



**UNITED NATIONS DEVELOPMENT PROGRAMME
LIAISON OFFICE
Republic of Montenegro**

**AN EXTERNAL EVALUATION OF MONTENEGRO
SUSTAINABLE DEVELOPMENT PROGRAM
OF UNDP LO IN MONTENEGRO**
Report

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Executive summary

This Report was prepared based on the results of the external evaluation mission to Podgorica, Republic of Montenegro conducted in the period 16 to 28 November 2005 during which numerous interviews with major actors and stakeholders took place as well as desk study of relevant projects, and program documents, reports, work and action plans, etc. The purpose of the external evaluation was to review and assess the process that led to the development of Montenegro Sustainable Development Program (MSDP) – turning of Sustainable/Ecological State Strategy into MSDP, progress, cross-cluster and cross-institutional cooperation of the MSDP for years 2002 to 2005 of United Nations Development Program (UNDP) Liaison Office (LO) in Montenegro. Additional objective of the evaluation was to review and assess the projects' key results implemented in the frame of the MSDP, and to suggest a framework of sustainable development indicators (SDI) for MSDP projects.

In 1991, the Montenegrin Parliament adopted a declaration on Montenegro as 'Ecological State', in Montenegro's Constitution the country is defined as a **“democratic, civic and ecological state”**. A commitment to sustainable development was confirmed in 2002, when the concept of Montenegro being an ecological state was re-launched at the World Summit for Sustainable Development in Johannesburg.

The Montenegro Sustainable Development Program (MSDP) – that UNDP developed in close cooperation with the Government of Montenegro through establishing a South/South cooperation link between Montenegro and Costa Rica – addresses an urgent need for concrete steps in line with the constitutional arrangement and political consensus. Support from all parties has been achieved with respect to the MSDP, which provides a framework for UNDP and the Government of Montenegro to jointly work in **three key strategic** areas: Sustainable Tourism, Renewable Energy, and Sustainable Forestry **and 2 cross-cutting institutional support mechanisms (NCSD and Spatial Planning)**. The Government at the National Council for Sustainable Development (NCSD) session, the Prime Minister, as well as the NGO sector gave their full support to the outlined key strategic areas and concrete “Early Success” projects.

Local Program Appraisal Committee adopted Montenegro Sustainable Development Program on 26 August 2003. Thus Government accepted the MSDP. The key governmental partner for the MSDP and the Energy and Environment for Sustainable Development Cluster (EESDC) is the National Council for Sustainable Development (NCSD) chaired by former President now Prime Minister Djukanovic. One of the interventions defined in the MSDP was strengthening the capacity of the National Council for Sustainable Development and providing necessary support. The Government's request to strengthen the institutional build-up of the NCSD was met by establishing the NCSD Secretariat at the Prime Minister's Office in the autumn of 2005. It will be jointly funded by the Institutional and Judicial Reform Cluster of UNDP and the Government of Montenegro. The head of NCSD Office will be Mr. Branko Lukovac who will also act as the PM's advisor on SD issues.

Evaluation of the MSDP indicates that the Government's efforts in building for understanding and ownership, as well as strong commitment to the sustainable ecological state concept were supported via MSDP: a) across relevant government institutions (ministries), and b) across civil society and throughout the political spectrum. **Key intervention mechanisms**, such as strategy-setting and policy options; capacity building and raising awareness; and pilot innovations, were used effectively in the implementation of the MSDP. Key institutions and systems, which support sustainable development, were strengthened. 'Early-success', 'no-regrets' projects to demonstrate the economic, social, and environmental viability of sustainable development were successfully conducted.

MSDP has been developed and implemented in a demand-based, logical and professional way. The suggestions made by Dr. Castro from Costa Rica on focus key strategic areas and

methods were seriously considered and accepted by the Government, these were taken into account in the development of the MSDP. The inclusion and consulting the NGOs during the preparation and implementation of the MSDP was also a definite, positive step in the process.

The preparation and implementation process of the MSDP followed the basic principles of SD: fulfilling mission to assist Government to implement its development priorities, creation and strengthening the feeling of ownership; commitment to implement SD in practice; participatory, open, visible, consultative, and transparent process of preparation and implementation; considering local needs, expectations, and circumstances; balancing strategic and tactical approaches. The examination of MSDP process illustrates very clearly, that the balance has been kept between the goals of long-term changes in mentality, medium-term changes in policy development and short-term changes in problem solving through pilot projects.

The MSDP had an icebreaking role in the Northern Montenegro, which was in great need of support. Launching a concrete “early success” pilot project promoting sustainable tourism services was very important: local guides were trained and local rafters helped to improve the quality of their services; consequently cooperation between the national park officials, NGO representatives and local entrepreneurs was improved. All social, economic, and environmental aspects of SD were included in a mutually beneficial manner: local people were employed; cooperation between rafters and the national park was launched; self-confidence to embark on innovative projects was achieved; and the environment benefited from introducing sustainable methods of entrepreneurship.

The MSDP has allowed UNDP LO to gain leadership role on Sustainable Development in Montenegro. In addition to being successful in promoting and integrating SD principles UNDP LO through its MSDP projects and activities has also been successful in halting unsustainable decisions in close cooperation with other actors (UNESCO, IUCN, NGOs, etc.) in cases where long-term negative impact on the socio-economic and natural environment had been foreseen.

Cooperation between UNDP and other donors was summarized as positive and mutually beneficial by the interviewees during the evaluation. UNDP/MSDP has introduced wide cooperation schemes with several donors, such as the UN agencies (UNESCO, UNEP) as well as international and local institutions: Rockefeller Brothers Foundation (RBF), Swedish International Development Agency (SIDA), Ministry of Foreign Affairs of Finland, Community Habitat Funding of the United States Aid for International Development (USAID CHF), USAID Montenegro Competitiveness Project (USAID MCP), and Regional Environmental Center (REC) for Central and Eastern Europe. All interviewed donors declared their interest in building on this foundation and reinforcing cooperation efforts. The involvement of NGOs in participatory planning and implementation introduced by the MSDP was very highly appreciated by other donors. Applying the participatory planning model developed in MN in other countries of the region was suggested. A general conclusion may be drawn that all interviewed donors were well satisfied with the cooperation with the UNDP.

The **cross-cutting issues and cooperation between the UNDP LO clusters** Energy and Environment for Sustainable Development (EESDC), Socio-Economic Participation (SEPC), and Institutional and Judicial Reform (IJRC) were examined. Cooperation on assisting the Office for Sustainable Development/NCSD Secretariat, drafting the National Strategy for Sustainable Development (NSSD), capacity building for officials of the Ministry of Environmental Protection and Spatial Planning on spatial planning was well established, close, and fruitful. The flexibility and tailor-oriented approach used by all the clusters in the UNDP LO was stressed. When Montenegrin society needed urgent immediate assistance from UNDP all three clusters were able to mobilize additional resources, coordinate and adjust their work that resulted in revoking some unsustainable options.

Projects in the fields of Strategic Framework for Sustainable Tourism, Unleashing Sustainable Tourism Entrepreneurship, GIS Forestry and Biodiversity, GEF Dinarides Ecoregion,

Spatial Planning and Small Hydro Power Plant were the first to be launched within the frame of the MSDP and are discussed in greater detail.

The Project **Strategic Framework for Development of Sustainable Tourism in Northern and Central Montenegro** was launched by UNDP in cooperation with the Ministry of Tourism and adopted by the Government in September 2004. The principal added value of this framework was channeling interest in sustainable tourism as a viable development model for North and Central Montenegro simultaneously dealing with social issues (poverty). The Strategic Framework Document was published and used as basis for identifying key projects. The project is noteworthy since sustainable tourism has been launched on equal footing with mass tourism. The focus was on the northern Montenegro, which is the least developed with highest social and economic problems in the country, but has high potential for sustainable tourism. On established basis concrete projects can be taken on, which will result in real positive change in local communities, reducing poverty and unemployment. The project was first to be concluded in the frame of the MSDP and thus has positive pilot status.

The Project **'Unleashing' Sustainable Tourism Entrepreneurship in the area of Durmitor National Park** was launched as a direct step in the implementation of the Strategic Framework for Development of Sustainable Tourism in Northern and Central MN. The ultimate objective of the project was set as creating a well-functioning public private partnership model which would lead to the development of new sustainable tourism products in the national park (NP) and to their marketing. This model would also include capacity building of local stakeholders, which aim at encouraging entrepreneurship and creating new employment opportunities. The project succeeded in joining all stakeholders for the first time around one table to talk and plan their future actions and cooperation in the Durmitor NP. Remarkable is using Slovenian expertise in the Project, especially in preparing the legislation. Organizing trainings, Sustainable Tourism Festival (first of this kind in MN), a study tour to Bulgaria, rebuilding hiking tracks are all seen as positive outputs. Sustainable Tourism Festival was nominated by the Ministry of Tourism for Wild Beauty annual award in the category of best tourism campaigns in 2005. Cooperation and a feeling of being together were strengthened among projects' participants/stakeholders during the study tour to Bulgaria.

The project gave a good start to sustainable tourism development; it showed how a relatively small initiative can start a much wider process. In general, the most important result was the way how the example of sustainable business partnership worked in practice. Real change occurred which was appreciated by all parties involved. The partnership building between the national park, local government, non-governmental organizations and local businesses was very beneficial. Participatory approach was aimed at in all project stages and was achieved successfully. The project created a feeling of real ownership among the local stakeholders and thus the local people benefited the most. The fellow feeling will contribute to achieving long-term cooperation and sustainability of the development processes in the region. The project also serves as a good example of long-term strategy implementation combined with quickly achieved visible and tangible results. The project has been implemented close to a maximum: excellent preparation stage with participatory planning was followed by gaining acceptance among local stakeholders. The pilot project showed that sustainable tourism development is possible and beneficial in all aspects. The project can serve as a success story case that can be adopted in other regions.

Sustainable forestry project using Geographical Information System (GIS) for long-term planning is thus one of the picked "early success projects". The main objective was to form a necessary basis for sustainable planning and management in the forestry and biodiversity sector and facilitate fighting illegal logging, forest fires, and spread of forest disease. The expected outputs of the GIS/Forestry and Biodiversity Project are: (1) database for forestry and biodiversity; (2) basic tools for forest inventory; (3) digitalization of various maps and creating the biodiversity info layer; (4) trained staff in forestry and biodiversity sector who is able to use

and work with GIS. Finalization of legal aspects (issuing a bylaw) is necessary for the smooth application of the Montenegrin Geographical Information System (MonGIS). The Ministry of Agriculture, Forestry and Water Management (MAFWM) is satisfied with the results achieved so far and considers project management and established working atmosphere excellent. The highlight of the GIS/Forestry and Biodiversity Project will be wide application of GIS as a cross-sectoral planning tool. Preparations made for MonGIS institutions are evaluated as well thought through and sufficient. The system will ensure that once established skills, soft- and hardware systems, networks, maps, and databases will continuously be used after the project conclusion. The cooperation schemes developed between governmental institutions, especially in forestry and environmental protection/national parks are valuable in future work. Other sectors such as spatial planning, rescue service, transport and public infrastructure can be included in using the services of MonGIS later.

In order to address the issues of biodiversity and national park management, project development stage for **Improvement of the Protected Area Network and Management in the Dinarides Mountain Ecoregion** is being carried out with funding from Global Environmental Facility (GEF). The focus is primarily on gradual improvement of management effectiveness in two existing protected areas to be followed up in proposed protection areas. Specific Project objectives are set as improving management effectiveness of the protected area system in the Dinaric Mountain Ecoregion through introducing innovative participatory management approaches and tools, as well as financial mechanisms improving institutional capacity, strengthening public involvement, and creating an effective replication strategy. Implementation of the Project is targeted to start in early 2007 and continue for five years.

In 2002 UNDP was invited by the Ministry of Environmental Protection and Spatial Planning (MEPSP) to assist the Government in redrafting the Spatial Planning Act and building the capacity on public participation in spatial planning and enforcement. The Project on **Technical Assistance, Capacity Building and Awareness Raising Support to the MEPSP for Spatial Planning Reform** was developed by the UNDP Liaison Office in Podgorica in dialogue with the republican and local /municipal planning authorities, public and private organizations. The ultimate **objective** of the Project was to **strengthen capacities** of republican and municipal governments for establishing a **transparent and participatory planning process** at all levels. The proposed project was expected to lead to the **adoption** of better **planning legislation**, streamlined licensing and other procedures, compliant with the EU standards, and to the involvement of key actors (planning secretariats, civil society, media, etc), especially focusing on the municipal level. The new Spatial Planning Act was prepared in participatory manner and adopted by the Parliament. Additionally to originally planned project activities 5 by-laws were worked out to ensure the enforcement of the Act. The new law lists the procedures for public consultation and incorporation of non-professional stakeholder opinion on plans in various planning process stages and thus ensures the **transparency** of the spatial planning process. **Time** for adaptation of plans on various planning levels is **reduced**. **Environmental Impact Assessments** are included as obligatory at all levels. Spatial planning requirement concerns equally the private and public land. The process assessment indicates that the method and practice of **participatory planning** was introduced in Montenegro by this Project and the MEPSP realized its importance. The model of consultative and participatory planning process was used later by the MEPSP in coastal areas, which goes to show that real attitude change had occurred among the officials. Working relations between the MEPSP and the municipalities stayed stress-free and informal and this was appreciated by the partners. The fact that instead of five altogether fourteen municipalities are involved in the Spatial Planning Project, is assessed as positive. The acute issue of finding solutions to deal with illegal building was included among the activities of the Project and a special WG was established by the request of Government. One of the beneficial steps in the process was making use of the experience of other countries and applying their standards to Montenegrin context where possible. Thus international connections – study tours,

participation at conferences, inviting international experts to national events – are assessed as highlights of the Project. This had a double effect: dealing with the problems of enforcement as well as harmonization of Montenegro's legislation with the EU standards, which the Government sees as an important part of the process of Montenegro's integration to Europe.

One project focused on the conditions for the use of untapped small hydro potential titled **Small Hydropower Plant Development Strategy for Montenegro** (Renewable Energy Project in short) is in line with the conclusions of the NCS D in Montenegro. The overall objective/intended output of the project is to assist the government in preparation of the strategy for the development of small hydro plants in Montenegro. The major steps would be addressing following issues: (1) defining conditions for use of available water resources; (2) defining the possibilities of the existing distribution system to include the produced energy; (3) defining conditions for connecting the small plants to the grid; (4) defining prices for energy produced in small hydro plants, etc. The project was only recently launched and thus has not have time for serious impact in society. Its main achievement so far has been creating positive attitudes so that decision makers have started activities on developing the renewable energy strategy and action plan for MN.

A general conclusion of the evaluation is that the **Objectives** of the **MSDP** were achieved **close to a 100 %**. A non-cost extension project will be finished in the following half-a-year. The extension was mainly caused by external factors, unavoidable in a country undergoing double transition. The MSDP and its project outputs and outcomes are fully in compliance with the MYFF, SRF and CPAP priorities. The MSDP/EESDC is leading the work in achieving sustainable development in Montenegro and is well focused in its Projects accepted by the Government. The management of MSDP/UNDP was described as responsive and inclusive. High marks were given to effective, high quality and professional work of the office staff in Podgorica.

