest houses with a total capacity of 1,003 beds. The estimated absolute level of bed nights spent in the area has increased constantly over the past 3 years, and so are earnings from tourism. In West Economic Region there is also a positive trend of the number of foreign tourists increasing by about 50% from

⁶⁵ Kosovo Agency for Statistics

⁶⁶ Regional Development Strategy Economic Region South 2010-2013

⁶⁷ Kosovo Agency for Statistics

⁶⁸ Tourism development and marketing strategy for Kosovo Region South 2012 – 2020

2008 to 2012. The overnight stay of domestic tourists has also increased for about 50% from 2008 to 2012.

In the Albanian programme area despite infrastructure improvements over the last years, the tourism infrastructure remains insufficiently developed, and the existing rich potential of natural and cultural resources has yet to unfold. Both Kukës and Lezha regions have high individual potential for developing an all-year round tourism. The area has a wide nature, cultural and historical touristic potential, which is largely unexploited. The programme area has a 38 kilometers coastline (Lezha region), suitable to further develop coastline tourism. Recent improvement in road infrastructure has made this coastline easily accessible, especially by tourists from Kosovo and Macedonia. The existing hosting structures, mostly private owned, have difficulties coping with the boost in the number of tourists, especially in Shengjin-Lezha. The Regional Developments Strategy of Kukës 2012-2016 clearly states that in five years Kukës will become a region with a sustainable socio-economic development, with focus in the mountainous tourism, and preservation of the original values of nature and culture, a region that will offer a clean and healthy environment for its citizens. For the moment the average duration stay in the region is 2.9 days and bed occupancy rate in hotels and guest houses is only 17%⁶⁹. As stated in the Concept of Regional Development of Lezha Region (June 2010), the region will aim at the development of a harmonized tourism. Development of tourism products through values of cultural heritage is also one of the key priorities of the region.

Some key factors that limit accessibility of tourism in the programme include; poor conditions of infrastructure (roads, energy, water, and sanitation as well as tourism infrastructure); poor urban planning; damaging of forests and other environmental problems; poor quality and, in general, low level of tourists' services and accommodation standards; inadequate marketing and lack of information and tourist guides.

2.3 Social

2.3.1 Demography

The programme area has a total population of 936.761 inhabitants. The population living in the programme area accounts for almost 39.6% of the total population of Kosovo and 7.9% of Albania.

Kosovo's estimated population in the programme area is more than triple that of Albania. Kosovo regions compose 76.5% of the total population of the programme area, whereas Albanian regions cover 23.4%. Within Kosovo's eligible area, South Economic Region has 42.35% and the West Economic Regions 34.2% of the total area covered by the programme. Albania's regions have respectively, Kukës 9.1% and Lezhë 14.3% of the population of the programme area.

Table 2: Population and population density in the programme area

| POPULATION | Population* | % / Programming Area | Population Density |
|------------------------------------------|----------------|----------------------|-----------------------|
| Total Programme Area | 936,761 | 100% | |
| Eligible Area Kosovo⁷⁰ | 717,442 | 76.6% | |
| South Economic Region | 396,691 | 42.4% | 197 p/km ² |

⁶⁹ Regional Developments Strategy of Kukes 2012-2016

⁷⁰ Kosovo Agency for Statistics: Estimation of population 2012

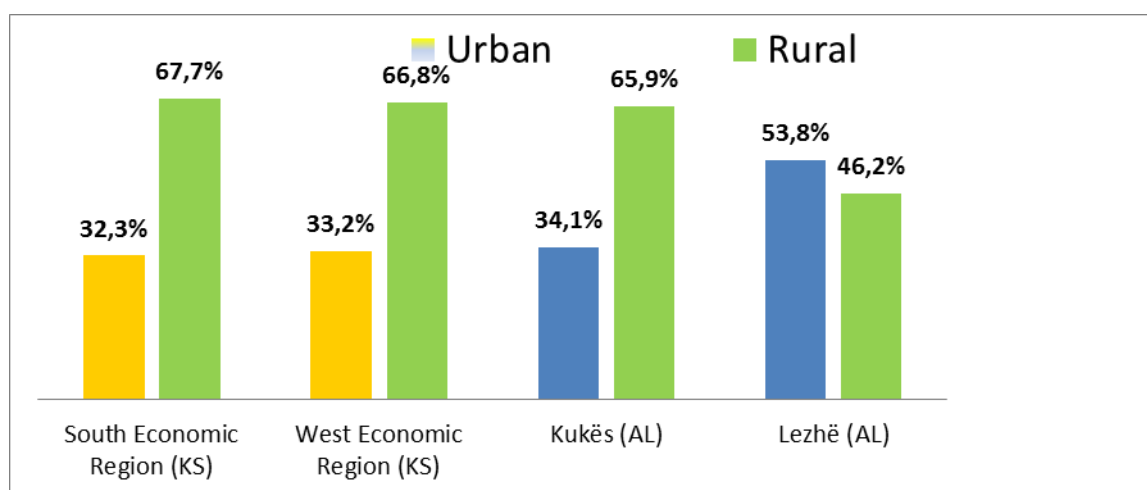
| | | | | |
|-----|--------------------------------------------|------------------|--------------|-----------------------------------|
| The | West Economic Region | 320751 | 34.2% | 138 p/km ² |
| | Total population Kosovo | 1,815,606 | | 177.4⁷¹ average |
| | Eligible Area Albania ⁷² | 219,319 | 23.4% | |
| | Kukës | 85,292 | 9.1% | 36 p/km ² |
| | Lezhe | 134,027 | 14.3% | 83 p/km ² |
| | Total population Albania | 2,800,138 | | 97 Average |

population **density** is much higher (1.8 times higher) in Kosovo than Albania. The highest density is in the South Economic Region with 197 inhabitants per km², while the lowest in the Kukës Region with 36 p/km².

The whole programme area is predominantly rural population. In the eligible regions of Kosovo, 65.9% of the population is rural, whereas in Albania it comprises 53.8% of the population.

In Albania, Lezha is one of few exceptional cases where the majority of the population is urban (72.131 or 53.82% urban versus 61.896 rural or 46.18%), whereas Kukës still has a higher rate of residents dominantly living in rural areas (56.216 or 65.91% versus 29.076 or 34.09% in urban areas). Kosovo eligible area has had more or less the same trends, but in some municipalities such as Deçan /Deçani, Istog/Istok, Klinë/Klina, Junik, Dragash/Dragaš, Malishevë/Mališevo, the percentage of citizens living in rural area ranges between 86-90%⁷³. On the other hand, the biggest municipalities are dominated by the urban population such as Prizren with 53% and Pejë/Peć with 50.8 % living in urban area.

Figure 3: Urban and rural population of programme area



The whole programming area has a relatively **young population** (about 51% of age group 0-27). In Kosovo, the population living in program areas has a relatively young age structure, with children (under 14 years old) accounting for nearly 1/3 of the total eligible population (27%), and the youth group (15-27 years old) composing 24%. In Albania, the area has a relatively similar structure with 24% (0-14 age) and 26% of its population 15-29 years of age.

The **population growth** tendency is declining in both sides of the border. There has been a continuous decrease of births rates. Furthermore, on both sides, there has been a tendency of massive internal and external migratory movements which have negatively affected the population growth and structure of the programme area.

⁷¹ Kosovo Agency for Statistics: Kosovo in figures 2012

⁷² Population and Housing Census 2011, Albania

⁷³ Kosovo Agency for Statistics: Demographic data by municipality, Kosovo Population and Housing Census 2011

In Kosovo the latest census enumerated around 30% of individuals experiencing at least one migration, most of them just changing their last place of residence inside Kosovo (3 out of 4), the others coming from abroad. But, there are also some municipalities at the north-eastern border which have a balanced change in their population due to internal migration, such as Istog/Istok, Gjakovë / Đakovica and Pejë/Peć, where the migration balance is lower than 1%, showing that “pull and push” factors roughly even up in those areas⁷⁴. At least 8% of the Kosovan population had their last residence abroad.

In Albanian eligible areas migration is also one of the main causes for population low rates of growth. In Kukës, two important trends have been present: general depopulation followed by intra-regional migrations from rural areas to urban centers. During 2006-2010, the urban population increased by 3.8%, while the rural population decreased by 2.5%. In Lezha, rural population is reduced with 42.67% whereas urban population has increased with 49.4% in 2011.

In Kosovo, the area is known for its **ethnic diversity**. The majority of the population is composed of Kosovo Albanians (West Economic Region 93.52% and 86.4% in the South Economic Region⁷⁵). Other ethnic minorities include Serbs, Roma, Montenegrins, Bosnians, and Egyptians. On the Albanian side, the majority population is Albanian population with 99.79% (Lezha) and 97.50% (Kukësi)

Poverty

The absolute poverty line in **Albania** in 2012 was EUR 35.2 per adult⁷⁶. Poverty has increased in Albania as poverty rate in 2012 amounted to 14.3% compared to 12.4% registered in 2008. Vulnerability of the Albanian population increased in 2012; the registered number of persons below poverty line rose by 8.4%. Extreme poverty has reached 2.2% in 2012 as against 1.2% registered in 2008.

During 2012, increases in poverty rates in urban areas has been more accelerated compared to poverty rate in the rural area. The number of poor persons in rural areas has decreased with 11.8%, while the number of the poor in urban areas has increased sharply by 36.8% in 2012 compared to 2008. It indicates that the population of rural areas and northern regions of Albania has moved towards urban areas, mainly Tirana, the capital, and in the coastal areas – these latter register the highest poverty rate in 2012 at an average of 17.6%.

Regional disparities in Albania are evident, although it looks like poverty has migrated from the northern area towards the coast area. Poverty has become an urban concern, indicating a sluggish performance of economy over the last years, while the revival of the already exhausted urban potential to lead economic growth has become imperative. All the regions in the programming area are above the average national poverty rate, with Kukes being the poorest region of the country averaging a 21.8% poverty rate, followed by the region of Lezha with 17.5%. Poverty has become an urban concern, indicating a sluggish performance of economy over the last years, and that the revival of the already exhausted urban potential to lead economic growth has become imperative. Majority of family income comes from agriculture or 56% for Kukes region and 81% for Lezha region. Farming takes the second place with 36% for Kukes and 16.18% for Lezha.⁷⁷ Both for Lezha and Kukes the families benefitting from economic aid take 61% ranked as the poorest regions at nation level.

⁷⁴ Kosovo Population and Housing Census 2011 Final Results, People on the Move: an analyses of international, national and local mobility of Kosovo people.

⁷⁵ Kosovo Agency for Statistics: Demography data by Municipality , Kosovo Population and Housing Census 2011

⁷⁶ Albania, Poverty trends, September 2013, INSTAT-World Bank

⁷⁷ Albanian State Service, 2013

Kosovo Poverty level data are also not promising. Poverty indicators in Kosovo have deteriorated instead of improving over the years. Based on the official statistical data in 2012, it is estimated that about 34.5% of Kosovo population live in general poverty and about 12.1% live in extreme poverty⁷⁸. The level of poverty in the rural area is higher than in urban areas, while between males and females the poverty level in 2011 was almost the same.⁷⁹ There are no data related the poverty rates by economic regions of Kosovo.

2.3.2 Education

Education remains one of the major priorities in the programming area. Education is provided at all levels primary, secondary and tertiary (university).

There are 589 schools for 137.557 pupils attending **primary education** level in the total programming area⁸⁰. Out of the total 196 schools are in the Albanian area and 393 in the Kosovo area. 33 % of the schools are in the Albanian area and 67% in the Kosovo area. The continuous migration of population from rural toward urban centers has affected negatively the coverage of education system, especially with areas with higher density of populations. In some areas there are free school infrastructure capacities, and in other areas, schools are overpopulated, working on shifts. In several parts of the Kosovo area the number of pupils per class is around 40-50, which is quite high compared to Kosovo-wide norms of 30-32 pupils/class. The ratio between urban and rural areas is high with 36.23% of the pupils in the urban area and 63.77% at the rural one.

There are 89 schools in **secondary education** in the programming area, out of which 34 in the Albanian areas and 55 in the Kosovo area. There is a high percentage of young people following secondary education in the urban area, against 37.02% in the rural area. The ratio between gymnasium and vocational educations in Albania is: 87.57% with 12.42% (pupils pursuing the vocational education). Changes in the socio-economic plan, the demographic movements, and lack of sufficient and proper orientation of investment in infrastructure, coupled with problems on teaching standard in general, have significantly affected the quality of secondary level education. The issue of quality of services in education is more visible in rural and remote areas.

There are 3 **vocational schools** in Lezha, 1 in Kukes. There are vocational training centres in Peja and Gjakova that offer various vocational training programmes for adults.

There are institutions of **higher education** in the area. The University of Tirana has opened its branch in Kukes with 3 faculties. During the academic year 2011-2012, there were 671 students enrolled. There are 3 universities in the larger urban centres in the Kosovo area, such as in Pejë/Peć, Gjakova/Đakovica and Prizren. There is a difference on gender attendance of the high education in the area. While 62.59% of the students enrolled in the academic year 2011-2020 in Kukes were females, in the University of Prizren out of 2738 registered students, only 29% were females.

In Albanian eligible area there are in total 97 kindergartens (90 public and 7 private) hosting 3,979 children (3,698 urban and 281 rural), 58.9% of the children are in rural areas. In Kosovo, there are 19 kindergartens in the eligible area⁸¹, 230 pre-school facilities with 9047 children and an average of 24 children per educator.

⁷⁸ Household Based Survey 2011 estimated that 29.7 percent of Kosovo's population lived below the poverty line, with 10.2 percent of the population living below the extreme poverty line. (Kosovo Statistical Agency).

⁷⁹ In 2011, 30.3 percent of females in Kosovo live in poverty in comparison to 29.2% of males, a one percentage point difference. From 2009 to 2010 poverty rate declined slightly more for males than females.

⁸⁰ Ministry of Education and Science, Statistical Yearbook 2010-2011: <http://www.mash.gov.al/File/statistika/vjetari-statistikor-per-arsimin-2010-2011-dhe-seri-kohore.pdf>

⁸¹ Kosovo Agency for Statistics: Education Statistics for Kindergarten and pre-school 2011-2012

The ratio of the illiterate is 3.2% in the programming area of Albania (age 10+), below to the country average (9.11% at the country level)⁸². Illiteracy rate for Kosovo is 3.85⁸³. The illiteracy rate for the West economic region is at an average of 4.0% (above the Kosovo average) and 3.1% for the South Economic Region.