The actors assessed that the project **outputs and outcomes have had significant impact** for positive changes in Montenegrin society targeted in the SRF and in priority list of Government of Montenegro. Outcomes were seen as definitely having a long-term impact, which was especially pointed out by the SD advisor of PM/NCS D; all political parties are aware of the importance of the 'ecological/sustainable state' concept. Impressive confidence in continuation of building sustainable society/ecological state was expressed and was believed to be independent of which political parties form the next coalition/government. Lack of continuity in achieving the goals has lost valuable time in several other European transitional countries and thus the political stability in supporting sustainable development in Montenegro is notable and paves for success. The actors assessed the overall role of the UNDP LO and MSDP in Montenegro as having significant impact on guiding the development of Montenegro towards the ecological state/sustainable society according to Article 1 in the Constitution of Montenegro.

Evaluation of MSDP/EESDC shows that the organization is able to mobilize funds; prepare, implement, manage, monitor, evaluate projects and plan follow-up activities at a high professional level and thus to be a reliable partner to all the donors who see their mission as aiding Montenegro in becoming European ecological state/sustainable society and a member of the EU after a accession period of ten to fifteen years. Donor assistance is crucial for Montenegro to pass through the double transition period successfully: the transition from planned economy to market economy and democracy followed by a transition from a neo-liberal "markets solve all problems" market economy to sustainable society, which is economically viable, socially fair and ecologically healthy.

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Acronyms and Abbreviations

CHF	Community Habitat Funding
CMU	Central Management Unit
CO	Country Office
CPAP	Country Program Action Plan
CSO	Civil Society Organization
DEM	Digital Elevation Model
DRR	Deputy Resident Representative
EESDC	Energy and Environment for Sustainable Development Cluster
EIA	Environmental Impact Assessment
EMAS	Environmental Management and Auditing Systems
EPCG	State Power Utility Company
ERA	Energy Regulatory Agency
FINNIDA	Finnish International Development Agency of Ministry of Foreign Affairs of Finland
FRY	Federal Republic of Yugoslavia
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GIS	Geographical Information System
GoM	Government of Montenegro
GTZ	German Agency for Technical Cooperation ¹
HDR	Human Development Report
IJRC	Institutional and Judicial Reform Cluster
IPP	Independent Power Producers
IPPC	Integrated Pollution and Prevention Control
IUCN	World Conservation Union
LG	Local Government
LO	Liaison Office
LPAC	Local Program Appraisal Committee
MAFWM	Ministry of Agriculture, Forestry and Water Management
MCP	Montenegro Competitiveness Project
MDF	Municipal Development Fund
MDG	Millennium Development Goals
MEPSP	Ministry of Environmental Protection and Spatial Planning
MN	Montenegro
MoE	Ministry of Economy
MonGIS	Montenegro Geographical Information System
MoT	Ministry of Tourism
MSDP	Montenegrin Sustainable Development Program
MYFF	Multi-Year Funding Framework
NCSA	National Capacity Self Assessment
NCSD	National Council for Sustainable Development
NGO	Non-Governmental Organization
NP	National Park
NSSD	National Strategy of Sustainable Development
OSCE	Organization for Security and Co-operation in Europe
PA	Protected Area
PDF	Project Development Facility

¹ Deutsche Gesellschaft für Technische Zusammenarbeit

PM Prime Minister
PMU Project Management Units
PRSP Poverty Reduction Strategy Paper
RBEC Regional Bureau for Europe and CIS
RBF Rockefeller Brother Foundation
SAN Sustainability Assessment Network
SCG State Union of Serbia and Montenegro
SD sustainable development
SDI sustainable development indicators
SEPC Socio-Economic Participation Cluster
S/ESS Sustainable/Ecological State Strategy
SIA Strategic Impact Assessment
SIDA Swedish International Development Agency
SME Small Medium Enterprise
SRF Strategic Results Framework
TOR Terms of Reference
UNDP the United Nations Development Program
UNEP the United Nations Environment Program
UNESCO the United Nations Educational, Scientific and Cultural Organization
USAID the United States Aid for International Development
WB World Bank
WG Working Group
WSSD World Summit for Sustainable Development
WWF World Wide Fund for Nature

Introduction

This Report was prepared based on the results of the external evaluation mission to Podgorica, Republic of Montenegro conducted in the period of 16 to 28 November 2005 as well as desk study of related documents, programs, projects, work and action plans, etc.

The purpose of the external evaluation (Annex 1) was to review and evaluate the process that led to the development of the Montenegrin Sustainable Development Program (MSDP) - turning of Sustainable/Ecological State Strategy into MSDP, progress of the MSDP for years 2002 to 2005 implemented by the Energy and Environment for Sustainable Development Cluster (EESDC) of the United Nations Development Program (UNDP) Liaison Office (LO) in Montenegro; the cross linkages and cooperation between the three clusters within the UNDP LO; the role and cooperation between the MSDP and UNDP LO and other donors providing support for sustainable development (SD). Additional objectives were to review and assess the projects' key results implemented in the frame of the MSDP; to suggest sustainable development indicators (SDI) for measuring sustainability baseline and dynamics in Montenegro in the future; to suggest indicative SD indicators for measuring MSDP impact on the sustainability of Montenegro. Finally, suggestions for finding future funding for the implementation of the MSDP and its extension/follow-up actions were made.

The evaluation was assessing past and present activities and results in order to recommend further actions. The methods used in the evaluation were document analysis, conducting interviews and organizing a small feedback roundtable meeting. The following qualitative indicators² were used for the assessment and evaluation of the MSDP:

- were the objectives of the MSDP achieved;
 - *scale: fully-almost-half-less than half-none*
- were the outputs and outcomes in compliance with the Multi-year Funding Framework (MYFF), Strategic Results Framework (SRF), and Country Program and Action Plan (CPAP);
 - *scale: fully-almost-half-less than half-none*
- how the various actors assessed the cooperation between the clusters of UNDP LO;
 - *scale: very good-good-satisfied-less satisfied-unsatisfied*
- how the various actors assessed donor cooperation;
 - *scale: very good-good-satisfied-less satisfied-unsatisfied*
- how the various actors assessed the program and project management;
 - *scale: very good-good-satisfied-less satisfied-unsatisfied*
- how the various actors assessed the MSDP work environment;
 - *scale: very good-good-satisfied-less satisfied-unsatisfied*
- how the various actors assessed stakeholders³ cooperation;
 - *scale: very good-good-satisfied-less satisfied-unsatisfied*
- how the various actors assessed the outputs and outcomes of the MSDP in terms of their impact on achieving positive change in Montenegrin society;
 - *scale: significant impact-insignificant impact-no impact*
- how the various actors assessed the UNDP LO and MSDP overall role in Montenegro;
 - *scale: significant impact-insignificant impact-no impact*

The analysis included UNDP LO strategic documents (e.g. Country Program and Action Plan), MSDP work program, and all project related documents.

² The indicators were developed according to the UNDP publication: Handbook on Monitoring and Evaluating for Results (United Nations Development Program, Evaluation Office, New York 2002).

³ Here and afterwards the term *stakeholders*' indicates the public sector (national and local), NGOs, businesses, academia, and the media, if not shown otherwise.

The major actors and stakeholders were interviewed during the mission to Podgorica, Montenegro in the period of 16 to 28 November 2005. The agenda and list of interviewed persons is presented in Annex 2.

The roundtable for initial feedback was attended by the evaluator; the staff of UNDP LO in Montenegro; DRR/Head of UNDP LO, MSDP program manager/EESDC Team Leader; and project managers of MSDP projects with the aim of presenting initial evaluation findings and clarifying uncertainties.

The report consists of introduction, country background, 3 chapters and conclusions. Chapter 1 describes the content and development of MSDP, and specific projects. Chapter 2 focuses on the cooperation between UNDP LO/MSDP and the donors, as well as on the cross-cluster cooperation within UNDP LO in Montenegro. The description of the objectives and outputs of the MSDP projects, assessment of their outcomes and future recommendations are presented in Chapter 3. The conclusions are presented in final part of the report. The sustainable assessment framework and the link to the indicators to measure outputs and outcomes of MSDP are described in Annex 3 and European Union Sustainable Development Indicators are listed in Annex 4.

The evaluator would like to thank all persons and institutions, especially the team at the UNDP LO in Montenegro for providing a very good, friendly and helpful work environment, for the opportunity to discover the beautiful country of Montenegro and to learn a lot of new things during the evaluation process.

BACKGROUND – The Republic of Montenegro

In February 2003, after two years of progressive reforms based on the Belgrade Agreement facilitated by the EU, which had pulled the country out of international isolation and towards the Euro-Atlantic integrations, the State Union of Serbia and Montenegro (SCG) replaced the Federal Republic of Yugoslavia (FRY). In the new agreement all but five functions – foreign affairs, external and internal economic relations, as well as issues concerning human rights and defense – were legally devolved to the Republic level. The State Union is constituted on the basis of parity of the two SCG State Members, the Republic of Serbia and the Republic of Montenegro, allowing a referendum on the independence of the two Republics after a three-year moratorium. Founding of the State Union has resulted in reforms and development of agendas specific to the two SCG State Members. The Gymcht Agreement concluded by the EU Foreign Ministers introduced a twin track economic model for each Republic, which will set in motion further devolution towards EU integration. The Montenegrin Government has expressed its intention to hold in mid-April 2006 the Referendum for Independence after the expiration of the three-year moratorium inscribed in the current State Union Agreement on February 4 2006.

Mildly positive trends with increase in Gross Domestic Product (GDP) from 1.433 Million Euros in 2003 to 1.535 Million Euros in 2004 have been recorded in Montenegro economy. Projected GDP growth for 2005 is 4.1%. The inflation rate in 2002 was 9.4%; in 2003 it had decreased to 6.7% and to 4.3% in 2004.

The registered unemployment rate had decreased from 76,165 persons in 2003 to 71,654 in 2004. The average salary has increased about 50% (from 126.73 Euros in 2003 to 187.52 Euros in 2004). In April 2005 the average salary was 212 Euros.

In Montenegro, the poverty line in 2003 had been defined at the level of 116.2 Euros per person per month and 12.2 % of citizens were earning less. A large number are surviving just above the set criterion; a 20% increase in expenses would double the number of people officially living in poverty. Generally, the poverty rate in northern Montenegro is twice as high as in the central and southern regions (14.9% in north vs. 6.5% and 6.8% in central and southern part of the Republic). Despite the notable economic growth Gini coefficient and Decile (90/10) ratio remain the highest in the Balkan region. Montenegro is a parliamentary democracy defined in its Constitution as a “democratic, civic and ecological state”. Number of seats in the Parliament is 77 divided between nine political parties.

UNDP LO IN MONTENEGRO

The Mission of UNDP LO in Montenegro **is stated as:** “Good governance for poverty reduction and sustainable development of the ecological European state”.

History/Growth of the Liaison Office

The UNDP presence in Podgorica – and by implication its role and profile – has evolved over time in response to the changing political and socio-economic environment. The Liaison Office (LO) was established as part of the transition arrangement from the Office for the Coordination of Humanitarian Affairs in 2001 at the time when humanitarian coordination was being phased out in the Federal Republic of Yugoslavia. In the following four years – until the present – the profile and role of the office has changed and expanded: a Deputy Resident Representative for Montenegro was appointed in 2004 reflecting the equality in the State Union arrangements in the UNDP institutional structure. The Program functions have been adapted to meet the devolution of

responsibilities regarding development issues. The program in UNDP LO has developed a tailored response with a growth in budget from 50,000 USD in 2002 to about 2 Million USD in 2004. In 2003 Montenegro completed its first Poverty Reduction Strategy Paper (PRSP), and in 2005 Millennium Development Goals Report (MDG) and Human Development Report (HDR) reflecting this precedent.

UNDP LO Program in Montenegro

UNDP Liaison Office in Montenegro supports development and transition of the Republic by working in three key sustainable human development areas:

- **Democratic Governance**
- **Social Economic Participation**
- **Environment & Energy**

Socio-economic Participation Cluster (SEPC) currently (November 2005) implements the following projects: (1) Capacity Building of Local Non-government organizations for Civil Society Development in Montenegro; (2) Sub-Regional Gender Project; (3) Provision of support to the Government of Montenegro and Civil Society Organizations/Non-Governmental Organization (CSOs)/(NGO) commodity in preparation of Millennium Development Reports and Human Development Reports; (4) Assistance in Response to HIV/AIDS Montenegro, and (5) HIV Prevention Among Vulnerable Population Initiative (HPVPI – Montenegro (MN) Component).

The Institutional and Judicial Reform Cluster (IJRC) currently implements (November 2005) the following projects: (1) The Capacity Development Program for the State Administration in Montenegro; (2) Strengthening Institutional Capacities for the Poverty Reduction Strategy Paper Implementations; (3) Support to Implementation of Strategy for Control of Small Arms and Light weapons (joint project with the UNDP CO).

The process of establishing the Montenegrin Sustainable Development Program by the Energy and Environment for Sustainable Development Cluster (EESDC) is discussed in more detail below.

1. From Vision to Commitment to Practice – Turning Sustainable/Ecological State Strategy into Montenegro Sustainable Development Program

In 1991 the Montenegrin Parliament adopted a declaration of Montenegro as an Ecological State. This commitment was included in **Montenegro's Constitution in 1992** according to which Montenegro is defined as a “democratic, civic and *ecological* state” (Article 1 of the Montenegrin Constitution). The aspirations have not been followed through in a difficult decade marked by conflict in the region, economic crisis, and political instability. Nevertheless, environmental issues have remained on the government agenda: A **commitment to sustainable development was confirmed in 2001**, when the Government adopted a strategy document entitled “The Developmental Directions of Montenegro as an Ecological State”.

The then Minister of Foreign Affairs, Mr. Branko Lukovac, in discussions with Kalman Mizsei asked him how one would set about showing that such a commitment might be turned from principle into reality. Mr. Kalman Mizsei, Assistant Administrator and Regional Director for UNDP Regional Bureau for Europe and CIS (RBEC) was very receptive to the idea and pledged to help Montenegro and suggested using Costa Rican experience as a fellow Ecological State, to develop a South/South cooperation model. Dr. Rene Castro, former Costa Rican Minister of the Environment and Senior Advisor to UNDP, was contacted by the UNDP LO in order to elaborate on opportunities to learn and transfer the procedures, methods, models, experiences and know-how on **double transition** gained in Costa Rica **to implement** socio-economic reforms and democracy; simultaneously implementing all reforms **in a sustainable manner** in order to achieve a sustainable society.

Early success in the context of a long-term sustainable strategy was something that the Costa Rican model had excelled in. In 1994 GDP in Costa Rica had been similar to what Montenegro has today, importing around 30% of its energy, and having a rising foreign debt. By 2002 Costa Rica had turned around being a renewable energy exporter with a thriving eco-tourism business and an innovative and lucrative series of environmental service projects.

Dr. Rene Castro visited Montenegro for the first time in July 2002. The purpose of his initial mission was to increase the awareness on sustainable development issues in Montenegro by presenting the Costa Rican case. A series of meetings with senior Montenegrin officials included meetings with both **President Djukanovic** and **Prime Minister Vujanovic**. The President expressed his hope that Dr. Castro and UNDP would continue working with the Government in issues like developing **renewable energy, forestry and eco-tourism**.

Dr Castro's mission was received with great interest among the policy makers, representatives of international agencies, civil sector representatives and media in Montenegro. Dr. Castro suggested that in order to **revitalize the Ecological State Concept**, Montenegro needs to take **three steps**: 1) Establishing a National Council on Sustainable Development (NCSD) as an institutional body that will coordinate the formulation of a new sustainable development strategy, especially in areas where ‘early success’ can be achieved; 2) Re-launching the concept of Montenegro as an Ecological State on global stage at the World Summit on Sustainable Development (WSSD) and finally, but most critically; 3) Creating ‘early success’ cases in the framework of long-term sustainable development strategy. The key for adopting such an approach lies in allowing Montenegro to show that its commitment to be an Ecological Sustainable State is serious, which, in turn, will contribute to developing a core of “friendly” donors in international community.