Education system at central and local level requires reform, including teacher training, quality assurance measures, transparency, and practical learning experiences. There is the need to orient the education system towards market demands, to enable its contribution towards increasing market competitiveness and improve citizen's life. Key important requirements include, higher relevance of the education curricula to market needs, proper development of the framework of qualifications, and amongst other, establishment of better links with enterprises for the purposes of internships⁸⁴.

With regards to **Research and Development**, the programming area is lacking totally the infrastructure and capacities. The level of budget spending in R&D in both IPA II beneficiaries is much below the EU average. In Kosovo the GERD⁸⁵ level was 0.01% in 2011 while in Albania it was 0.02% of GDP⁸⁶. Both in Albania and Kosovo the research institutions are mainly located in the capitals. There is in general low level of performance of research and innovation systems in both IPA II beneficiaries and limited cooperation between universities and public research institutions with the private sector.⁸⁷ There are no subsidies and/or tax incentives that might stimulate companies to engage in R&D, and there is no legislation requiring foreign investors to perform R&D both in Albania and Kosovo, even though they often introduce new technologies and techniques.

2.3.3 Health

In **Albania**, the public health system is managed by the central government⁸⁸. Primary health care in Albania is provided at commune and municipal level, while secondary health care is mainly located in the biggest urban centers of the programming area as part of the regionalization of the hospital health services. In the programme area there are 391 primary health care centers and 6 hospitals. In Kukes, the number of healthcare center per 10,000 inhabitants is 2.3, while the number of ambulances is 13.3 per 10,000 inhabitants. There is a ratio of 0.4 physicians per 1,000 inhabitants⁸⁹. In general, the healthcare service has improved, due to investments made. The ambulatory service is increasingly available in rural areas with the aim of providing a better and faster primary healthcare service to rural population. However, due to poor infrastructure and large distances from hospitals located in urban areas, timely transportation of patients to hospitals is still a challenge. While it is a good distribution of primary healthcare service throughout the region, there is a shortage of specialties in the regional hospitals. There is the need to further improve primary healthcare in both urban and rural areas⁹⁰, further improvement of hospital services in various specialties and use of modern technologies in diagnosing and treatment of diseases. Continuous education of the nurseries through the vocational education in the regions is needed.

The health-care system in **Kosovo** provides health-care protection on three levels: Primary⁹¹, Secondary and Tertiary. In the programme area the secondary health-care is provided in three

⁸² Housing and Population Census 2011, Albania

⁸³ Kosovo Agency of Statistics (2011) Main Data. Final results of the Kosovo Population and Housing Census 2011

⁸⁴ Kosovo Education Strategic Plan (KESP) 2011-2016

⁸⁵ Growth Expenditure for Research and Development

⁸⁶ European Commission: ERAWATCH Country Reports 2011: Albania

⁸⁷ European Commission: ERAWATCH Country Reports 2011: Albania and OECD Report on Innovation System in Kosovo, 2013

⁸⁸ Within the Region, the various district Directorates for Health, parts of the Ministry of Health in Tirana, has certain operational and administrative responsibilities.

⁸⁹ According to the recent data of the regional Public Health Department

⁹⁰ As stipulated in the Regional Strategy of Kukes 2012-2016

⁹¹ Primary health-care/family medicine is part of governmental health-care system and is regulated in all municipalities of Kosovo. The concept of family medicine implies application of preventive measures and public health care

regional hospitals situated in Gjakova/Đakovica, Peja/Peć, and Prizren (the main hospital centre for the South Region). Public Health Houses and Family Health Centres are established in all towns⁹². The municipal health care faces difficulties due to poor infrastructure, lack of investments and limited budget resources. The mortality rate of newborns is high and health-care system, as in whole Kosovo, faces a concerning problem of an increased trend of appearance of cancer diseases and contagious diseases such as tuberculosis, diseases that emerge as a result of inadequate nutrition⁹³.

In all the programme area the healthcare system is confronted with the need to respond in more efficient and effective ways comparable to other European countries and EU standards. The health sector remains substantially underfunded, hampering the proper implementation of the public health legislation and policies, especially in the field of primary healthcare⁹⁴. Public spending on health remains the lowest in the region and allocations are inefficiently managed. Further investments in the health sector (infrastructure, quality and delivery) are required to ensure access to health services for all citizens⁹⁵.

2.3.4 Culture

The historical and cultural heritage is one of the most important assets of the programme area. There are very strong bounds between the populations of the two sides of the programme area, which derive from the common language and history and from the deep common roots and intense human, cultural and commercial relations and exchanges that have linked these territories and their inhabitants for centuries. The region is rich in religious and historical sites and monuments, as well as in own traditions and folklore. Numerous cultural events and festivals are organised, and there are diversified culinary traditions and handicrafts that could play an important role in the promotion of tourism but, so far, are insufficiently well known, underestimated and not exploited. Cultural exchanges present a great to boost implementation of cross-border cooperation. Both Albania and Kosovo participate in the Lisbon Programme for protection and promotion of culture heritage.

In **Kosovo**, Cultural heritage in the south and western economic region is diverse and very competitive in relation to other touristic regions in Kosovo. Due to their cultural, historic, archaeological, aesthetic, and ethnologic values, many cultural monuments are listed as Cultural Monuments, and there are others proposed for protection. According to the Institute for the Protection of Monuments in Peja, there are 129 cultural structures both in public and private ownership which are recognised and systemised, where 48 are in the 1st category of “Archaeological Heritage”, and another 181 are of the 2nd category of “Architectural Heritage”. Main cultural institutions and objects include the Institute for Protection of Culture Monuments, the Archaeological Museum, the Memorial Complex of the Albanian League of Prizren, the Regional Historic Archive in Prizren, the Ethnographic Museum Archives, the Institute for the Protection of Monuments and the Archives, Regional Museums, Inter-Municipal Library, Culture Palace in Peja, the Culture House in Istog. There are several libraries, theatres and cinemas. There exist a number of amateur cultural-artistic associations (writers' clubs, painters' associations, etc.) and many NGOs active on culture and arts.

In **Albania** in Kukes region there are a variety of cultural facilities such as 3 museums (Kukes, Has, Tropoje), 4 libraries (2 in Kukes, 1 Tropoje, 1 Has), concert halls (Kukes, Has, Tropoje), several sports facilities, 4 main religious buildings. In Lezha, there are 3 palaces of culture (Lezhe, Lac, Rreshen), 3 cultural centres for children (Lezhe, Lac, Rreshen), the National Historical Museum in Lezha, one in

⁹² In the West economic region there are 101 centers of family medicine and clinics.

⁹³ See the Regional Development Strategy of West Economic Region

⁹⁴ EU Progress Report for Albania 2013

⁹⁵ EU Progress Report for Kosovo 2013

Mirdite, 3 folk groups, 3 state libraries (Lezhe, Rreshen, Lac). In terms of sports, it has one stadium, 16 sports fields, one sports palace, sports clubs, volleyball, football⁹⁶.

2.3.5 Civil Society

Albania's CSO sector is small and relatively undeveloped. Most of the CSOs are concentrated in the capital and major towns. Civil society is weakly represented in all rural and remote areas. Main activities of CSOs are advocacy based and research in the fields of promoting human rights, the protection and rights of children, democracy and good governance, as well as policy think tanks, and economic development as well. In the program area, civil society is mostly working in the social field working with vulnerable groups, environment, culture and tourism promotion. Lezha has 38 NGOs⁹⁷ whereas Kukës region has some 60 NGOs⁹⁸. There are good examples of cooperation between local government and civil society in the program area. The CSO society sector in Albania as a whole is poorly integrated and represented. There is no sector-wide forum or network dedicated to the coordination of CSO efforts.

Civil society in **Kosovo** is comprised mainly of registered non-governmental organisations (NGOs), while others forms of civil society are not common. Only a few examples of non-registered initiatives may be found, and most of them arise on an ad-hoc basis and do not continue being active after the concrete issue/problem is resolved. In the West Economic Region there are 1,037 registered NGOs and in the South Economic Region there are 947 registered NGOs according to the Department of Registration and Liaison with NGOs. Nevertheless, not more than 10% are considered to be active⁹⁹. A number of the active NGOs are continuously developing towards profiling and becoming credible organizations, influencing policy and specific developments in the region.

The monitoring of local governments seems to be a positive trend, with active support to CSOs from international organizations such as in Prizren, Pejë/Peć and there is positive evidence of cooperation between civil society and local government. The challenge for the civil society sector in the whole program area remains in making CSOs more proactive and increasing their capacities at all levels, both institutional and operational. Although there are very good initiatives as regards cooperation and dialogue between CSOs and local government units, it needs to be further strengthened.

2.4 INFRASTRUCTURE

Roads

Kosovo and Albania are part of the SEETO network¹⁰⁰, with the Route 7 (314 km) crossing the both of them¹⁰¹. The roads infrastructure in the programming area has been significantly improved in the last 5 years, with investments made by both governments on the roads infrastructure. New road sections: the highways Durrës – Kukës – Morinë¹⁰² in operation since 2009 in the Albanian side and the road Vermice- Merdar in operation since 2012 in the Kosovo side, has increased the flow of transport across the border, and reduced substantially the time commuting between different cities. Travelling time to Lezha, and ultimately to Kukës from Pristina and cities of eligible area is reduced by 2.5 times. In addition, the Durrës – Kukës highway it is important for connecting Kosovo with the Durrës' port, while the Route 7 is important route for linking Kosovo with the Port of Shengjin, facilitating export-import of goods' through maritime transport system.

⁹⁶ Statistics, Lezha Region January 2013

⁹⁷ CSSA dated 2010 from the Taxation Office (09.06.2010)

⁹⁸ Kukës Regional Council

⁹⁹ KCSF(2011) Civil Society in Kosovo

¹⁰⁰ South-East Europe Transport Observatory

¹⁰¹ The Route 7 directions include: Lezhe (Albania) – Prishtinë/ Priština (Kosovo) – Doljevac (Serbia)

¹⁰² This new road has two parallel tunnels of 5.6 km and about 29 bridges

Considering the geographical position of Kosovo, as a landlocked territory, the road transport is the most important one, covering 90% of the transport system in Kosovo. Investments have been made on the local road infrastructure in all the programming area, in particular in the Albanian territory; both in urban and rural road infrastructure, but still the quality of roads in some areas remain problematic. In the Region South there are around 1200 km of local roads. More than 50% of them or 633 km are asphalted. Inter-regional links of road network are in average condition. The maintenance system is well developed in particular in main roads, but lacking and being insufficient for regional, urban and rural roads. In the Kosovo area, both in South and West economic regions, the current situation of road infrastructure is presented with various problems such as heavy traffic as a result of the increase of vehicle numbers, poor infrastructure in certain areas, inadequate maintenance of roads etc.¹⁰³.

Railways

There is no railway connection between Albania and Kosovo. There are some railway lines in the programming area such as the line Milot–Rubik–Rrëshen (in Albanian part) and two railway lines crossing through Prizren – Xërxië- Fushe Kosove (South Economic Region) and Klinë to Fushë Kosovë (West Economic Region). Due to lack of investments the railway infrastructure is very poor, lacking well-developed terminals, tracks and lines. Lack of investments on the railway infrastructure is considered as an impediment for the economic development of the economic regions.

Airports

There is no international airport operating in the programme area. There are two airports, situated in the area: the Kukës Airport, in Albania, not yet in operation, and the airport located near Gjakova/Đakovica, Kosovo, that is used for the needs of KFOR. There is no international airport located in the area. The nearest airports are Tirana and Pristina airports.

Energy

The programming area is the biggest energy generator in both IPA II beneficiaries. Thanks to the natural resources, both hydric and lignite's resources are important resources in the programme area, for energy generation and overall economic development of the IPA II beneficiaries.

Albania has a significant potential of energy hydropower production. The current installed capacity in Albania is 1,726 MW¹⁰⁴, representing a utilization rate of only 35% of its hydropower potential. The majority of hydropower energy, about 81% is generated in the programming area which has the three biggest hydropower plants of the Albania, Fierza, Koman and Vau i Dejes with a respective installed capacity of 500 MW, 600 MW and 250 MW. Another new HPC to the programming area is the Ashta HPC with an installed capacity of 53 MW, becoming operative since September 2012. Albanian's energy system is characterized by a low efficiency in the use of electricity power. Use of electricity for heating purposes is widely spread. The programming areas has a high potential to become an energy exporter for the neighbouring countries, once all 320 concessions of hydropower plants in Albania become operative in the coming years, and the electricity transmission system is properly modernized.

The energy generation in **Kosovo** energy is mainly provided through the thermo power plants (TPP), with the two biggest one named Kosova A' dhe 'Kosova B, situated in the Obiliq, with an overall production capacity 740-840 MW (and installed capacity of 1478 MW)¹⁰⁵. Over 87% of the energy in Kosovo is produced by these two TECs, therefore making the programming area the biggest energy producers in Kosovo.

103 The draft Regional Transport Strategy for the Western Region of Kosovo and the Regional Development Strategy for South Economic Region 2010-2013

104 ERE – Annual report 2012

105 See the Strategy of Energy of Kosovo 2009-2018

The interconnection line with a capacity of 220 kV linking Prizren 2 and HPC Fierza (Albania), has been constructed in 1988. A new interconnection line Kosova B –Kashar (Albania) is expected to be developed soon. Renewable and energy efficiency issues are being considered as important in both IPA II beneficiaries. In Kosovo, the efforts are being made to retrofit public buildings in order to substantially reduce their energy consumption and strengthen the supply-chain through training of energy auditors, contractors, vendors and equipment suppliers.¹⁰⁶ In Albania, the government has adopted an incentive system through the feed-in based tariffs system, which establishes the preconditions for promoting the electric power generated from the renewable resources¹⁰⁷. As result the private sector interest to invest on small HPP, followed by solar energy and wind energy systems is growing up recently.

2.5 ENVIRONMENT AND NATURE

The programme area is extremely rich in environmental resources and biodiversity. Protecting and valorising these assets is certainly one of the key points for sustainable development and can offer many possibilities for cross-border cooperation. The programme area offers a rich biodiversity and climate, including a reach landscape, from the highest mountains in the area, hills, plains, lake, rivers and coastline.