Montenegro used the ideal opportunity to **re-launch the concept of Montenegro as an Ecological State** at the World Summit for Sustainable Development in Johannesburg in **2002, while National Council for Sustainable Development was formed in August 2002.** UNDP LO representatives and a representative of the Ministry of Environment Protection and Spatial Planning (MEPSP) attended the conference hosted by UNDP office in Antalya, Turkey, and organized by UNDP, RBEC in September 2001. At the conference progress of each country towards achieving Rio goals was assessed in preparation for the WSSD in Johannesburg. Also, guidelines for establishing NCSO were discussed and upon return, UNDP LO, using 10,000 US\$ of TRACK resources, in cooperation with the MEPSP, initiated activities on the establishment of the NCSO in Montenegro that were finalized in August 2002 while first session of the Council, at which participation of MN at the WSSD in Johannesburg was discussed, was held in September 2002.

At the request of President Djukanovic, Dr. Castro focused on identifying crucial areas in the Sustainable/Ecological State Strategy (S/ESS) implementation. He defined three areas of key importance in the state strategy: Eco-tourism, Energy Efficiency/Renewable Energy, and Sustainable Forestry. These were to be the target areas for ‘Early Success’⁴ demonstration projects that will gain public support for the S/ESS. To follow up on this **Dr. Castro’s second mission to Montenegro was organized in December 2002.**

During his **second mission** Dr. Castro and an experienced team of international consultants studied pre-prepared materials, visited numerous sites, met with ministers, local experts, non-governmental organizations, and representatives of the donor community. Findings were first presented to the NGOs who provided feedback regarding the proposed strategic framework and identified sectoral ‘early success’ projects. Their suggestions were incorporated into the **final presentation for the NCSO** at its 2nd Session and then personally to the Prime Minister (PM). **He also gave his full support to the project and emphasized the commitment of the Government of Montenegro to the realization of the project by making the concept of sustainable development one of its priorities.**

Full support of the outlined framework for Sustainable/Ecological State Strategy and concrete “Early Success” projects from the **Government** at the **NCSO** session, from the Prime Minister as well as from the **NGO** sector made it possible for UNDP to continue with its efforts **in donor resource mobilization** based on local needs and evolving global concerns.

The Head of the UNDP Liaison Office Montenegro Mr. Garret Tankosic-Kelly; the President of *Zeleni* (Greens) of Montenegro Mr. Branko Lukovac; the Minister of Environmental Protection and Physical Planning of Montenegro Mr. Ranko Radovic, and the Environment & Energy Cluster Leader, Country Office SCG Mr. Radomir Buric held introductory meetings at the Embassies of Canada, Finland, Austria, Slovenia, Sweden, Norway and German Agency for Technical Assistance. The Embassies generally expressed interest in using available funds for implementation of specific projects; some on condition that the Government or the UNDP would also provide support. The culmination of the follow-up efforts was a trip to New York & Washington where high level meetings with Rockefeller Brothers, UN missions, UNDP Washington, World Bank (WB), Conservation International, USAID, UNEP, etc were held. The Prime Minister advisor, Mr. Nebojsa Kaludjerovic accompanied the team of experts on this trip.

⁴ ‘Early success’ projects or ‘low hanging fruit’ as Dr. Castro calls them are projects that are easy to spot, do not require big investments, are determined to succeed short-term and will thus help to ensure public support for long-term sustainable policies.

Local Program Appraisal Committee (LPAC) endorsed/adopted the Sustainable/Ecological State Strategy program at its meeting on **26 August 2003**. It was later re-named as the **Montenegrin Sustainable Development Program (MSDP)**. LPAC encouraged UNDP to intensify its fund mobilization efforts for program implementation. The Energy and Environment for Sustainable Development Cluster of UNDP LO was set as the coordinating unit. Thus MSDP provides a framework for joint effort of UNDP and the Government of Montenegro in the areas of Sustainable Tourism, Renewable Energy, and Sustainable Forestry.⁵

The **Strategic Objective** of the Montenegro Sustainable Development Program was defined as supporting the government's efforts in creating the sustainable development strategy which is in line with the constitutional arrangement; in creating a favorable environment for sustainable development and demonstrating through concrete actions/projects the economic viability and advantages of the sustainable development option. **The projects launched in the identified three key strategic areas and 2 cross-cutting institutional support mechanisms (NCSO and Spatial Planning) are discussed in more detail in Chapters 2 and 3.**

The "Sustainable Development in the Ecological State" Program (MSDP) is part of a country-wide effort of UNDP in Serbia and Montenegro to achieve strategically defined outcome. The Strategic Results Framework (SRF) Outcome for Serbia and Montenegro indicated in the field of Energy and the Environment is defined as follows: "*Capacity of constituent authorities to plan and implement integrated approaches to environmental management and energy development including the integration of global environmental concerns and commitments in national development planning and policy.*" MSDP is conceived within this Strategic Results Framework. It also reflects worldwide efforts of the United Nations to contribute to the Millennium Development Goals (MDG).⁶

Strategic Partners of MSDP:

- Donors: the Ministry of Foreign Affairs of Finland, Swedish International Development Agency (SIDA), Global Environmental Facility (GEF), Rockefeller Brothers Foundation (RBF), United States Aid for International Development (USAID), Government of Montenegro, UNDP Regional Bureau for Europe and CIS (UNDP RBEC);
- National Council for Sustainable Development, Office for SD (Secretariat of NCSO);
- Ministry of Environmental Protection and Spatial Planning (MEPSP), Ministry of Tourism (MoT), Ministry of Economy (MoE), Ministry of Agriculture, Forestry and Water Management (MAFWM), Energy Regulatory Agency (ERA) for Montenegro, Electric Power Company of Montenegro (EPCG), Office for Sustainable Development, Deputy Prime Minister Cabinet, Public Enterprise National Parks and individual National Parks (NPs);
- United Nations Educational, Scientific and Cultural Organization (UNESCO), World Wide Fund For Nature (WWF), World Conservation Union (IUCN), Council of Europe, USAID/Community Habitat Funding (USAID/CHF);
- NGOs, fourteen local communities, associations, entrepreneurs, etc.

⁵ Later on these three sectors are called as 'identified key strategic areas'.

⁶ The MDG for ensuring environmental sustainability include the following: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources with focus on: a) proportion of land area covered by forest b) land area protected to maintain biological diversity c) energy efficiency in line with GDP per unit of energy use, and d) Carbon dioxide emissions.

The role of the National Council for Sustainable Development

The key governmental partner for MSDP and Energy and Environment for Sustainable Development Cluster (EESDC) is the National Council for Sustainable Development chaired by former President now Prime Minister Djukanovic. The National Council for Sustainable Development is a body initiated by the Government and comprised of governmental, NGO and business representatives as well as representatives of the public institutions and academia. The Council has a key role to play in: a) harmonizing diverse ministry-specific strategies into a sustainable economic development strategy and ensuring ownership across the different sectoral government institutions, and b) building ownership for sustainable development across all groups of the society. NCSDD's aim is to coordinate the formulation of new and integrated development strategies and policies, and to achieve the involvement of all relevant institutions and society in general to ensure wide acceptance. The NCSDD reports directly to the Prime Minister's office in order to give the endeavor the priority status that is required to reassure donors and investors.

One of the interventions defined in the MSDP is **strengthening** the capacity of the National Council for Sustainable Development and providing the necessary support to meet the above-mentioned aims.

The Government's request to strengthen the institutional build-up of the NCSDD was met in establishing the NCSDD Secretariat in the Prime Minister's Office in the autumn of 2005. It will be jointly funded by UNDP/IJRC and Government of Montenegro. The head of NCSDD Office will be Mr. Branko Lukovac, one of the most committed and early adopters of SD concept in MN, and one of its key promoters. Additionally, he will act as the PM's advisor on SD issues. He actively participated in initiating the first contacts with UNDP RBEC in New York, in the preparation and implementation of both missions of Dr. Castro. He was also one of the key persons ensuring the participation of the NGOs in the preparation process of the MSDP. More detailed analysis and recommendations on the role of the NCSDD secretariat and PM advisor on SD are provided in Chapter 2 while discussing the cross-cluster cooperation. Suggestions for establishing the Sustainable Development Institute and Sustainability Assessment Network integrated in a survey of SD main principles, methodology and sustainable development indicators have been included in Annex 3.

Analysis of the process leading to MSDP

The suggestions made by Dr. Castro on focus key strategic areas and methods were seriously considered and taken into account in the development of the MSDP. MSDP was in line with UNDP's Strategic Results Framework (SRF), MYFF and is in compliance with CPAP, which was developed after the MSDP document. Since August 2003 when MSDP was officially endorsed and EESDC initiated its implementation until the external evaluation mission was conducted funds were mobilized and projects that cover all focus areas were launched. The inclusion and consulting the NGOs during the second round were definite, positive steps in the process. In general process leading to MSDP was logical, transparent, consultative and professionally managed. The evaluation of the **MSDP creation and implementation process** may be summed up by the following conclusions.

Following SD principles: The preparation process of the MSDP itself followed the basic principles of SD: creation and strengthening the feeling of ownership; commitment to implement SD in practice; participatory, open, visible, consultative, and transparent process of preparation and implementation of the MSDP; considering local needs, expectations, and circumstances; balancing strategic and tactical approaches.

Ownership of SD: Montenegro has a strong basis for the success of SD, as achieving sustainability is set as a clause in the Constitution. The MSDP process had a significant role in re-launching of this constitutional commitment at the World Summit for Sustainable Development (WSSD) in 2002 following one of the principal recommendations of Dr. Castro. The follow-up from the Government – establishing the National Council for Sustainable Development and being an active partner in the implementation process of MSDP’s projects – showed serious intent. Strong statements by the President and Prime Minister on the importance of implementing sustainability in practice also support the ownership feeling of SD in Montenegro.

Commitment to implement SD in practice: It is obvious that the commitment of all stakeholders to sustainable strategic and practical actions strengthened significantly during the preparation and implementation process of the MSDP. The formal actions of the Government of Montenegro (GoM), such as re-launching Sustainable/Ecological State concept in WSSD, establishing NCSD, supporting the preparation and implementation stage of the MSDP including active participation and support of relevant government institutions (ministries) in development and implementation of concrete projects in identified key areas, were followed by establishing the NCSD Office and the post of an advisor of PM, and recognizing the need for establishing an operational body for analytical tasks, such as assessing the sustainability of all long-term strategic plans (policies, strategies) and short-term action plans (details on recommendations of establishing Sustainability Assessment Network see Annex 3). The PM's advisor on SD has pointed out that an informal agreement with the Prime Minister has been achieved so that all strategies and action plans are screened and assessed in the NCSD for fulfilling long-term sustainability criteria. A general consensus in supporting the concept of Sustainable/Ecological State among all political parties in Montenegro is believed to prevail and, thus governmental change should not have an effect on the program implementation. It may be concluded that the Government has demonstrated strong commitment to SD. UNDP and MSDP have, however, played an important role in prioritization of SD in Montenegro.

The preparation and implementation of the MSDP has definitely been a **participatory, consultative, and transparent process**. Extensive proof to support this conclusion was found in the evaluation process. All stakeholders were involved at all stages – in fact-finding, analyzing, presenting, assessing, and reporting. Conducting Dr. Castro’s second mission in Montenegro was a point in case: the initial findings were presented to the NGOs whose comments were included in the final presentation. Same principle was used in development of specific projects under the MSDP umbrella in identified key areas.

Answering local needs, expectations, and circumstances: It is obvious that both, SESS and MSDP were from the very beginning developed based on local needs, expectations, and circumstances. The **three key strategic areas** (forestry, energy, tourism) and **2 cross-cutting institutional support mechanisms** (NCSD and Spatial Planning) were identified in close cooperation with stakeholders.

Balance between strategic and tactical approaches

A mentality change towards sustainability during a double transition is a long term strategic goal. A drafting and adoption process of strategies, policies and legislation can be defined as medium term goals, the implementation of visible pilot projects are short term objectives. Change in value systems can be best illustrated/understood using learning and best practice examples in national and international context. The concept of **progress** should also be redefined through initiating a public and critical examination of terms, such as ‘growth’ or ‘development’, ‘profit’ or ‘benefit’; short and long-term perspective, mass-tourism or sustainable/high quality tourism, etc. The

Montenegrin society has a great chance to choose a unique sustainable path from the start avoiding the mistakes of “advanced economies” that have focused on economic growth with high environmental and social costs (damages) that have to be sanctioned by even higher investments at a later stage. The sustainable development option chosen by Costa Rica ten years ago provides a positive example and is believed to lie behind its economic growth with the fourfold GDP increase in this period. Montenegro has a similar chance to develop all systems sustainably from the word ‘go’. The evaluation of MSDP process illustrates very clearly, that the balance has been kept between the goals of long-term changes in mentality, medium-term changes in policy development and short-term changes in problem solving through pilot projects. Thus finding on MSDP of being strategic and tactical at the same time is incredibly positive.

“The idea of SD is not known to the citizens, so far much of the work has focused on raising awareness in the public sector, establishing the NCSD, sustainability principles, drafting strategies, and preparing the legal framework. The principles of SD will be better understood by general public with the help of specific actions and their visible results.”⁷

A pioneer case launched in North Montenegro is now presented as an example of the above-described approach.

The MSDP had an icebreaking role in North Montenegro, which is now followed by other donors and projects in the region. The northern part of the country was in great need of support and launching sustainability projects there was very valuable in every aspect. For instance, the economic and social conditions are complex with high unemployment rate and 84% of the poor population resides in Central and Northern Montenegro. The MSDP’s project “Unleashing Sustainable Tourism Entrepreneurship in the area of Durmitor National Park (Savnik, Pluzine, and Zabljak)” was a concrete follow up/implementation of the recommendation of the strategic initiative, Strategic Framework for Development of Sustainable Tourism in Central and Northern Montenegro. It had an icebreaking role in the achievement of both long-term and short-term objectives. In promoting sustainable tourism services local guides were trained and local rafters helped to improve the quality of their services; consequently cooperation between the national park officials, NGO representatives and local entrepreneurs was improved. Long-term goals were defined in the Strategic Framework for Development of Sustainable Tourism in Central and Northern Montenegro. The primary short-term objectives were set as showing visible and tangible results: creating jobs, reducing poverty, protecting the environment, creating sustainable tourism products. All social, economic, and environmental aspects of SD were included in a mutually beneficial manner: local people were employed; cooperation between rafters and the national park was launched; self-confidence to embark on innovative projects was achieved; and the environment benefited from introducing sustainable methods of entrepreneurship.

“UNDP has done well in facilitating sustainable tourism in North where conditions for establishing new businesses are quite tough. Rafting was so far totally unregulated, there wasn’t even a governmental institution being responsible for this activity. UNDP turned the tide, which was a right thing to do ... North is rich in beautiful places but lacks organized activities, such as guided tours, marked tracks, info about biodiversity. One notices a big difference in North achieved with only small input ... UNDP has played an ice-breaking role focusing on sustainable tourism development in North, now other donors follow.”

Leadership on Sustainable Development: International donors and consultants, representatives of governmental and non-governmental organizations and local stakeholders often expressed their opinions on UNDP/EESDC and MSDP leadership on SD in the evaluation interviews in Montenegro. It was considered that UNDP/MSDP in close cooperation with stakeholders

⁷ Quotations here and further are selected parts from interviews with stakeholders during the external evaluation mission to Montenegro in November 2005.

(international donors, NGOs, academic experts, media) had been successful in halting unsustainable decisions in cases where long term negative impact on the socio-economic and natural environment (Tara River Dam Project,⁸ Mountain Development Program⁹) had been foreseen. This is illustrated by the statement below made during the evaluation.

“The Tara campaign has been mentioned at two international meetings as an example of an European level case of how the NGO and donor community stopped a very unsustainable/environmentally harmful investment project. ...UNDP gained the image of a serious player in the field of sustainable development.”

Being professional – the MSDP has been managed well and professionally. All planned activities are near completion or will continue as non-cost extensions next year (2006). The new programming period can be planned for a longer period, e.g. for five years: 2006-2010.

The **key intervention mechanisms** such as strategy setting and policy options; capacity building and raising awareness; and pilot innovations were used effectively in the preparation and implementation of the MSDP. Government was supported in the building understanding and ownership as well as strong commitment for a sustainable ecological state: a) across relevant government institutions (ministries), and b) across civil society¹⁰ and through out the political spectrum. The key institutions and systems which support sustainable development were strengthened. The ‘early successes’, ‘no regret’ projects to demonstrate the economic, social and environmental viability of sustainable development were produced.

“UNDP/MSDP is very responsive and inclusive in their activities. I’ll give high marks for the effective, high-quality and professional work of all the UNDP office staff in Podgorica. ... I consider very specific and positive that the people at the UNDP Office are open-minded, I can always find good experts and reliable contacts with their help.”

Sustainable Development state model: Two opposing opinions were expressed in evaluation interviews about following the Costa Rican model for sustainable development. Some suggested continuing and expanding on the cooperation with Costa Rica, others felt that Costa Rica is geographically too far and economically too different from Montenegro in terms of its incoming tourism markets and of its uniqueness among its neighbors. The opponents proposed a wider approach focusing on sectoral solutions models from Europe (e.g. management of national parks) than concentrating merely on the model adopted by one country.

⁸ The Government of Montenegro has agreed with Government of Republic Srpska (one of the entities in the Government of Bosnia and Herzegovina) of jointly promoting the building of the dam on River Drina for huge hydro power plant. This would cause the unavoidable environmental damage to Tara River canyon (as part of it would inevitably be flooded), Durmitor National Park, UNESCO’s Man and Biosphere region, economic damage to local tourism entrepreneurs (rafting services) and decline of quality of life in the region, which is anyway one of poorest in MN. NGO Most led a coalition of the NGOs, which organised the media campaign, submitted a petition to the Parliament. Parliament voted in favour of and consequently Government officially withdrew support to dam development. Further this case is called ‘Tara River Campaign’ or ‘Tara case’.

⁹ Program for Development of the Mountain Tourism was developed by International Tourism Institute from Ljubljana for the MoT. Some activities in this Program were unsustainable (e.g. building of ski-lifts inside the national park). NGO Natura with support from UNDP organized a round table inviting all relevant stakeholders including representatives from the government, NGO community, academia, media, experts, other UN agencies and international NGO community. Constructive debate took place, presentations and papers were presented and afterwards submitted to the MoT that eventually led to Minister of Tourism publicly committing not to go ahead with the Program until it is “adjusted” and wider consensus achieved.

¹⁰ Since late 2001 UNDP has been running a Capacity Building and Advocacy Programme for NGO’s working in the field of Environment and Poverty.

Recommendations for further developments in adopting the state SD model:

Firstly, in-depth analysis of the elaborate mechanisms and procedures of how general political and public spheres were encouraged to understand and to support the principles of sustainable society in Costa Rica or in any successful European country is suggested finding answers to the following questions. Had a public campaign been organized, how? Were the national priorities publicly discussed? At what level - expert, NGO, political party, academia, or at grass-root, how? How the representatives of a new-liberal economic school of thought were convinced and motivated to support SD? How hard line economists were convinced to understand the essence of sustainability and to support sustainable tourism instead of mass tourism?

Secondly considering the options provided by the European sectoral developments where Europe is taken to indicate the continent in its broadest sense. North European countries (incl. Estonia) can provide some valuable examples. Probably no one model can be adopted one to one but useful elements, such as NP management, or eco-tourism development, or local community based business development, from various cases can be modified and used in the Montenegrin context.

Recommendation for defining the term 'ecological/sustainable state':

The term 'sustainable state' may be defined in a longer definition of 'ecologically appropriate/healthy, socially beneficial/fair, and economically viable and responsible state' which would maintain the ecological dimension adding the economic and social ones.¹¹

Recommendations to MSDP for following programming period:

1. Work should continue in all selected key areas;
2. Target at becoming the coordinator of renewable energy policy development in MN;
3. Expanding the activities to local SD projects; site VS sector interventions – focusing all policy level initiatives of MSDP in a targeted geographic area to show concrete on the ground results in a limited area for maximum visible impact;
4. Continue and widen the education and training activities;
5. Achieve more visibility of the positive results in the media and communicate them better to the general public¹² using language that the target groups find easy to understand;
6. Obtain the role of coordinator of think-tanks and research institutions that work with measuring sustainability in MN;
7. Building on policy linkages between EU integration and focus issues (forestry, tourism, renewable energy, NCS and spatial planning);
8. Become a national knowledge center for the EU SD strategy and sustainability indicators in MN, use EU policy in the focus sectors as much as possible;
9. Establish a link with statistics office involving interested officials in the process of measuring SD using the formal procedures of statistics office (for details see Annex 3);
10. Continue using the Costa Rican model and experiences but, in addition, look for suitable sustainable European SD models elements of which can be applied in MN.

¹¹ This can be considered for further discussion in the drafting of NSSD and revising the constitution.

¹² Present the results of other European countries' success stories in the Montenegrin media in a visible and understandable way considering the cultural context, historical background, local traditions, attitudes for promoting SD among opinion leaders and decision makers.

2. MSDP cooperation externally and internally

This chapter examines in its first part different types of cooperation between UNDP and other donors while in the second part the aim is to discuss the cross cutting issues and cooperation between UNDP LO clusters. This chapter is based on the interviews with the various partners conducted during the mission in MN in November 2005. The main focus is finding possible duplication in activities for avoiding it in the future, assessing ways to achieve better coordination in implementation in order to find the most cost-effective ways and to enhance cooperation.

2.1 Cooperation between UNDP and other donors

UNDP's cross-institutional impact on the involvement of other donors can be evaluated as positive. UNDP/MSDP has introduced wide cooperation schemes with several donors, such as the UN agencies as well as international and local institutions. All interviewed donors declared their interest in building on this foundation and reinforcing cooperation efforts. Donor exchange meetings are held regularly in some sectors (tourism, spatial planning) while in others (forestry, energy) information exchange has been organized bilaterally. Representatives of those sectors expressed their interest in having regular multilateral donor information exchange meetings as well.

The involvement of NGOs in participatory planning and implementation of MSDP was applied¹³ and very highly appreciated by other donors. Applying the participatory planning model developed in MN in other countries of the region was suggested.

Cross-border cooperation also occurred in several projects (Dinaric Arc Initiative, Skadar Lake Conference, Tara River Campaign, etc).

The assuredly best model for gaining acceptance among locals is using previous successful solutions and methods that can be shown to have worked in practice instead of making them listen to theoretical lectures. One such positive example of working cooperation between the donors is the Dinaric Arc Initiative.

Dinaric Mountain ecological corridor in Montenegro forms a branch of the wider IUCN initiative to establish a "Green Belt of Europe" along the former borders of the Soviet bloc. Additionally, WWF Mediterranean Program, IUCN Program Office for South-East Europe and UNESCO-ROSTE initiated and Council of Europe and UNDP offices in the Dinaric region joined soon after initial meeting, so now all of them together are creating a framework for cooperation dedicated to the **Dinaric Arc Initiative**; this large eco-region will encompass most of the Dinaric Mountain range, as previously defined and offer a territorial platform for further cooperation.

¹³ This participatory model was first and very successfully applied in "greening" the PRSP in Montenegro. Namely, in preparation of the PRSP, in order to better integrate environmental/sustainable development concerns 10 NGOs were chosen and they took on various components of the PRSP strategy. From May to September they worked together on "greening" modifications, on joint recommendations to the PRSP team. Those recommendations were then presented to the public and PRSP team and most of them were integrated in the final document. This was described by the joint WB/IMF review as the regional best practice model for public participation.

UN agencies (UNDP, UNESCO, and UNEP) have a new cooperation form in sight/planned – that is to combine theme-driven with site-driven activities. They continue the cooperation with existing partners in established niches and chosen priorities. Working on sites both UNDP and UNESCO continue their cooperation efforts in the Skadar Lake and Durmitor National Parks and the Kotor Bay area. Kotor and Durmitor are UNESCO World Heritage sites. High expectations of continued cooperation in these areas were expressed.

Interest was also expressed to work on the idea of establishing a tourist route connecting UNESCO heritage sites in the Balkan using UNDP's global initiative "Growing Sustainable Business" proposed by Mr. Mark Yanofsky from USAID Montenegro Competitiveness Project (USAID MCP). UNDP and USAID MCP, both knowledgeable about local conditions, could act as facilitators/advisors to foreign investors in preparing a Balkan UNESCO World Heritage Sites Tour package (packages designed to include high-quality travel and accommodation arrangements as well as guided tours' service).

RBF – Rockefeller Brothers Foundation (RBF) is the partner of UNDP LO from the beginning¹⁴. RBF supported Dr. Castro's visits to Montenegro in order to prepare MSDP. Secondly, the Strategic Framework for Development of Sustainable Tourism in Northern and Central MN was supported by the RBF, which started in September 2003 and ended in September 2004, when it was adopted by the Government. Thirdly, RBF supports the implementation of the Renewable Energy/Small Hydro Power Strategy Project.

"UNDP and EESD cluster has been very responsive and inclusive in their activities. I'll give high marks for their effective, high quality and professional work for all UNDP office staff in Podgorica. The real challenge will be to strengthen civil society. Also to continue to advocate on behalf of sustainability towards Government is extremely important as well as to support the law enforcement."

UNDP LO closely cooperated with UNESCO on the Tara campaign; UNESCO participated at the round table on Mountain Tourism Development Program; it supported and financially contributed to the PDF A GEF project "Improvement of the Protected Area Network and Management in the Dinarides Mountain Ecoregion" currently being implemented in NP Durmitor and its vicinities. UNESCO and UNDP LO together with WWF, IUCN and other UNDP offices in the Dinaric region, are involved in Dinaric Arc initiative. Recently, as concrete joint activity under the Dinaric Arc initiative, the cooperation started on NP Skadar Lake. UNDP LO in cooperation with Dinaric Arc partners organized a successful roundtable, attended by Prime Ministers of both Montenegro and Albania, as well as both environment ministers and other distinguished guests. Concrete result has been decision of Albania to establish nature protection scheme for Skadar Lake from Albanian side.

"UNESCO has had very beneficial cooperation with UNDP since the successful Tara case; we are looking forward to other opportunities to continue our cooperation ... especially of local SD

¹⁴ Serbia and Montenegro is one of the four chosen pivotal places in the world for the Rockefeller Brothers Fund (RBF) (besides Serbia and Montenegro Fund currently works in New York City, South Africa, and Southern China). RBF has been engaged in grant-making in Serbia and Montenegro since 2001 and in Kosovo since 2003, continues to focus primarily on these three places, while reserving flexibility to support exceptional regional and cross-frontier efforts.

With limited resources to address complicated and long-term challenges and on the basis of lessons learned in our work to date, the Fund now concentrates its grant-making on two of its four programmatic themes: Democratic Practice and Sustainable Development. This reflects the Fund's assessment that helping to build tolerant and pluralistic democracy and to promote sustainable development in the region represents top priorities and opportunities for significant impact. (http://www.rbf.org/programs/pivotal_serb.html)

projects that will include all stakeholders. ... Very impressive is the way they [UNDP] are dealing with the NGOs in the country. It is a very positive example for the Balkan - such NGO involvement in project and participatory planning process is unprecedented here and it can serve as model of preparing and implementing truly transparent, participatory, and sustainable strategic planning in the region. ... UNDP office work atmosphere is intensive and it has a very good team. Its clusters are well organized and synergetic; this seems to me one of the value-added aspects of UNDP LO in Montenegro. It also reflects their external relations, their good performance in working with other UN agencies and various actors, like NGOs, the Council of Europe, business and academic community. It shows a working network and it will make a difference. ... (One) can always find good experts and reliable contacts with the help of the UNDP office."

SIDA – UNDP LO cooperates with Swedish International Development Agency (SIDA) on Spatial Planning Project, which started one and half year ago. SIDA expressed their satisfaction with the Spatial Project performance and were interested to continue the cooperation. SIDA expressed interest in supporting good local governance projects in the future. The projects should also improve infrastructure and support public facilities dealing with water and waste water treatment, solid waste management and issues on hazardous substances and hazardous waste. Dealing with air pollution was also in SIDA's sphere of interest.

"SIDA is happy with the results of achieving much with limited resources. ... We would definitely like to continue working together with the UNDP in MN."

USAID CHF – Community Habitat Funding of the United States Aid for International Development (USAID CHF) supports the Renewable Energy/Small Hydro Power Strategy Project. The process regarding development of TOR started in August 2004, project implementation started in May 2005 and it is expected to be finalized by January 2006.¹⁵

"There is growing interest in the donor community for the North. ... The communication between the UNDP and local stakeholders works very well. We participate regularly at the donor information exchange meetings and these are really useful for avoiding activities' overlap."

USAID MCP – UNDP LO cooperated with USAID Montenegro Competitiveness Project (MCP) in the field of tourism in North via some SMEs/NGOs participate in both processes. MCP provides grants to NGO-associations, which will help small hotel associations establish contacts with local agricultural producers who would supply the hotels with fresh, locally-produced (organic) foodstuffs, simultaneously gaining a market for their products.

"UNDP has done well in facilitating sustainable tourism in North, where conditions for creating new businesses are quite tough. Rafting was so far totally unregulated, there wasn't even governmental institution being responsible for this. UNDP turned the wheel, which is the right thing. ... One notices big difference in North achieved even with small inputs. It is also important to get advisors of Minister of Tourism aware of things (sustainable tourism, negative impact of mass tourism, etc), as MoT so far mainly focuses on mass tourism. UNDP has played ice-breaking role focusing on sustainable tourism development in North, now other donors follow."

REC – Regional Environmental Center for Central and Eastern Europe is cooperation partner for UNDP LO in Spatial Planning Project and in Skadar Lake and Dinaric Arc

¹⁵ Cooperation with the USAID Community Habitat Finance (CHF) on local and regional level can come into consideration in the future. Same local actors would be involved and thus those who will be/are already working at the Local Economic Councils can also be part of GEF and LoSD project/processes. Establishment of local SD Working Groups and Development Funds are intended as part of the LoSD project. Cooperation can be organized in formal or informal forms; information exchange between the partners is crucial at the launching stage.

processes. REC takes part in regular donor information exchange meetings and these were considered in fact very useful.

“As MN is a small country, only small interventions/improvements (by UNDP) are necessary for them being visible and making a difference, the influence can be significant while in bigger countries these interventions are less visible, being just a few among many. ... Cooperation between the donors in the field of SD is very good and I am sure that the UNDP and its EESD cluster is the leading institution.”

UNDP RBEC supported the Localizing Sustainable Development project implemented in 2004 and Unleashing Sustainable Tourism Entrepreneurship ongoing-project started in April 2005 and supposed to end in June 2006.

Ministry of Foreign Affairs of Finland supports the environmental GIS for MN, a GIS project focusing on forestry and biodiversity in its first phase. The cooperation was assessed as very good.

A general conclusion may be drawn that through MSDP the EESDC has established **very good** cooperation with other donor organizations as all interviewed donors were well satisfied with the cooperation with UNDP LO; some variation by sector/project in information exchange occurs.