Given the specific natural conditions of the programme area, environmental protection issues have a high priority. Improved waste management, control of pollution and use of energy resources are amongst the key priorities of the local development plans prepared by the bordering area municipalities. Presently, nature resources and the environment are preserved and protected in the programme regions, but there are locations which are polluted and at high risk of degradation. Land degradation is present throughout the area. The demographic shifts in both Albania and Kosovo, associated with social and economic changes of recent years, have put pressure on protecting and preserving the environment and biodiversity. Over the past decade damages are evident in the forests area due to the interventions of the local population. The environment is threatened also by poor water and sewerage management, uncontrolled waste disposal, unregulated urbanisation, and by industrial pollution that has caused critical environmental damages. There is a risk of deforestation due to uncontrolled felling of trees; rivers and lakes risk pollution from illegal landfills and poor industrial and urban waste management, and the intensive use of pesticides in agriculture; the fauna is threatened from over-fishing and illegal hunting. Most of the damage was due to abusive logging and over-grazing. Although the awareness on environment protection has increased, a higher degree of enforcement of environmental protection standards is required to ensure proper urban development, expansion of tourism and health protection.

There are 7 natural parks and a high number of protected zones situated in the **Albanian** programme area. Protected areas in the Lezha region concern the Berzane, the Kune-Vain-Tale, the Patok-Fushekuqe-Ishem which are all Managed Nature Reserves and also some 4745 ha of protected landscapes. There are 6 protected areas in the program Area in Albania (3 in Kukes and 3 in Lezha region) out of 54 protected areas in the national scale. The most important protected area in the Lezha region is the Kune-Vain-Tale protected area, a complex of lagoons with the 125 ha sand island of Kune on the right of the Drini river delta. This area has a rich flora and is home to about 70 bird species, 22 reptiles (out of 33 at national level) and also 6 types of amphibians out of a total of 15 at national level. Kukes Region is very rich in water and hydric sources. What makes it of particular interest is the collection of all streams, flows, and rivers running into Drin River, starting from Prespa and Ohrid Lakes Bjeshket e Namuna, and ending with the unification of Drin River with Buna River. Fierza Lake is the center of all flows and water environments and is suitable for cultivating various fishes.

¹⁰⁶ The World Bank “Energy Efficiency and Renewables Project”

¹⁰⁷ Draft Strategy of the Energy Sector of the Republic of Albania

The indicative map of Pan-European Ecological Network (PEEN) in South-Eastern Europe represents part of the programme area as a main corridor for some migratory species that should be protected. The Kune-Vain-Tale in Lezha and the Shkodra lake (close to the programme area) is very important due to its biological, scientific, health, recreational and tourist values. The area today is one of the most important eco-systems and bird refuge in South-eastern Europe, with about 270 recorded bird species, including rare pelicans. The closed-down mines and an agriculture pesticides deposit (of selinon, a substance which is specially toxic and carcinogenic) create pollution in the region of Kukës.

In the **Kosovo** programme area there are two national parks (Sharr/Šar and the Accursed Mountains¹⁰⁸), 8 protected areas and 49 natural monuments. Beech is the most widely spread tree, but there also are Turkish oak, white ash, birch and some other type of trees. At altitudes above 1,600 m, there are mixed and coniferous forests: pine, fir, spruce, juniper as well as endemic trees like *Pinus peuce*, *Pinus heldreichii*, and *Pinus mugo*. There are 16 mountainous lakes in the area of Sharr/Šar Mountain Range that reach up to 2,496m high. Mountains of Koritniku/Koritnik and Pashtriku/Paštrik also present great natural potential for development of mountain tourism. The Mirusha Gorge is a protected natural reserve because of its scenic string of pools and waterfalls as well as high plant diversity (more than 800 different species). The Mirusha River has carved a 10 kilometer long canyon near the convergence with the Drini i Bardhe River and has created 13 river lakes with waterfalls in between them. The West Economic Region is located at the foot of the impressive mountain Bjeshket e Nemuna. There are thermal and mineral hot-springs, 3 karstic rivers, very powerful waterfall called White Drini Spring making it a tourist attraction. The territory of Bjeshkët e Nemuna (the Accursed Mountains) presents one of the most important areas in terms of natural landscape and has gained the status of National Park in 2012. The Gjeravica Peak with an altitude of 2,656 m is the highest peak in Kosovo.

Pollution and land degradation are common problem in the whole programme area. Industrial pollution existence of the hotspots in the region of Lezha remain still problematic¹⁰⁹. Water pollution due to the waste disposal at the Fierza lake and Drini river is a concerning issue for the region of Kukës¹¹⁰. Air pollution is a severe environmental problem also in the Kosovo, in particular in Obiliq/Obilić and Glogovc/Glogovac (not part of the programme area). Respiratory diseases and allergies are indicating the impact at health of population¹¹¹. There is a risk of de-forestation due to illegal wood cutting; badly managed pastures; rivers and lakes risk pollution from illegal landfills and poor industrial and urban waste management, as well as from the intensive use of pesticides in agriculture.

Water and Sewage

Water supply, sewage systems and irrigation remains problematic in the programming area. Access to water inside the dwelling for about 101,606 households¹¹² in the **Albanian** programme area is secured to about 55% of them, about 40% has some access to water supply systems, while about 4.6 % of the household in the programming area have no access to water supply system. The number of households with no access to waste water and sewerage systems is high in Kukës region, accounting for about 5.3 percent of the total, followed by Lezha with only 0,98 percent of the total household in their respective regions – below the national average of 1.12 percent.

¹⁰⁸ Bjeshkët e Nemuna became the second National Park in Kosovo in 2012, with the adoption of the Law on the National Park "Bjeshkët e Nemuna" <http://www.ammk-rks.net/?page=2,7,157>

¹⁰⁹ See: Regional Development Concept for the Region of Lezha, 2010

¹¹⁰ See: Regional Development Strategy for the Region of Kukës, 2012

¹¹¹ In 2010 in Kosovo approximately 12,500 patient has been treated in the emergency rooms and 25,600 children has been visited due to effects caused by PM₁₀ (WB)

¹¹² Census 2011, INSTAT Indicators of buildings and dwellings by prefecture

In **Kosovo**¹, the public sewage system covers only 44% of the dwellings in South Region, while only 49% of these have access to the public water supply system¹¹³. The situation in West region is slightly better. The majority of villages have a water supply system, but the quality of the service is low because of the bad state of repair of the sewerage systems, and the quality of the water is poor due to contamination. The situation in the urban areas, is much better in both areas. A wide majority of households have access to drinking water, although daily water supply is relatively poor, particularly during summer, due to limited capacities to fulfil the needs of the population which is increasing in numbers.

Urban areas have a sewerage system for both sewage and rainwater and meanwhile a high proportion of rural population rely on septic tanks. The worst situation is presented in the region of Kukes where 21 out of 24 communes have no access on the sewerage system¹¹⁴. The technical condition of the current sewerage system in bigger towns is poor due to the low level of investments, lack of regular maintenance and flow of new constructions. There are landfills built in each of the regions of the programme area, while no waste water treatment plants exist, so surface waters near big towns are polluted from untreated waters.

In conclusion, reduction of existing pollution, management of urban waste and ensuring the quality of drinking water for purposes of protecting public health and guaranteeing a clean environment, associated with measures to protect the land from natural and man-made destruction and enforcement of a strategic urban planning process are the key challenges to cope with in the programming area.