“Cooperation between the donors in the field of SD is very good and I am sure that the UNDP and its EESD cluster is the leading institution.”

Recommendations:

1. Promote cooperation with other UNDP offices in the region;
2. Combine theme-driven with site-driven activities;
3. Continue and increase cross-border cooperation;
4. Consider opportunities to organize regular donor info exchange meetings in all sectors including forestry and energy sectors where the meetings have been bilateral;
5. Enhance further cooperation in the common frame of UN agencies in SD education;
6. Augment cooperation within the small-grant-scheme of the USAID MPC (Montenegro Competitiveness Project);
7. Launch the Balkan UNESCO World Heritage Site Tour project;
8. Elaborate on the possibilities to extend cooperation with SIDA in the areas of local governance and environment-related infrastructure projects;
9. Deliberate the option to assume leadership in organizing overall donor info exchange meetings on governmental or NCSD or PM level.

2.2 Cooperation and cross-cutting issues between UNDP clusters

The aim of this part of the evaluation was to assess the inter-linkages of cross-cluster cooperation between UNDP LO clusters: Energy and Environment for Sustainable Development Cluster (EESDC), Socio Economic Participation Cluster (SEPC) and Institutional and Judicial Reform Cluster (IJRC). All clusters implement their own programs and projects, in several cases; however, the issues have a cross cluster character and therefore a potential for stronger impact/synergy if there is close coordination and cooperation between the clusters. In this section these inter-linkages are described, analyzed, on which basis recommendations are drawn.

SD advisor of PM/secretary of NCSD:

The Government decided to establish the post of an SD advisor for the PM and the Secretariat for NCSD in the autumn of 2005. This decision demonstrates the highest-possible commitment and

willingness of the Government to develop sustainable society. The coverage of direct costs is shared between the Government and the Institutional and Judicial Reform Cluster of UNDP. The SD advisor's expectations are high regarding cooperation with other clusters in UNDP LO, especially EESDC, in terms of getting professional input, analytical support and advice on aspects of sustainability assessment of various decisions, strategies, and policies. This support is indeed necessary, but has to remain on realistic level in terms of time, energy and extent. UNDP/MSDP/EESDC needs to become "the coordinator of think tanks measuring SD", the role can later be passed on to the Institute of SD (see also Annex 3).

All political parties in Montenegro are believed to have high awareness in SD issues. Working out a procedure/regulation/bylaw of how to ensure the apolitical character of the NCSD secretariat and the SD advisor would be advantageous in order to ensure their independence in the long term. Applying the EU accession priority status of SD and the EU SD strategies can be supportive of national coordination of SD efforts. The Montenegrin Government can adopt successful strategies adapting them to local cultural and social conditions. One option to provide substantial assistance to the SD advisor for the PM is creating a Sustainable Assessment Network (SAN) (for details see Annex. 3).

UNDP can act as the initiator and coordinator of SAN during the first years. Securing the funding of SAN has key importance in the long term, thus the strategic aim should be identifying possibilities to move from (UNDP) project-based funding to regular assignments for measuring progress in achieving sustainability. In long-term the Sustainable Development Institute of MN can be formed based on a core group of SAN. Once SAN is established and working with permanent funding secured, it can act as professional analytical think tank behind the SD advisor for the Prime Minister. The SD advisor will ensure the **SD policy link** through the NCSD to the ministries. Wide SAN membership will, in its turn, ensure links to the media, the NGOs and research sector.

Cross-cluster-cooperation on the National Strategy for Sustainable Development (NSSD)

Cooperation of UNDP LO with UNEP regarding NSSD was initiated by EESDC after Adriatic Ionian Meeting chaired by Montenegro in Milocer in 2004 where EESDC presented its activities regarding SD. After successful negotiations a Memorandum was signed between UNEP, Ministry of Environmental Protection and Spatial Planning and UNDP LO specifying that UNDP, through its SEP cluster will support public participation process. Now, cooperation between the ministries and UNDP is one of the key issues in the preparation process of the National Strategy for Sustainable Development (NSSD) led by UNEP and the Ministry of Environmental Protection and Spatial Planning. Support to achieve public and expert participation and consultation in NSSD preparation is provided by the Socio-Economic Participation Cluster. The management institutions for the SD strategy should be established covering at least following tasks: regular updating of the strategy (with decided responsibility for the tasks); screening of strategic development documents from the sustainability point of view; ensuring there compliance with the SD strategy (see also Annex 3). EESD Cluster together with NCSD and Office for SD could assist with this and all three should participate in NSSD in ensuring that sectoral priorities in the key areas of EESDC (tourism, forestry, energy, spatial planning) are also defined/treated as priorities in national strategic documents. These sectors will get more support to implement/integrate sustainability principles, when they are listed as priorities in NSSD.¹⁶

¹⁶ Example of such issues needing synchronization is renewable energy strategy. For instance, questions like does the energy strategy include a chapter on renewable energy or is the strategy for renewable energy a separate document. In the latter case, which one would be the MoE priority?

Capacity building at the Ministry of Environmental Protection and Spatial Planning

An urgent need for capacity building of the civil servants at the Ministry Environmental Protection and Spatial Planning (MEPSP) was identified during development and implementation of different project under the MSDP umbrella such as drafting process of the Spatial Planning Act, led by the EESDC (see more details in coming section on ‘Spatial Planning’), Environmental GIS for MN, PDF A GEF “Improvement of the Protected Area Network and Management in the Dinarides Mountain Ecoregion”, etc. The cross-cluster cooperation was initiated with the Institutional and Judicial Reform Cluster organizing capacity building project. The participants of the capacity building seminars for governmental authorities and local spatial planners were extremely satisfied with the training. The seminars helped to break the ice in communication and thus the former top-down approach changed. A useful contact network including all stakeholders developed, the institutional barriers were diminished. Both outcomes are valuable for the long-term impact of the projects and provide an excellent example of working cross-cluster linkages within the UNDP LO in Montenegro.

A few other short-term and ad hoc activities were implemented as a result of close cooperation between all three clusters (e.g. the Tara campaign, the round table on Mountain Tourism Development Program). These are examples of flexibility and tailor-oriented approach of all clusters in the UNDP LO. When Montenegrin society needed urgent immediate assistance from UNDP LO all three clusters were able to mobilize additional resources and adjust their work leading to/resulting in revoking of unsustainable options.¹⁷

All three clusters joined their efforts to achieve best possible results using all expert and NGO networks, including key persons, and considering research results. Evaluation of the inter-linkages of cross-cluster cooperation showed well established and working links between the UNDP clusters of the Energy and Environment for Sustainable Development, Socio-Economic Participation (Democratic Governance) and Institutional and Judicial Reform (Institutional Capacity Building of the Public Sector). Cross-cluster cooperation is well organized on cluster leader level. Regular weekly meetings ensure the flow of information between the clusters. Information exchange and capacity building of beneficiary groups (ministries) is included in all projects organized by each cluster of the UNDP LO in Montenegro.

“Through this and other projects we recognized the shortage in the capacity at the MEPSP which led to the capacity building activities channeled through the Institutional and Judicial Reform Cluster. We cooperated with the Socio-Economic Participation Cluster in picking relevant NGO partners; they had knowledge about the NGOs and thus there was close cooperation between the clusters. ... General positive points: UNDP office excels in good team-work. Its clusters are well organized and synergetic. ... I wouldn’t change anything; so far we are flexible enough to be able to react very operationally, if necessary ... Cooperation on strategic level between the clusters within UNDP is very good.”

One of the key areas, where MN needs urgent support in near future is capacity building to implement Environmental Impact Assessment (EIA)/Strategic Impact Assessment (SIA) Acts. The concern of postponing the enforcement of (EIA)/(SIA) Acts till 2008 was expressed during the meeting with Speaker of Parliament of MN. EIA/SIA as (sustainability) assessment tools have been found to be efficient in preventing socially, ecologically and sometimes economically

¹⁷ E.g. supporting the NGOs in public participation and awareness rising, in capacity building in governmental institutions, in mobilizing international and local experts to assess the sustainability of proposed decrees, programs, etc.

unsustainable solutions in long-term. Thus, all three clusters in close cooperation with Government and donor community should promote and support the capacity building, technical assistance and adoption of related by-laws to ensure the enforcement of EIA/SIA as earlier as possible.

Recommendations:

1. Ensure that the core principles of SD are included on both public and expert levels in the process of drawing the NSSD and other policy documents;¹⁸
2. Discuss the EU Strategy for Sustainable Europe during the NSSD process and, if possible, adopt its elements together with the Sustainable Development Framework and Sustainable Development Indicators (SDI) (more details in Annex 3);
3. Ensure proper capacity and institutional set-up for incorporating SD principles in sectoral policies. NCSO and its Secretariat need professional analytical think tank type supporting institutions;
4. Consider the opportunity to implement Environmental Management and Auditing Systems (EMAS) and related standards (ISO 14 000 series) into everyday office management practices (Green Office) at the Prime Minister's Office, at the NCSO Secretariat, in the governmental and donor institutions (incl. UNDP);¹⁹
5. Include the SD principles in the public procurement legislation and in the investment/privatization procedures;²⁰
6. Make capacity building on environmental and SD issues for NGOs the concern of all EESD Cluster projects instead of being the full responsibility of the Socio-Economical Participation Cluster;
7. Improve cooperation by giving project level inputs in spatial planning issues and EIA/SIA training at the MEPSO;
8. Train judiciary in SD, environmental protection, civil society, public participation elements as part of the capacity building projects of Institutional and Judicial Reform Cluster;
9. Build the capacity for national execution of the UNDP projects;
10. Evaluate the data and institutional basis and its capacity in measuring medium and long-term sustainability in Montenegro;
11. Initiate SD data collection for assessment studies in the MN context;²¹
12. Develop a step-by-step Strategic and Sustainability Assessment Network of Montenegro;
13. Ensure the *SD assessment policy link*;²²

¹⁸ Considering this option in revising the constitution is recommended.

¹⁹ This would provide a positive personal/institutional example of real commitment to become a sustainable society for the public.

²⁰ This regulation is another way for avoiding the situation of first focusing on economic growth and only later considering the environmental and social issues at a significantly higher cost.

²¹ The aim of such study would be examining in the institutional MN framework, their data collection methods and quality (for instance, all data collection financed through public taxes should be available for free – except in military, strict nature protection reserves, and other strategic state interest cases). The objective would also be mapping existing cooperation between these institutions and identifying their spheres of responsibility, interests, motives, possibilities and the legal frame for cooperation. Additionally the study should identify the need for capacity building in terms of data analysis and indicator creation, cooperation and public communication skills. The feasibility assessment for the Sustainability Assessment Network of Montenegro would also be included.

²² To ensure a *SDI assessment policy link* means that the SD assessment (SDI's analyses results) will be taken into consideration in policy design process and systems/policies/strategies will be changed accordingly. Once the SD baseline is fixed, the quantitative/measurable goals need to be established on the national level including the views of the citizens of Montenegro.

14. Establish Sustainability SDI/criteria checklist to the SD advisor;
15. Screen²³ relevant economic, social, and ecological strategic documents from the SD point of view;
16. Assess possible impacts of the Economic Reform, Privatization and Property Reform to the sustainability of Montenegro using the EU SD Strategy, SAN and SDIs;
17. Assess economic, social, and environmental costs of development, investment, and privatization activities in short term to avoid environmentally and socially damaging decisions;²⁴
18. Provide the capacity building and technical assistance to MEPSP and to relevant stakeholders²⁵ in order to ensure the enforcement of the Environmental Impact Assessment and Strategic Impact Assessment Acts immediately after the adoption of these Acts in Parliament.

²³ The questions like ‘who, when, on what capacity will do it’, ‘how funding is organized’, ‘is SD policy link ensured’ need to be answered first.

²⁴ This key priority should be enforced in laws, bylaws of EIA/SIA, and in capacity building for relevant sectors/auditors for immediate implementation.

²⁵ E.g. EIA auditors, EIA training and licensing system developers, NGOs, lawyers, etc.

3. Review of results achieved by individual MSDP projects

3.1 Sustainable Tourism

3.1.1 Development of the strategic framework for sustainable tourism in Central and Northern Montenegro

Montenegro has the potential of becoming Europe's leading destination for alternative high value-added tourism. It is well positioned to develop sustainable tourism industry as it has: a significant share of Europe's wilderness areas within close proximity to the main population centers of the continent; a Constitution that defines it as an ecological state and practically demands sustainable tourism as a development model; a huge variety and relatively well preserved and yet under-developed natural attractions. Apart from the sandy beaches, a beautiful bay, and unusual coast line, dramatic mountain scenery enhanced by lakes and river canyons, Montenegro has rich and varied bio-diversity combined with rich historical heritage of various cultures that have met in the area.

However, to date, especially before Government adopted Strategic Framework and discussions regarding sustainability of (coastal) tourism industry were initiated by UNDP LO and then picked up by USAID, WB and other donors, emphasis has been placed on "heads in beds" traditional tourism development on the coast. The Tourist Master Plan²⁶ for Montenegro, prepared by the German Investment and Development Company (DEG) in March 2001, focuses mainly on developing standard tourism on the coast, and is very brief on the potential for development of sustainable tourism in the in-land areas. While the income from this type of tourism is essential, the actual cents/\$ which remain in the country from the amount a tourist spends on the holiday is relatively low.²⁷ In addition, extensive expansion of tourism facilities (significant increase of bed capacities is planned in the mentioned tourism Master Plan for Montenegro) represents a threat to sustainability since Montenegro does not have infrastructure (water system, solid waste treatment capacities, sewage treatment, electricity, etc.) in place to cope even with the current number of tourists while adequate resources have not been budgeted for this purposes in the budget of the Republic. Significant investments are needed to solve current infrastructure issues let alone the one that will come with mass tourism expansion.

In his initial report sustainable tourism expert and member of the Dr Castro's team Dr Inman, recognized the potential of the inland forested areas. He pointed out that, in fact, the relative stagnation over the past ten years has been beneficial to the area since little visual or any other type of pollution has been created through unplanned tourism infrastructure development.

²⁶ **Master Plan of Tourism Development (2000) compiled by the Ministry of Tourism** focuses primarily on the coastal areas but is to be noted for its pragmatic approach. It focuses on mass tourism without covering the links to local economic, social, and environmental capacities. Avoiding possible negative impact of mass tourism to local cultural, natural, social, and economic environment is not articulated in the Plan. Tourism may be developed only within the physical limits of environmental and socio-economic conditions (the transport infrastructure, green areas network, water and wastewater facilities, waste management, etc) with all these aspects taken into consideration in spatial planning. All development initiatives need to follow the Environmental Impact Assessment (EIA) procedure.

²⁷ According to Costa Rica's experience, mass tourism brings little actual foreign currency to the destination country (out of every dollar spent by the tourist on average 10 cents remains in the country), because the bulk of the profit is consumed by tour operators, imported foods, chain hotels and so on. Montenegro currently has a similar situation – it imports 90% of the food it sells to tourists while presence of big tour operators is increasing. On the other hand traditional, including sustainable tourism leaves 40 to 50% of the cash spent within the country while it does not create environmental pressure.

Montenegro today has the opportunity to avoid mistakes and develop in a sustainable manner but needs a long-term strategy. In the absence of specific framework strategy, pressure will mount to develop tourism industry in areas that are environmentally vulnerable. Montenegro has resources and the potential to respond to such market demands sustainably through protection/conservation measures, better management and capitalization of its natural resources.

Project of development of the strategic framework for development of sustainable tourism in northern and central Montenegro was aimed at addressing the above-mentioned issues. In developing Strategic Framework for Development of Sustainable Tourism in Northern and Central Montenegro the objective was to ensure that Government of Montenegro publicly declares and commits to sustainable tourism development in Northern and Central Montenegro. In addition, through conducting consultative process in the Framework development UNDP aimed at: a) educating relevant stakeholders and promoting sustainable tourism concept in Montenegro and b) drawing attention of the government, public and media on the differences between the sustainable and more traditional tourism development. To achieve this UNDP LO team and international consultant, Dr Crist Inman,²⁸ worked closely with Ministry of Tourism, other relevant government institutions, as well as experts, local communities, businesses, donors, international organizations, NGOs on developing the Strategic Framework in a consultative process. The project started with the assessment of the potential for sustainable tourism development in Northern and Central Montenegro. Then tourism market was analyzed and impacts of consumer trends on future travel so that identified potential can be linked with the market. Also, current institutional framework was mapped, and recommendations made with respect to institutions/stakeholders that should play a key role in the sustainable tourism development including recommendations regarding involvement of donor community. In addition, concrete action plans were outlined.

Outcomes were contemplated integrating the following four domains and the concrete ideas for project implementation were developed:

1. Consolidating and strengthening the basis for sustainable tourism development;

Project: A Long-Term Vision Based on Sustainability Principles;

2. Creating public-private partnerships for implementation of projects/initiatives that demonstrate the economic, social, and environmental benefits of sustainable tourism; facilitate better linkages to local suppliers; and actively contribute to a broad-based development;

Project: Sustainable Tourism in Montenegro – A Joint Public-Private Sector Initiative;

3. Adopting a system of evaluation for firms considering key sustainability indicators and developing a certification system;

Project: Sustainable Tourism Certification Program;

4. Raising awareness and educating local people/entrepreneurs to increase their capacity to take advantage of sustainable tourism opportunities.

Project: ‘Unleashing Entrepreneurship’ and Implementation of Pilot Business Model.

The Rockefeller Brothers Foundation, in association with the United Nations Development Programme (UNDP), hosted a Conference on *Sustainable Development in the Republic of Montenegro* on the 19th and 20th April, 2004 in New York Pocantico Conference Center of the Rockefeller Brothers Fund, with the attendance of the Montenegrin Prime Minister Milo Djukanovic, UNDP Administrator Mark Malloch Brown, Chair and President of the Rockefeller

²⁸ UNDP selected Dr Crist Inman as he was able to capitalize on his experience from working in Montenegro, and similar work he conducted in Costa Rica and Croatia. Project benefited from his business/entrepreneur experience as he managed to successfully integrate in the document the concerns/interests of the business community in Montenegro.

Brothers Foundation, Mr. Steven Rockefeller and Stephen Heintz. The purpose of the Conference was to address the issue of challenges and opportunities for Montenegro as Europe's First Ecological State, its advantages and constraints for the commitment to and accomplishment of sustainable development prospects. Opening addresses by Montenegrin Prime Minister Milo Djukanovic, and UNDP Administrator Mark Malloch Brown, were followed by panel discussions on Sustainable Development that gathered leaders from the specialized international organizations and experts in the field including Director of the Earth Institute at Columbia University, Jeffrey Sachs, Chairman and Chief Executive Officer of GEF, Len Good, Executive Director of The International Eco-tourism Society, Martha Honey, Director of the Smartwood Program of the Rainforest Alliance, Richard Donovan, President of the Winrock, Frank Tugwell, etc. who discussed challenges of sustainable development and highlighted the importance of linking the Sustainable Development Program to the Millennium Development Goals²⁹.

Aimed at strengthening the cooperation between the two ecological states, under the framework of MSDP, using UNDP track resources³⁰ in relation to this project UNDP LO has organized a visit of the Montenegrin delegation to Costa Rica from 20-25th of April. Delegation from Montenegro consisting of the Prime Minister (PM), Chief of cabinet of the PM, Minister of Economy, Minister of Tourism and ex-Minister for Environment and Spatial Planning and advisor to the NCSDD stayed 2 to 5 days (depending on their individual programs) in Costa Rica. The visit consisted of formal protocol meetings with the Costa Rican President Abel Pacheco de la Espriella and other government officials. Furthermore, through scheduled working visit at the ministerial level members of the delegation had a chance to discuss at the highest-level experience of Costa Rica, that has been successfully implementing sustainable development policy in last 15 years and to see/visit concrete projects focusing primarily on the areas of tourism, energy, and spatial planning.

Strategic Framework for Development of Sustainable Tourism in Northern and Central Montenegro was developed by UNDP in cooperation with the Ministry of Tourism and adopted by the Government in September 2004. The work was started in September 2003 and funded by Rockefeller Brothers Foundation with a sum of 54,000 USD. The document outlines the vision for tourism development and its mission. Based on the views of entrepreneurs and public officials in those regions, a development strategy was sketched. The strategy maps current global tourism market trends, building on the experiences of Costa Rica as reference. Specific goals within this framework were elaborated; this included an analysis of current institutional framework for tourism development in inland regions, identifying and choosing institutions and stakeholders who could play a key role in the development and implementation of sustainable tourism in Montenegro.

The principal added value of this framework was channeling interest in sustainable tourism as a viable development model for North and Central Montenegro simultaneously dealing with social issues (poverty), encouraging debate on development alternatives and educating government and local stakeholders in the process. Namely, UNDP ensured that Strategic Framework was developed in a consultative process. In a period of 12 months seven consultative workshops with relevant stakeholders were organized, including two sessions of the National Council for Sustainable Development (NCSDD) at which Strategic Framework was presented and discussed,

²⁹ The fact that all participants at the conference in New York were responsible for their own travel and accommodation expenses indicates the level of commitment and support from Montenegrin as well as international partners side to UNDP LO's and RBF efforts.

³⁰ UNDP track resources were used only in relation to the preparation and some logistics regarding site visits in Costa Rica for the Ministers while other expenses were covered by the Montenegrin delegation.

approved and recommended to Government for adoption, numerous individual meetings were held with relevant ministries, agencies, donors (USAID CHF, GTZ, OEBS and Austrian partnership for Bjelasica and Komovi region), NGOs, presentations/debates at universities, etc. Also, UNDP established an ongoing coordination/cooperation with other donor agencies and initiated what has now become standard practice, hosting of donor coordination meetings. In addition to this, Government of Montenegro, in its procedure of adopting the Strategic Framework, circulated the document to all relevant institutes, municipalities, domestic and international partners. After being officially adopted by the Government of Montenegro Strategic Framework was published in English (500 copies) and local language (500 copies). UNDP LO and Government of Montenegro organized a joint launch/promotion of the Framework on December 15 2004. At that event a follow up pilot project Unleashing Sustainable Tourism Entrepreneurship was launched. Through this UNDP/BRSP³¹ funded pilot initial resources were secured to start concrete activities on the implementation of some of the Framework recommendations.

Evaluation

With very limited resources this project fully achieved the designed/planned outputs/results. However, the outcome/impact in terms of the consultative process, initiating a public and critical examination of terms, such as 'growth' or 'development', 'profit' or 'benefit'; short and long-term perspective, mass-tourism or sustainable/high quality tourism, education of stakeholders during the consultative process, ensuring their support and commitment for future UNDP LO projects/activities, etc. far surpassed initial expectations. The fact that Strategic Framework was discussed at the NCS D session twice with presentations/attendance of experts from different donor organizations that conducted a rich and interesting discussion on tourism development issues and encouraged a nation wide debate was a significant step in linking sustainable development agenda to the "real life"/development issues and challenges. Five other workshops/roundtables with relevant stakeholders participating preceded submission of the Strategic Framework to NCS D. Altogether more that 100 representatives of different local and international institutions participated in the process UNDP facilitated donor meetings and established continuous coordination/cooperation. As a result considerable resources³² for the management and preservation of protected areas in Montenegro were secured from the WB, GTZ, OEBS, Austrian Government, etc. The Strategic Framework Project established clear link with the NCS D, first gaining approval from the latter. The Strategic Framework Document was published and adopted by the Government of Montenegro, used in elaboration on identified key projects and very importantly followed up by a concrete project the 'Unleashing sustainable tourism entrepreneurship in Durmitor National Park' as a concrete, discussed in more detail below.

The project is also important in a sense that for the first time sustainable tourism has been launched on equal footing with mass tourism. The focus was on the northern part of Montenegro, which is the least developed with highest social and economic problems in the country, but has high potential for sustainable tourism. On established basis concrete projects can be taken on, which will result in real positive change in local communities, reducing poverty and

³¹ UNDP Bureau for Resources and Strategic Partnerships (<http://www.undp.org/cso/areas/bcpr.html>).

³² OSCE continues to assist in achieving sustainable development in the National Park "Biogradska Gora" as well as in the Bjelasica and Komovi Regions; GTZ, a German technical cooperation agency, has declared supporting ecotourism by focusing on the SME sector; the World Bank has approved a 5-Million USD cooperation project between Montenegro and Albania regarding protection and sustainable development of Lake Scadarsko; 3 Million USD were set aside for the River Basin management of the River Tara.

unemployment. The project was first to be concluded in the frame of the MSDP and thus has positive pilot status.

“Now Montenegro is aware that the development of the tourism sector depends greatly on the development of basic infrastructure ... the balance between economic, social and ecological interests, issues, and activities are important. Without accounting for these concerns on an equal basis sustainable development of society is impossible. ... And image-building is extremely important as we learned from the Costa Rican case. ... Montenegro sees the potential in sustainable tourism, striving for the sector to have an environmentally friendly image and a diversified provision of products and services, including culture, eco-tourism, etc. with emphasis on individual tourism not merely on packaged tours. Montenegro is unique, in fact, all vegetation zones from the coast to the mountains (2000 m a.s.l.) can be found in a very small area with wide variety of cultural and historical monuments. ... This project helped the local people in North to understand that kind of long-term living they can earn by providing services rather than short-term benefits of cutting trees and then left without any sources for income as the environment had been destroyed. ...The Framework Strategy for Sustainable Tourism in Central and Northern Montenegro should be developed further to cover the whole country and then followed up with concrete projects.”

Recommendations:

1. Launch the remaining three projects identified in the strategic framework; the highest priority should be given to the elaboration of the vision of long-term sustainable tourism for MN, followed by establishing of some kind of sustainable tourism certification;
2. Provide a clear hierarchy of strategic documents in the tourism sector and define sustainable tourism as **national development priority** in the MN National Strategy of SD;
3. Adopt strategic thinking and develop a general strategy for sustainable tourism for the whole country in dialogue with the Government and NCS D;
4. Conduct Sustainability/Strategic Impact Assessments (SIA) of the Master Plan for Tourism and the Program for Development of Mountain tourism in Montenegro;
5. Combine the SIA assessments with the Strategic Framework of Sustainable Tourism as a basis for the Strategy for Sustainable Tourism in Montenegro – a document that would include coastal and inland areas, as well as sectoral tourism (culture, sports, rural, ecotourism);
6. Prepare an Action Plan of Sustainable Tourism³³ for the public sector integrating the ecological, cultural, social, and economic aspects of development³⁴;
7. Introduce the Blue Flag standard to beaches, harbors, etc in full;
8. Introduce the Green Key³⁵ standard to hotels and accommodation providers together with providing the EMAS, ISO 9000 and 14000 series certificates;
9. Updating the Master Plan of Tourism before 2010 taking into consideration necessary infrastructure development (water supply, waste water treatment, solid waste treatment, etc.) and budgeting resources for those investments;
10. Continue the implementation of projects in a transparent and participatory way with wide public, local and international expert participation;

³³ The Action Plan should include activities related to standardization, categorization and certification of tourism services, service providers, operators, and related sectors (use of local and healthy food, organic farming practices, use of local renewable energy sources, etc).

³⁴ The private sector and investors in order to invest need assurance in working environment-related infrastructure (drinking water supply, waste water treatment and waste management); secure investment environment; and transparent decision-making processes.

³⁵ Blue Flag and Green Key standards in tourism sector will help to ensure environmentally friendly services in MN and thus contribute to fulfilling the constitutional provision of being an ecological state.

11. Enhance communication with and educate as wide audience as possible, including decision-makers (members of the Parliament), political parties and their advisors, NGOs, academia, media, and business sector on sustainable tourism development issues.

3.1.2 Sustainable Tourism Entrepreneurship in the Durmitor National Park area

The project 'Unleashing Sustainable Tourism Entrepreneurship in the area of Durmitor National Park' is the **direct step in the implementation of the Strategic Framework for Development of Sustainable Tourism in Northern and Central MN**. UNDP LO and Government of Montenegro organized a joint launch/promotion of the Strategic Framework publication and announced that this follow up pilot project 'Unleashing sustainable tourism entrepreneurship' will be developed on 15 December 2004. The Prime Minister and Mr. Kalman Mizsei were both present at the occasion. Four government ministers, three deputy ministers, representatives of UN agencies, donor and diplomatic community, private sector, and NGOs also attended.

The project development was initiated at the end of January of 2005. In preparation of the project 35 interviews were conducted to ensure that project interventions are based on needs assessment, as well as involvement, acceptance and active participation of the local community in planning and implementation of the project. Also, in the project design all strategic documents concerning this area consisting of three municipalities,³⁶ among the poorest in MN, were considered and analyzed. Especially vital was including the people who would be involved in designing and implementation of tourism products. The planning stage was concluded with circulation of the project document to all interviewed stakeholders (on local and republic level) and then integration of the comments, suggestions collected. After conducting this consultative process and finalization of the project document UNDP LO submitted project document to UNDP RBEC. Project was officially approved in LPAC³⁷ by UNDP RBEC in April 2005 and its implementation started immediately.

The ultimate objective of the project was to create a model for public private partnership which would lead to the development of new sustainable tourism products in the national park and their marketing. This model would also include capacity building of local stakeholders and establishment of mechanisms for public private partnerships, which aim at unleashing entrepreneurship and creation of new employment opportunities. The strategic broader objective of the project was defined as promoting more effective protected areas management including opportunities for sustainable tourism and helping entrepreneurship in rural development and food production through public private partnerships. Through building further on this strategic broader objective, linking it with EESDC GEF portfolio project Improvement of the Protected area Network and Management in the Dinarides Mountain Ecoregion was developed and GEF funds secured for the implementation of its initial phase (PDF A).

³⁶ Savnik, Pluzine, Zabljak

³⁷ Local Project Appraisal Committee in this case consisted of representatives from UNDP RBEC, other UNDP regional bureaus, BRSP unit representatives, UNDP private sector division specialists, etc. UNDP LO representatives, Head of UNDP LO office Mr. Tankosic-Kelly and Team leader for EESD cluster Ms. Bojanic presented the project to the LPA Committee, answered questions and after that official approval was given and financial resources transferred by UNDP RBEC to UNDP LO.

Expected **outputs** were:

- A kick-off workshop where opportunities for partnerships in sustainable tourism development were presented to the stakeholders in the area of the Durmitor National Park, action plan developed and agreed and working group formed;
- Capacity building of rafting providers focusing on hospitality, presentation and safety;
- Upgrading two hiking tracks with additional services provided;
- Organizing a marketing event when the upgraded attractions are opened for the public;
- Drafting a policy paper for future public private partnerships, including description of opportunities for new enterprises;
- Development of a model for the future public private partnerships in the park;
- Development of recommendations for the procedures necessary to follow when contracting service providers;
- A final workshop with approx. 40 participants.

Implementation

Unleashing Tourism Project started in April 2005, is supposed to conclude in June 2006, the total budget of the project is 200 000 USD and it is funded by UNDP RBEC.