2.6 Legal and Institutional Arrangements

Albanian local government organisation consists of two levels: the first level of 374 local government units (LGUs) divided between 65 municipalities (bashkia) in urban areas, and 309 communes (komuna) in rural areas, which may be further sub-divided into villages (3020); the second level consists of 12 regions (qarku). Financial and human capacities in relatively low in the municipalities and communes, especially those in remote areas, while bigger municipalities are somehow more active in attracting funds and cooperation projects. Albania's objectives of development, along with the programming area specific goals are embedded in a number of strategies. Most relevant for the purposes of CBC Programme are:

- The National Strategy for Development and Integration;
- The National inter-Sectoral for Regional Development 2007;
- The Regional Development Strategy 2012-2016 of Kukes;
- The Strategic Framework of Regional Development of Lezha 2010 – 2016

Kosovo is divided into 38 municipalities and five (non-administrative) economic regions or zones in December 2008 namely Centre, East, North, South and West composed of municipalities. It has five Regional Development Agencies (RDAs) founded based on the municipal association and cooperation principle stipulated in the the Law on Local Self Government (adopted in 2008). The Law prepared the road towards the Kosovo decentralisation process. The RDAs are becoming a very active player in supporting both communes and business community initiatives related to social and economic development. The RDAs have developed mid-term strategies covering the period 2010-2013 with the focus economic development of the regions.

¹¹³ Average for Kosovo is 70% of population have access to the drinking water and 50% on sewerage system (see the Regional Development Strategy of South Economic Region 2010-2013).

¹¹⁴ See: Regional Development Strategy for the Region of Kukes, 2012

There are 41¹¹⁵ bilateral agreements between Albania and Kosovo. Below is listed a selection of them most relevant to the programme area and CBC initiatives:

| No | Priority | Bilateral Agreements ¹¹⁶ |
|----|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Competitiveness, business and SME development, trade and investment | <ul style="list-style-type: none"> ▪ Agreement between the Government of the Republic of Albania and UNMIK in Kosovo to encourage and reciprocal safeguard of investments, signed on 19.02.2004, effectuated on 7.02.2005. ▪ Agreement on free trade between the Council of Ministers of the Republic of Albania and UNMIK in Kosovo acting on behalf of the Temporary Institutions of self-government of Kosovo, signed on 07.07.2003. ▪ Agreement on free trade between the Council of Ministers of the Republic of Albania and UNMIK in Kosovo acting on behalf of the Temporary Institutions of self-government of Kosovo, signed on 07.07.2003 |
| 2 | Employment, Labour, Mobility and Social Inclusion | <ul style="list-style-type: none"> ▪ Agreement for Cooperation between the Government of Kosovo and the Council of Ministers of the Republic of Albania. ▪ Protocol between the Ministry of Labour, Social Affairs and Equal Opportunities of the Republic of Albania and Ministry of Labour and Social Well-being of the Government of Kosovo, signed on 04.05.2006 |
| 3 | Research, Technological Development and Innovation and ICT | <ul style="list-style-type: none"> ▪ Agreement for Cooperation in the Field of Information and Communication Technology (ICT), between the Government of Kosovo and the Council of Ministers of the Republic of Albania, signed in Prishtina on March 19, 2013 |
| 4 | Environment Protection, Climate Change and Risk Prevention | <ul style="list-style-type: none"> ▪ Agreement between the Council of Ministers of the Republic of Albania and UNMIK in Kosovo for cooperation in the field of quarantine and plant protection, signed on 21.11.2003, effectuated on the same date. ▪ Cooperation agreement between the Water Regulatory Office of Kosovo and the Water Regulatory Entity of Albania, signed on 15.04.2009 |
| 5 | Transport and Public Infrastructures | <ul style="list-style-type: none"> ▪ Agreement for Cooperation in the field of international road transport of passengers and goods, between the Government of Kosovo and the Council of Ministers of the Republic of Albania, March 08, 2010 ▪ Agreement between the Council of Ministers of the Republic of Albania and the Government of Kosovo on the International Road Transport of Travellers and Goods, signed on 22.7.2011 ▪ Cooperation protocol between the Customs Administration of the Republic of Albania and the Customs Administration of the UNMIK in Kosovo, signed on 22.05.2001, entered into effect on 22.05.2001 ▪ Memorandum of Understanding for opening 2 border crossing points in the south of Dragash", signed on 16.10.2002. ▪ Agreement between the Council of Ministers of the Republic of Albania and the Government of Kosovo on the reciprocal assistance in customs issues, signed on 06.10.2009, entered into effect on 1.3.2010 |
| 6 | Tourism and Cultural Heritage | <ul style="list-style-type: none"> ▪ Agreement between the Ministry of Culture, Youth and Sports on the behalf of the Government of Albania and UNMIK acting on the behalf of Temporary Institutions of Kosovo Self-Government for cooperation in the fields of culture, youth and sports, signed on 13.08.2002 |
| 7 | Youth and Education | <ul style="list-style-type: none"> ▪ Agreement between the Ministry of Culture, Youth and Sports on the behalf of the Government of Albania and UNMIK acting on the behalf of Temporary Institutions of Kosovo Self-Government for cooperation in the fields of culture, youth and sports, signed on 13.08.2002 ▪ Cooperation agreement between the National Library of Albania and the National and University Library of Kosovo on the establishment of the albanological portal Albania-Kosovo, signed on 5.03.2011 ▪ Agreement for Cooperation in the field of education between the Government of Kosovo and the Council of Ministers of the Republic of Albania, July 2010 ▪ Agreement for Cooperation in the field of education and science, between the Government of Kosovo and the Council of Ministers of the Republic of Albania, March 08, 2010 ▪ Agreement between the Council of Ministers of the Republic of Albania and the Government of Kosovo for cooperation in the field of education and science signed on 8.03.2010 ▪ Agreement between the Ministry of Education and Sciences of the Republic of Albania and the Mission of United Nations in Kosovo on the behalf of the temporary institutions of self-government (Ministry of Education and Sciences and Technology), signed on 08.05.2006 |

¹¹⁵ <http://www.mfa.gov.al/images/stories/PDF/marrevshjet%20dypaleshe%20me%20te%20gjitha%20vendet%20-%2017.01.2013.pdf>

¹¹⁶ The Ministry of Foreign Affairs of Albania - there are 41 Bilateral Agreements between Albania and Kosovo: <http://www.mfa.gov.al/images/stories/PDF/marrevshjet%20dypaleshe%20me%20te%20gjitha%20vendet%20-%2017.01.2013.pdf>

2.7 Conclusions

The programme area is diverse, but still several common features related to nature, geographic position, demographic trends, economy, human capital etc, could generate synergies and be a good opportunity for developing and implementation of CBC initiatives.