During the initial **workshop** an action plan was designed as a result of facilitated group work. Four working groups were formed in line with stakeholders' interests: tourism service providers (rafters), tourism service providers (hiking tourist guides, and mountaineers), national park management/institutional framework/public private partnership and sustainable tourism promotion (event, festival group). Each working group developed an Action Plan for their activity area and most of members of the working group stayed actively involved throughout implementation of the project (for example rafters are still actively involved in drafting professional standards, training program, etc.).

Together national park management and tourism service providers' working group organized a **day seminar**; its purpose was to present the NP regulations for the rafters and mountaineers in the NP Durmitor and Public Enterprise National Park. Direct lines of communication between the NP, on the one hand, and the rafters and mountaineers, one the other, were established at the event. Also, the president of the rafters association of Slovenia visited Montenegro sharing Slovenian experiences in achieving cooperation and participation in drawing up legal documents. The Center for Professional Education of Montenegro is currently (November 2005) drafting rafting service job descriptions in cooperation with the rafters. The jobs will be described in terms of training, safety, licensing, and other special needs.

Representatives of all relevant ministries participated at the **working seminar** on institutional framework for rafting services to promote understanding for the need of follow-ups; especially of drawing legal documents (acts) for rafting activities. **Interactive training for interpretation**³⁸ was organized at the seminars for rafters.

Improvement of services on two hiking tracks included **training guides** and preparing info materials (info tables, signs on the track, as well as leaflets). Six young local guides were presented with guide **certificates**, indicating improved service and knowledge orientation. The national park administration **contracted** them to provide guiding services in the future. In addition two more experienced local guides completed the interpretation training. The trainer participated in designing the information stands (altogether six stands were placed out), and an

³⁸ Interactive interpretation is the term used in tourism promotion and contains advice on how to tell stories, how to increase the quality of services. The training consisted of four parts: (1) interpretation of flora and fauna around the River Tara; (2) interpretation of cultural historical monuments; (3) general business communication skills, working with clients; and (4) presentation and interpretation skills' improvement.

information brochures for visitors about the hiking tracks. All community members were involved in their preparation, only nature-friendly materials were used. **Brochures** for rafting services were also printed.

Altogether **four working group events and seminars were organized in the course of the project:** seminars for (1) rafters; (2) hikers; (3) tourism promoters; and (4) sustainable tourism festival as a community event.³⁹

A **study tour to Bulgaria** was organized for the members of all four working groups. Currently (November 2005) the participants are working with their **presentations** that will sum up the impressions and lessons gained at the tour to Bulgaria.

Further steps planned in the project are workshop where participants of the study tour to Bulgaria will share what they have seen, lessons they learnt with local stakeholders, other donor organization active in the area, developing professional standards, training program, etc. for rafting, using promotional materials/videos awarded at the Sustainable tourism festival for the promotion of the sustainable tourism offer of the project area in local and international tourism fairs, conducting a consulting practicum with George Washington University (GWU), with Professor Donald Hawkins in cooperation and with financial support of the Ministry of Tourism of MN and two tourism universities in Montenegro (in Bar and Kotor) whose 8 students will be part of the practicum together with 16 students from GWU

Evaluation

As the project was a concrete step in the implementation of the recommendations presented in the Strategic Framework, it was a necessary step in moving from the strategy into action. All planned results have already been achieved or are well under way with project completion envisaged in the first half of 2006. The project succeeded in joining all stakeholders for the first time around a table to talk and plan their future actions and cooperation in the Durmitor NP. Positively noteworthy is using Slovenian expertise in the project, especially in preparing the legislation where Slovenia has made progress in similar conditions. The expert was well-received locally and the visits encouraged local cooperation in rafting, licensing the activities. The feed-back has been positive with positive concrete results already achieved. For instance according to a study conducted by the WWF, rafting services generated approx. 0.8 Million Euro total profit, double to the one from the last year.

During the Sustainable Tourism Festival rafting and hiking services were offered to the visitors with promotional prices. The Festival organization showed how partnerships can work in practice and was a successful event in terms of presenting Durmitor as tourism destination to both locals and international visitors. It was nominated by the Ministry of tourism for Wild Beauty annual award in the category of best tourism campaigns in 2005.

International tourism expert professor Donald Hawkins from George Washington University will organize its consulting practicum, with support of the Ministry of Tourism and UNDP LO, and in

³⁹ The aim of the festival was to promote sustainable tourism and to reinforce partnerships between the stakeholders; coordinate their activities and raise local people's awareness of sustainable ways of developing and practicing tourism activities. The tasks were shared among the members of the 4th working group that consisted of the representatives from the MoT, Public Enterprise NP, NGO MOST, and expert in local cuisine. For instance, the MoT took leadership and covered fully the competition for the best local sustainable tourism promotion video, the Public Enterprise NP representative lead all activities regarding preparation of the competition and selection of the best photos and souvenirs from the area covered by the project, etc.

close cooperation with the two tourism universities in Montenegro in Bar and Kotor, that will concentrate on the recommendations regarding destination management, as well as identification, packing and promotion of major tourism attractions in the area. This indicates international attention and professional support that the project was able to attract which contributes to evaluating the project as a success.

Organizing the study tour to Bulgaria is also seen as positive. Different development models and both positive and negative sides of tourism development were explored by participants, which they assessed as very relevant and useful. They saw concrete examples of how **partnership** works and got the idea of necessary steps in establishing working partnerships at home in Durmitor. They also experienced the down side of mass tourism destroying nature related to building of the ski lifts in mountain areas.

The project also serves as a good example of long-term strategy implementation combined with quickly achieved visible and tangible results. Such success stories are needed in every country embarking on double transition and represent that “low hanging fruit”/“early success projects” to use Dr. Castro’s words. The project has been implemented close to a maximum: excellent preparation stage with participatory planning was followed by gaining acceptance, commitment and full participation of local stakeholders. The project should be continued and also extended (subject to resource availability) to other areas to include other municipalities in North and Central Montenegro.

“The tourism project has been very good especially since it is not an easy task to awake the spirit of entrepreneurship in North and Central Montenegro. ... Our NGO participated in the project – the first festival on sustainable tourism was organized in Zabljak – it was the first time we had such kind of partnership with the UNDP, NGO MOST, NP, SMEs, mountain climbers, rafters. At the festival we had a chance to see short movies made for the event, local handicrafts were shown; the media coverage was excellent, it made a big impact on the public. ... This festival opened the eyes of the majority of people who now understand the benefits of participation. It helped the MoT officials to understand the essence of Sustainable Tourism in MN. We understood the importance – not only participating, but also sharing info on a website. We have a special website for the strategy and for the festival; everybody wants this festival to become traditional. ... I believe that training in general and especially training of rafters has been very good and positive. ... We did it together with the local stakeholders and this was a new, interesting, and useful experience. There is gain in it for all of us, we would like to continue with sustainable tourism and earn a living.”

The project gave a good start to sustainable tourism development; it showed how a relatively **small initiative can start a much wider process**. In general, the most important result was the demonstration; it was shown in a concrete way how the example of sustainable business partnership worked in practice. Real change occurred which was appreciated by all parties involved. The project gave confidence to those who are used to live under orders and not showing initiative; now they are making decisions, taking personal responsibility and risk.

The project created a **feeling of real ownership** among the local stakeholders and thus the local people benefited the most. **Participatory** approach was aimed at in all project stages and was achieved successfully.

It is worth noting that UNDP LO was the first donor which took concrete action and aimed at assisting sustainable tourism development in North Montenegro. Local stakeholders were well satisfied with its role and performance and are looking forward to follow-up projects. Also, they are more open and ready to participate in other UNDP LO projects such as GEF PDF A one.

The **partnership** building between the NP, LG, NGOs and SME/local businesses was very beneficial. Cooperation and a feeling of being together were strengthened during the study tour to Bulgaria. The fellow feeling will contribute to achieving long-term cooperation and sustainability of the development processes in the region. The national park officials were pleased from the nature protection point of view that the rules were better understood and thus respected by other stakeholders as a result of established partnerships and cooperation. The national park is now foremost considered as a partner instead of a forbidding body restricting private business. The pilot project showed that sustainable tourism development is possible and beneficial in all aspects. The project can serve as a success story case that can be adopted in other regions and countries in the region.

Establishing a **cross link** between **spatial planning** and sustainable tourism should make sure that coastal tourism is promoted, developed and allowed only within set social and environmental limits. This link to the spatial planning project can have two-fold significance. Firstly, combine Spatial Planning Project with follow up activities of the Strategic Framework and Unleashing Project in North and Central Montenegro. Secondly, the model used successfully in Northern Montenegro within the Unleashing Project can be combined with Spatial Planning follow-up projects in other MN regions. Work/success of this projects, excellent relationship that has been built with local stakeholders and problems/issues identified regarding management of the park, especially lack of resources and capacities, during the implementation of the project were all valuable inputs and led to formulation of the GEF PDF A “Improvement of protected area management” which is now at its final stage of implementation (draft PDF B concept is ready, and is being discussed with relevant stakeholders).

Recommendations:

1. Continue capacity building locally, which is vital in assisting local actors to identify market for its services and market them successfully;
2. Facilitate, assist in linking European tour operators with local service providers;
3. Identify local leaders, support them in establishing associations and becoming more professional, able to satisfy high European standards (training of trainers);
4. Assist local service providers further on focusing simultaneously on product creation, development and marketing;
5. Provide more business oriented training;
6. Assess the risks for local or international investors and facilitate foreign direct investment.

Ideas for concrete follow-up projects:

1. Assist establishment of the info/visitor center in Skadar Lake NP with well-equipped ICT and audio-visual and other promotional material available for the public that will serve all NP;⁴⁰
2. Assist the national parks in becoming sustainable tourism centers;⁴¹
3. Provide equipment for the national parks, such as photo, video and surveillance cameras for documentation (not least as proof in court cases of violation against the park regulations);
4. In cooperation with other donors establish regional center for sustainable development to ensure sustainability of interventions;

⁴⁰ Skadar lake NP is already working in this.

⁴¹ The assessment of the NP's capacity for sustainable tourism has to be evaluated (to define both social and environmental thresholds above which the number of visitors should not increase, solve issues like the size and locations of parking lots).

5. Update the nature protection and national park management acts;
6. Establish a small-credit and loan guarantee scheme for the local SMEs;⁴²
7. Establish a business advisory office for assisting the SMEs in sketching their business plans and create a website to function as a bulletin board for all local entrepreneurs;
8. Prepare⁴³ and adopt detailed municipal spatial plans which will help to solve the protection issues of cultural and natural heritage;
9. Provide methodological assistance to all stakeholders on sustainable, strategic, spatial planning and local community involvement.

⁴² This will be a significant benefit to the local SMEs; sums around 5000 Euro could make or brake small business in MN.

⁴³ Consider the option of implementing previous recommendation on zoning to be included in spatial planning.

3.2. Sustainable forestry and biodiversity

3.2.1 Environmental GIS for Montenegro – Building technical and human capacity for better management and protection of forest resources in Montenegro using GIS

Activities on environmental GIS for MN started in MN in relation to using information technology to advance efficiency in government decision-making. It is an example of UNDP resources, in this case TTF resources, being successfully used for resource mobilization. Namely, 35,000 USD of ICT4D funds in 2003 were used to conduct needs assessment, organize a forum of all relevant stakeholders and prepare a project document with which Finish Ministry was approached for funding and more than 550,000 USD were mobilized at the end of 2004.

A large proportion of Montenegro's territory (over 50%) is covered by forests; the majority, however, is low-grade shrub forest. The high quality forests are mainly located in the northern mountainous part of the country. In Montenegro forest fires represent the biggest threat for biodiversity with in average 0.34% of the forest being destroyed each year.⁴⁴ There are indications that privately owned forests are often fragmented and not well managed but environmental impact assessments have not been conducted in harvesting areas. Loss of wooded area was already a worrying trend in the former Yugoslavia and the rate is estimated to have increased in the 1990s. Illegal cutting is a serious problem that endangers biodiversity, accelerates soil erosion, and increases sediment deposits in dams. The likelihood of floods is also increased and the value of hydro plants decreased. Pollution levels in Pljevlja as well as in the surrounding area of the Aluminum Plant in the vicinity of Podgorica are shown to be the main cause for the pathogenic and other forest disease. Three major problems linked to sustainable forest management can therefore be identified as illegal logging, spread of forest disease,⁴⁵ and forest fires.

The ability of forest services to respond effectively is severely impaired by the lack of up to date data and poor technical and human capacity. Existing data on biodiversity and forestry is often outdated, non-compatible with current standards or its quality or accuracy undeterminable today. These factors prevent effective long-term planning, assessment of current situation, and control over future developments, thus precluding commitment and assignment of resources (that are extremely limited anyhow) to addressing urgent problems. Introducing a Geographical

⁴⁴ Inappropriate forest felling practices have resulted in high forests accounting for only slightly more than a half of all forest areas, and in certain cases this has had significant impact on the frequency of forest fires. Very little effort has gone into reversing the negative trends and re-investing in the rehabilitation of forest resources. Afforestation rate has decreased by 12% a year due to the lack of financing, simultaneously there has been a sharp drop in silviculture (i.e. tending, cleaning, thinning of forests, etc). All this has directly contributed to the spread of lower quality forests.

⁴⁵ Pathogenic fungi are also a problem since over 100 pathogenic fungi have been recorded in Montenegrin forests. As reported by ECPD (European Centre for Peace and Development) in the publication "The developmental directions of Montenegro as an ecological state", loss of standing timber, particularly of the gymnosperm species exceeds the annual increment of the forest, with a net overall loss in forest volume. The loss of forest has a direct impact on biodiversity, soil erosion, and raw material supply in the lumber industry.

Information System (GIS) can help to solve the problems, especially in forestry, while there is much more exact data available in various forms in forestry sector than in biodiversity.

Sustainable forestry was one of the key areas identified by Dr. Castro for the successful implementation of the ecological state concept and included in the MSDP. The sustainable forestry project using GIS for long-term planning is thus one of the picked "early success projects" that would help to raise awareness in the governmental sector, while there is much more exact data available in various forms in forestry sector than in biodiversity.

The main **objective** of the GIS/Forestry and Biodiversity Project is openly **evaluating** the real **situation** and **facilitating information** up-dating so that changes can effectively be recorded over time. That will be the necessary basis for **sustainable planning and management in the forestry** sector and facilitate fighting illegal logging, forest fires, and spread of forest disease. The secondary objective was set as facilitation of the **process of forest certification**⁴⁶ without which sustainable management of forestry is difficult. Close co-operation needs to be established between University of Podgorica and the already existing programs for monitoring forest health. **Capacity building** activities ensuring the effective use of GIS are crucial. In line with **introducing GIS** effort is needed to ensure stricter implementation measures outlined in the policy for the sustainable use and protection of forests.⁴⁷

The expected **outputs** of the GIS/Forestry and Biodiversity Project are: (1) **database for forestry and biodiversity** evaluation based on satellite images and existing paper based data; (2) basic tools for forest **inventory**; (3) **digitalization** of various **maps** and creating layers on **biodiversity**; (4) trained **staff in forestry and biodiversity** sector is able to use and work with **GIS**. Finalization of the legal aspects (issuing a bylaw) of Montenegrin Geographical Information System (**MonGIS**) are concluded and which will result in coordinated data management and will also be useful in spatial planning.

The Project is divided into several phases conducted in stages. Part I of Phase 1 results will be uploaded on the Internet, which is crucial for the data being available to everybody for completing various tasks and delivering dynamic maps and data. The focus will be on creating easy-to-use, task-focused applications. The Internet access database (a pilot national environmental mapping portal) represents an important visible early result within this project.