- **Economy's structure of the border area is more compatible than complementary.** Both sides have, more or less, the same production structure. Both sides rely on agriculture, services, wholesale and retail markets, while traditional industry is more present in the Kosovo regions. Agriculture and tourism are commonly important for both sides but both quite underutilised. The 4-6% of annual rise in exports / imports of the past years, especially of agricultural products it is an indication that potentials are there. Trade between both sides is suffering by heavy administrative barriers, difficult to explain.
- **Competitiveness, productivity and know-how and quite low on both sides of the border.** Further investment in increasing level of productivity and technology is a precondition to becoming more competitive both domestically and internationally. There is a need on both sides to improve conditions and especially the infrastructure for doing business. And attraction of FDIs. Light industry and food processing industries are also considered as a potential for accelerated economic growth of the programme area.
- **SMEs of less than 4 employees over dominate the businesses map, while business network existing in the bordering areas is an underutilised potential.** Level of business cooperation across the border is minimal. Synergies between business communities need to be developed within the programme area and to be supported by the CBC initiatives.
- **Agriculture remains the most significant sectors of the economy of the programme area,** considering the fact that the majority of the population lives in rural areas and their main revenues come from agriculture-related activities. Agriculture is a major economic potential in the programme area, but underutilised. In general rural economy is fragmented and small agricultural holdings have difficulties in accessing markets. Production is moderately diversified and the range of main agricultural produce on both sides of the border is more complementary than competing. Improving access to market and strengthening the food security system and inspection bodies will be important for increasing agriculture sector competitiveness.
- **The low living standards in the bordering area is low is causing a continuous de-population,** in particular in the remote and mountain areas, have deteriorated during the last years and together with the labor market crisis have increased the phenomenon of marginalization, social hardships and youth emigration. The presence of strong migration flows has impacted the labor force and resulted in loss of the skilled and educated workers in lower urbanised areas. The continuous depopulation of some regions in favor of the central area is a real threat as the development of tourism and in particular agriculture, as it depends at a large extends on the presence of an active and relatively dense rural population.
- **Unemployment rate remains at a disturbing rate** for the population of the programme area, especially on the Kosovo side where there is much higher unemployment especially amongst youth, rural population and women (in some areas exceeds 50%). Due to employment insecurity there has been high rates of migration rate, especially from the rural areas toward more developed regions or abroad. Social assistance as results of unemployment is a heavy burden to public spending.

- **Environment protection needs serious consideration in future development plans of the programme area.** Area is rich in natural resources, the environmental protection and preservation of these resources is crucial for its sustainable development. Improved waste management, control of pollution, an efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans. Further valorization of natural resources in the view of economic development is a key issue for the development of the area.
- **Latest major investment in road infrastructure have been effective for boosting development of the programme area,** but still broader infrastructure network remain impeding for a smooth economic and social development. The sustainable development and improvement of transport and public infrastructure could contribute to sustainable economic growth and a general increase of wealth in the programme area. Development of infrastructure that facilitates business and the diffusion of networks and services to support business development and innovation, could contribute to a general increase of wealth and economy in the area.
- **Tourism potential is another missed opportunities on both sides.** CBC initiative aiming to produce a joint touristic offer should be considered.
- **The area has a rich historic-cultural-artistic heritage that needs to be preserved and promoted.** Further valorisation of historical and culture heritage could contribute to strengthening the identity of the area. Cultural heritage is an asset for the economic development of the programme area. The cooperation among culture institutions is present, but it could be intensified further.
- **Improving the educational system at all levels is a major priority** for the programme area, particularly in rural areas. Further joint action could be undertaken to establish network of vocational training centers as well as higher institutions and research agencies and organisations. Advantages coming from the common language should be further deployed in developing educational curricula.
- **Social services are poorly and unevenly developed.** Especially health service needs major improvements both in coverage quality. Legal framework for health insurance (in Albanian side of for rural areas) is still hampering progress of health service delivery development. Given the that health sector is centrally managed, perhaps not much can be done under CBC programmes, but certainly there is room for potential joint activities related to health prevention campaigns and health education.
- **Encouraging regional CSO networks** (including sport, youth and cultural organisations) could contribute to maintaining and strengthening the ties between the communities on both sides of the border in this multi-ethnic programme area.
- **Research & Development and ICT penetration is at distinctly low levels.** Insufficient investments, governmental, regional or local support activities for R&D activities are present, in spite of the fact that universities are present in the programme area. There is no specific data on RDI but there is virtually lack of co-operation between education institutions in both IPA II beneficiaries and research, development and innovation area is not explored.
- **Local and regional governments are in general, financially weak and cannot boost local development.** They are lacking skills in management, financial control and budgeting, democratic approaches in decision making processes. Absorption of EU funds is low. Cooperation between local and regional governments between the two IPA II beneficiaries could be improved. Decentralization process is on-going in both IPA II beneficiaries.

3. SWOT Analysis

| | STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
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| ENHANCING COMPETITIVENESS, BUSINESS AND SME DEVELOPMENT, TRADE AND INVESTMENT | <ul style="list-style-type: none"> •Existence of Free-trade agreement between in the framework of CEFTA •Favourable business climate and corporate taxes. Overall legal and institutional frameworks favourable to FDIs attraction; •Large and increasing number of SMEs in the overall region with diversified activities •Natural resources, and cultural heritage as potential for development of economic activities •Relatively good coverage of the programme area with universities and vocational training centres; •Existence of business support centres and regional development agencies (more developed in the Kosovo side of the border) •Latest investments in road infrastructure have facilitated substantially exchanges with and across the border areas and shorten the connectivity with Tirana, Pristina as well as the sea cost of Albania | <ul style="list-style-type: none"> •Low competitiveness of businesses, low productivity and insufficient know-how; •Heavy custom and trade barriers •Business map dominated by relatively small SMEs of up to 4 employers •Continuous migration and outflow of skilled labour force •Limited exposure to international markets. •Small scale organization of farming and low productivity of agribusiness activities; •Limited entrepreneurial culture dominated by short term trade or service activities rather than long term capital investment •High inequality in urban and rural development •Low level of technology penetration •Limited availability of micro-credit schemes | <ul style="list-style-type: none"> •Opportunity to develop various mechanisms and instruments aiming at facilitating the establishment of business partnerships for cross border initiatives; •Easy trade barriers •Specialisation of SMEs and strengthening through adding value to their products with aim of increasing productivity •Creation of integrated tourism product for all programme are including coastal and mountain areas; •Identification of some special products of the area that could be further branded domestically and internationally •Further development of agriculture productions and agro-processing industry; •Improvement of the level of vocational education in view of better serving the labour-market demand. •Advantage deriving from relatively low level of labour costs | <ul style="list-style-type: none"> •Limited access to credit system for farms and SME-s may slow down the economic development; •Underdeveloped and under equipped local - self government administrations. •Dominant mountainous relief can have a negative impact on local economic development; •Informal economy competing unfairly with the formal sector •Considerable level of corruption •Brain drain do to migration to more developed region |

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| PROMOTING EMPLOYMENT, LABOUR, MOBILITY & SOCIAL AND CULTURAL INCLUSION ACROSS THE BORDER | <ul style="list-style-type: none"> •Relatively low cost labour force •Relatively young population and positive growth rates •Presence of Vocational Education schools; •University branches present, to support and focus closely on local knowledge and skills needs •Common language | <ul style="list-style-type: none"> •High unemployment rate, especially amongst the young population and women •Curricula not fully aligned Labour market - oriented vocational training •Large number of households dependent from remittances from abroad •Lower level of education of the rural population and socially marginalized groups such as Roma etc. •Weak labour promotion institutions at local level | <ul style="list-style-type: none"> •Improvement of the level of vocational education in view of better matching with labour-market demands •Programmes for increasing accessibility in the labour market of rural population and especially of women and marginalised groups •Developing employment programs for social integration of socially marginalized groups. •Improvement in labour mobility in the CBC area •Strengthening labour institutions | <ul style="list-style-type: none"> •De-population and outflow of skilled and educated people in rural parts of the programme area •Prolonged economic crisis which increases unemployment, with major spillover effects onto less educated and vulnerable groups •Poor access of the rural population to the formal educational system, due also to poverty or inadequate educational infrastructure |

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| PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE ADAPTATION & MITIGATION, RISK PREVENTION AND MANAGEMENT | <ul style="list-style-type: none"> Rich natural biodiversity, untouched and attractive environment, diversity of natural landscapes. Existence of several protected areas and national parks appropriate for the development of eco-tourism Wide forest areas and quality of the forests. High potential for using renewable energy sources (hydroelectricity, wind power, solar energy and biomass) Clean area without industrial pollution, especially the coast and mountainous areas of Albania | <ul style="list-style-type: none"> Poor enforcement of environment regulations and standards Poor management and control mechanism for protection of natural resources; Inadequate solid waste management and lack of waste water treatment systems Inappropriate land management and de-forestation Insufficiently exploited natural resources Low awareness of environmental issues | <ul style="list-style-type: none"> Better management of forestry and protected areas; An increase in programmes and projects on environmental protection, forestry, sustainable agriculture, solid waste and waste water, etc. Development of joint programmes for waste treatment Local interest for producing green energy Increased public awareness on environmental protection measures under the pressure of eco-tourists demands | <ul style="list-style-type: none"> Pollution of land and water resources due to inadequate or absent solid waste and waste water treatment system Uncontrolled and out of standards urbanisation process Uncontrolled exploitation of natural resources (timber, river gravels, forest fruits), especially de-forestation Pressures on the coastal environment due to high tourist frequentation Enlarging cement industry in the region of Lezha which poses a increasing risk for the surrounding nature |

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| PROMOTING SUSTAINABLE TRANSPORT & IMPROVING PUBLIC INFRASTRUCTURES | <ul style="list-style-type: none"> • Strategic geographic position in the wider region and participation in European Transport Networks; • Latest highway connection Durrës-border-Pristina • Improved border-crossing infrastructure and services; • Ports of Shengjin, as an important economic asset for the region | <ul style="list-style-type: none"> • Rural and secondary road network and railways infrastructure in poor conditions; • High maintenance cost and limited budgets available • Poor reliability and shortage of electricity supply, heavily dependent on hydro resources (AL); • Poor infrastructures and insufficient capacities for treatment water, sewage and solid waste, particularly in rural areas; • Incorrect applications of urban planning standards • Limited internet accessibility | <ul style="list-style-type: none"> • Increased investment in water supply, sewerage system and waste treatment..) for improving solid waste • Development of alternative energy production • Improvement of internet accessibility • Improvement of local and rural roads | <ul style="list-style-type: none"> • Insufficient financial resources for the re-construction and maintenance of deteriorated local infrastructure; • Illegal construction, putting additional pressure on infrastructure development in the programme area; • Unresolved property issues which impede investments in infrastructure. • Underdeveloped urban planning, including planning for sustainable means of public and private transport |

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| ENCOURAGING TOURISM & CULTURAL & NATURAL HERITAGE | <ul style="list-style-type: none"> •Pleasant continental climate developing diverse types of tourism throughout the programme area •Rich and diverse nature, well suited for outdoor leisure and activities •Rich cultural and historical heritage •Numerous community associations involved in activities to preserve culture and nature •Multicultural diversity, and tradition in cultural exchanges; •Rich culinary traditions suitable for agro-tourism | <ul style="list-style-type: none"> •Underdeveloped tourism infrastructure in view of international standards; •Insufficient efforts and funding for the protection and preservation of nature and of historical and archaeological heritage; •Limited recognition of the potential of historical and cultural heritage as a source of income through tourism and culture activities; •Limited skill and poor level of services related to tourism •Limited international recognition of the region as attractive touristic destination | <ul style="list-style-type: none"> •Promote initiatives for improving tourism infrastructure and skills •further including the cultural heritage in the tourism offer; •Promotion of specific culinary tradition and agro-food products to contribute to strengthening the identity of the area; •Developing and strengthening local institutional capacities related to promotion of tourism, cultural and traditional assets; •The development of eco-tourism related type of outdoor “experiences” as an integrated packages (e.g. mountaineering, rafting, trekking, biking); •Promotion of cooperation between tourist agencies to provide integrated tourist packages across the border. | <ul style="list-style-type: none"> •Insufficient tourism promotion, both at central and regional levels due to scarcity of funding; •Environmental pollution in areas with a high potential for eco-tourism; •Lack of understanding of cultural and historical heritage potential of the programme area; •Lack of proper protection of cultural and historical monuments and sites; •Illegal buildings close to the seashore, natural parks and cultural heritage sites. |

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| INVESTING IN YOUTH, EDUCATION & SKILLS | <ul style="list-style-type: none"> •Relatively young population and high birth-rate •Presence of public and private universities •Multi-ethnicity as an advantage for social and cultural development •Existence of vocational and non-formal training providers •Multilingual environment •An enthusiastic young generation eager to learn and developed •Common language for majority of population in the area | <ul style="list-style-type: none"> •Curriculum not aligned with labour market demand and inefficient employment-oriented vocational training •Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc. •Level of drop out from elementary and secondary education as result of poor education offered especially in some rural areas •Underdeveloped system of lifelong education; •Low penetration of ICT | <ul style="list-style-type: none"> •Improvement of the level of vocational education in view of better serving the labour-market needs with skills needed •Development of research & development actions by using existing research and high educational centres •ICT promotion to improve the access to education in rural areas and enhancing virtual cross border contacts and cooperation | <ul style="list-style-type: none"> •Limited access of rural population to the formal educational system, due to poverty •Poor or inexistent rural ICT infrastructure, augmenting regional disparities; •Migration of youth due to lack of opportunities |

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| PROMOTING LOCAL & REGIONAL GOVERNANCE, PLANNING & ADMINISTRATIVE CAPACITY BUILDING | <ul style="list-style-type: none"> •Existing cooperation agreements between Albania and Kosovo. •Existence of Regional development strategy for all regions •Existence of Regional and municipal development plans •Decentralisation process on-going | <ul style="list-style-type: none"> •Limited capacities of the local government units to implement development policies; •Insufficient financial resources to finance development goals; •Lack of proper knowledge by the local administration to obtain and implement EU funds. | <ul style="list-style-type: none"> •Participation of Local government units into joint initiatives or programs to enhance institutional capacities; •Training programmes for strengthening capacities of local actors | <ul style="list-style-type: none"> •Financially weak local government units •Lack of funding for training of Local government administration to increase their policy making and implementing capacities; •Lack of cooperation between proper regional structures. |

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| STRENGTHENING RESEARCH, TECHNOLOGICAL DEVELOPMENT, INNOVATION & ICT | <ul style="list-style-type: none"> • Presence of public and private Universities in the programme area • Increasing percentage of population actively using ICT technology | <ul style="list-style-type: none"> • Poor research and innovation practices of universities and other operators in the programme area • Modest Internet penetration • Poor computer literacy • Poor ICT used by Universities, Schools and businesses. | <ul style="list-style-type: none"> • Developing and implementing cross-border ICT projects; • Investment in ICT and R&D programmes that would fit private sector development needs • Strengthening research, technological and innovation in the programme area • Student exchange programmes | <ul style="list-style-type: none"> • Lack of reform strategies promoting ICT and R&D • Limited of financing for the Research and development and • Insufficient interest of private sector for technological development and modernisation of production processes |