Phase 1 of the GIS/Forestry and Biodiversity Project encompasses land-use mapping, spatial analysis and preparation of outputs, producing a consistent GIS database on scale between 1:25,000 and 1:50,000. Basic data required for national level strategic planning for all three sectors – forestry, environment and biodiversity – will be provided. Four sets of computer facilities with relevant hardware and software are installed in one central location in addition to three strategically picked locations. The central (MonGIS) would be developed as a pilot 'geo-database' to which the three 'departmental' systems would have shared access.

In Part II of Phase 1 attention will be given to the following activities and themes:

- Spatial analysis and modeling using the land cover database and digital elevation model (DEM);
- GPS/Mobile GIS supported fieldwork activities to check on and verify map accuracy;

⁴⁶ LUX DEVELOPMENT – FODEMO project supports forest certification according to the FSC (Forest Stewardship Council) standard and fieldwork for GIS data collection. The Forest Agency and FODEMA Project continue to train regional forest officers. Proper equipment (computer access) has to be made available to all regional offices.

⁴⁷ Note that the planned GIS includes ground surveys and database handling in addition to satellite imagery.

- Reporting and preparing a series of maps and statistics;
- Distribution of maps, statistics, and databases in hard copy and electronic formats;
- Making selected data sets available in the governmental Intranet and the Internet.

During Phase 2 detailed land-use mapping, establishment of techniques for managing and synchronizing field data gained with mobile systems, advanced spatial analysis and production of maps in scale between 1:10,000 and 1:25,000 will occur. Phase 3 would involve provision of computer facilities and GIS software for the government agencies immediately involved in environmental monitoring and management.

Phase 1 was launched in May 2005 and its full scope of activities is currently (November 2005) being implemented. Its duration is intended as 15 months and thus the activities should be concluded in August 2006. The budget for Phase 1 would be approximately 500,000 USD provided by the Ministry of Foreign Affairs of Finland via FINNIDA. Likewise, there are indications that FINNIDA will support second and third phases of the Project in coming years. Necessary infrastructure in terms of equipment, software, methodological approaches and human capacity has been established without which data collection, validation, using GIS for biodiversity analysis, especially in forestry would be impossible.

A project unit was established for collecting basic data which immediately showed having extensive deficiencies (lack of reliable and comparable topographic and geographic data) and thus made the work more difficult than expected. Pilot geo info database was formed containing currently available forestry data cross-referencing it with info collected from satellite images. The database was made available to a wide audience through Internet access and other means.

The unit has worked with creating a topographic layer for the territory of Montenegro. The most accurate topographic maps available are from the 1970s. Work on producing a DEM (relief) is also continuing. The team is also responsible for building capacity in geodesy, IT, general GIS techniques, and satellite image processing for remote measuring and for following the UNDP procedures in project management. Four people from forestry sector and two biodiversity experts are currently trained in GIS application. In the field of biodiversity the project unit is designing a data model for including two scientifically validated sets of data (the books *Flora Montenegrina* and the *Addendum to Flora Montenegrina*).

UNDP GIS Forestry Project Unit shares facilities with a control and planning body of Central Management Unit (CMU) of the Ministry of Agriculture, Forestry and Water Management (MAFWM). This contributes informally to technical capacity building, improved skills and organization of work (action plans, objectives, feedback, separation of duties, delegation of authority, etc) at CMU. UNDP GIS Forestry Project will include training the CMU personnel in data input (maps and numeric data).

Evaluation

Ministry of Agriculture, Forestry and Water Management is satisfied with the results achieved so far and general cooperation with UNDP, despite the small delay at the beginning of the project due to long negotiations with the donor. The MAFWM considers project management and establishing good work atmosphere excellent. Cooperation on personal level between people working in the team is functioning well. Project unit has clear understanding of their tasks and there is high level of integration of the ministry representatives in the project. Regular bilateral meetings between the Project Unit and governmental institutions take place. UNDP and FODEMO are still the only external actors in forestry; representatives of these institutions meet regularly, which is positive. As CMU shares premises with the Project Unit daily info exchange

on specialist level is ensured. Essential cooperation is stronger in forestry than in biodiversity issues since the latter has shortage of people. The implementation of the project is so far going well; the Project Unit has clear understanding of their tasks and is on the right track to achieve the objectives. Problems in obtaining air photos and paper maps were solved by using satellite images instead. Additional to the planned outputs legal aspects (law and by-laws) of establishing the MonGIS have been discussed with stakeholders which leads us to believe that by the end of the project significant decisions on the status, funding, responsibilities, cooperation, networking, an access to data, restrictions to the access to the data, etc. have been made.

The highlight of the GIS/Forestry and Biodiversity Project will be wide application of GIS as a cross-sectoral planning tool. Preparations made for MonGIS institutions are evaluated as well thought through and sufficient. The system will ensure that once established skills, soft- and hardware systems, networks, maps, and databases will continuously be used after the project conclusion. The cooperation schemes developed between governmental institutions, especially in forestry and environmental protection/national parks are valuable in future work. Other sectors such as spatial planning, rescue service, transport and public infrastructure can be included in using the services of MonGIS later.

The best example of **cross linkage** between the projects within the MSDP is with the Spatial Planning Project. Information exchange between the project managers has been intensive; all possibilities to use GIS in urban and spatial planning have been used effectively. Even closer cooperation, especially in capacity building and training is, however, recommended in the next phases. The cross linkage to the GEF Dinaric Ecoregion Project exists in a medium-term perspective as GIS can be used as a planning and management tool for participatory NP management processes.

Within the framework of the this project, GIS project unit has been established with the ambition to develop core organizational, management and technical functions of future MonGIS centre. Within the project of Strengthening Governance System in Urban Planning in Montenegro, Bylaw on GIS was produced. Main objective of the Bylaw is to regulate the relationships between different stakeholders regarding data supplying and access to information.

Recommendations:

1. Preparation for creating a master plan or long term sustainable forestry strategy should start immediately after the completion of Phase 1 of the GIS/Forestry project;⁴⁸
2. Clear division of responsibilities, cooperation and information exchange systems between NP staff, foresters and other stakeholders (hunters, ecotourism developers, service providers) as well as regular information exchange procedures and formats for both ministries (responsible for forestry and environmental protection) need to be established;⁴⁹
3. Training of district foresters (managers) organized with PCs and appropriate software made available to keep the GIS functional;⁵⁰
4. Building on the MonGIS and on its cooperation with all relevant institutions, such as the NGO and academic sector;
5. Support the enforcement of legal acts on GIS;

⁴⁸ Forest certification process requires the development of forest strategy.

⁴⁹ NP is currently not responsible for any forestry related tasks and foresters do not participate in nature protection. Information exchange and planning of e.g. buffer zones is poor, sometimes non-existent.

⁵⁰ In longer term it would be necessary to ensure constant updating of PCs and software.

6. Insurance of legal and financing aspects for continuance of the MonGIS in the future; updating hard- and software; training of people;
7. Promotion and communication of MonGIS outputs from the very start as a useful tool in several fields in order to convince all decision makers of its usefulness.

3.2.2 Improvement of the Protected Area Network and Management in the Dinarides Mountain Ecoregion

Problems with consolidating the Dinaric Mountains ecological corridor in Montenegro are twofold. First, the effectiveness of the protected areas management is insufficient. Human impacts on ecosystems remain high due to inadequate legislation, poor law enforcement, lack of institutional and human capacity, and insufficient financial resources. Illegal activities include logging, hunting, and uncontrolled plant harvesting and thus extensive recently unspoiled forest areas are now destroyed. Second, the protected area system in Montenegro does not cover enough territory and is not developed with required speed and scope. As a result, natural assets of significant global value are deteriorating.

Management plans for the protected areas were developed without proper involvement of all interested parties with a lack of consensus and collaboration in the management regime implementation as a result.

Added risks to successful nature protection are linked with the impact of tourism – which is declared to be a priority development sector. Expansion of accommodation and sport facilities, disturbance of wildlife by increasing number of visitors and uncontrolled access to protected areas are major problems. Controlling the effects and guaranteeing preservation systems of limits to acceptable change and tourism certification have to be introduced. Hence a project for improving the protected area network was identified by MSDP as necessary during the preparation and implementation of sustainable tourism projects (see section 3.1).

Land ownership structure within the protected areas varies: land can be owned by the state, private actors, municipalities, etc. Up to date no special procedure for securing the involvement of landowners in the planning or management of protected areas has existed. On the other hand, local population is developing real estate in the area without permission. A proposal for hydropower dam construction on the River Drina in Bosnia and Herzegovina/Republic Srpska that could flood a stretch of 12 to 18 km along the Tara River Canyon has recently been taken up and stopped, because of too high environmental risks. Hence risks to nature protection are real and imminent measures needed.

Although governmental funding for the management of protected areas in Montenegro is insufficient, innovative financial mechanisms have not been discussed or introduced yet. There is no practice of public–private partnerships for sustainable use of natural resources; these, however, would be beneficial for both nature and economy.

In order to address these issues, a **GEF** project on **Improvement of the Protected Area Network and Management in the Dinarides Mountain Ecoregion** (Dinaric Ecoregion Project in short) was planned. The focus is on the gradual improvement of management effectiveness in the two existing protected areas (PA) first and then be followed up in intended protection areas. The expectations are that by the end of the project the protected areas in the ecoregion will function as a coordinated and sustainably managed sub-system of protected areas. Successful management practices developed in the project can be replicated throughout Montenegro.

The main **goal** of the project is to **catalyze the sustainability of the protected area system** in Montenegro and thus contribute in the conservation of biodiversity which has global significance. Project **objectives** are set as **improving management** effectiveness of the protected area system

in the Dinaric Mountains Ecoregion through introducing **innovative participatory management** approaches and tools, as well as **financial mechanisms improving institutional capacity, strengthening public involvement** and creating an effective replication strategy.

Expected Outcomes

- Management capacities throughout the Dinaric Mountains protected area system are sufficiently strengthened and involve participatory planning, sustainable use models and result-based monitoring tools;
- Innovative financial mechanisms for protected areas management contribute to the sustainability of the PA system;
- Well-functioning protected area system fosters public-private partnerships and encourages sustainable use of natural resources in, and around, protected areas thus, in turn, contributing to efficient management and integrity of the PA system;
- Consensus among decision-makers at all levels and general public is built around the linkages between biodiversity conservation in PAs, sustainable area development and economic growth options;
- Effective replication strategy is implemented to disseminate best practices and lessons generated by the project in other protected areas in Montenegro.

Expected results at the end of the project: A significant proportion of the globally important biodiversity and natural resources in the Dinaric Mountains sub-system of protected areas in Montenegro is better protected and sustainably managed.

The Dinaric Ecoregion Project fits well into the overall frame of the MSDP and first preparatory stages will be funded from Project Development Facility (PDF) of Global Environmental Facility.⁵¹ Preparations started in June 2005 and are expected to continue for 6 months; the total budget of 30,000 USD was set aside, out of which 25,000 is provided by GEF, 2000 by UNDP and 3000 by UNESCO. PDF B is planned to start in March 2006 with the intended duration being 9 months and the planned budget being 350,000 USD. Implementation of the project is targeted to start in early 2007 and continue for 5 years.

The proposal is being prepared in participatory manner and continues the work of building the capacities of PAs. This is also an important step for the implementation of the next phases of 'Unleashing Entrepreneurship on Sustainable Tourism and Framework Strategy of Sustainable Tourism'. Since the project has only recently been embarked on, the citations collected during the evaluation process mostly deal with project significance and cannot yet discuss results.

"We have several problems in the management of NPs, as the law from 1990 does not define rules and responsibilities clearly; the financing system is insecure, has not been updated and defined clearly. The responsibilities of the NPs are not clearly stated in the law. Altering the NP Act concerning issues like administration, responsibilities, and funding is challenging. Currently between 0 and 35% of our budget is covered by the state. The rest (in some cases all) we need to earn ourselves, which is not easy as people are not ready, interested or able to pay for the services. The rights and duties of the rangers are very poorly defined by law. Every NP is different, but current acts do not differentiate between the tasks and responsibilities. Salary levels are fixed nationally, but a ranger in Durmitor has a more difficult job than a ranger in Skadar Lake area"

⁵¹ Global Environmental Facility has its own project preparation cycle abbreviated as PDF A and PDF B.

A **cross-link** with two other UNDP-initiated projects – *Preparation of the Small Hydropower Plant Development Strategy for Montenegro* and *Strategic Framework for Development of Sustainable Tourism in Northern & Central Montenegro* – will be established. The project proposal will improve effectiveness of management of NP and was initiated based on identified issues regarding management and capacities of the National Park and therefore represents a follow up strategic intervention linking well to existing and potential future activities of Unleashing Tourism Project. A more participatory management of the Park introduction of a model for involving local stakeholders in management and ensuring sustainable use of resources in and those surrounding the Park will be the links between these two projects.

The Dinaric Ecoregion Project will be conducted in close cooperation with the World Bank initiated GEF project of the Tara and Lim Rivers' ecosystem integrated based management, since dealing with one region in MN. Good synergy between the projects has been created and thus duplication can be avoided, since mechanisms for regular information exchange have been created. Nevertheless, the focus of the projects is different: the Dinaric Ecoregion Projects covers the biodiversity (BD 1) focal area while the WB project focal area is climate change, international water bodies and biodiversity (OP 12).

MSDP has currently three additional GEF projects in different stages of preparation or implementation on state union level. Similar activities are simultaneously implemented in two republics of Serbia and Montenegro.

1. NCSA national capacity self assessment – this project defines the priority needs and overall preparedness for adopting the Rio conventions focusing on what capacities exist and what have to be developed in order to implement the conventions on: (1) climate change; (2) biodiversity; and (3) desertification. The duration of the project is 18 months. The project output is the developed NCSA action plans for both republics. Project is implemented in close cooperation with MEPSP with three Project Management Units (PMU) led by team leaders already in place.
2. BSAP biodiversity strategy and action plan – a project only very recently introduced.
3. Climate change project – a project also only being prepared in a fact-finding, interview and drafting stage.

Recommendations:

1. Implement via the Dinaric Ecoregion Project clear division of responsibilities, cooperation and information exchange systems between the NP officials, forest agencies and other stakeholders (hunters, ecotourism developers, service providers);
2. Consider a possible win-win situation of creating a cross-link between the NPs management improvement Dinaric Ecoregion Project and the Localizing Sustainable Development (LoSD/Agenda 21) projects.

3.3 Spatial Planning

The Technical Assistance, Capacity Building and Awareness Raising Support to the Ministry of Environmental Protection & Spatial Planning (MEPSP) for Reform of the Planning Law

First activities regarding addressing spatial planning challenges in MN started in 2002 when UNDP was invited by the MEPSP to assist the Government in redrafting the Planning Act and building the capacity on public participation in planning and enforcement. Similarly to the case of GIS project UNDP LO track resources⁵² were used for initial needs assessment and follow up activities that eventually led to development of the project document and mobilizing of close to 760,000 USD from SIDA at the end of 2003.

This initial co-operation made clear the critical need for cross-cutting⁵³ support to both the Ministry and relevant institutions in order to deal with this task. A Working Group (WG) including twelve people was formed to draft the Spatial Planning Act. Work included a study tour to Ireland, designing the Action Plan for the drafting process, and capacity building for representatives of relevant institutions. Existing spatial and urban plans are mostly out of date and do not reflect the everyday needs. No training of spatial planners has occurred in more than ten years due to political and economic embargo and thus the shortage of strategically oriented and well educated spatial planners in MN is considerable. The planning process used to be autocratic in the past with only the organization directors having the right to decide. Including experts and the public in decision-making was rare.

The ‘**Technical Assistance, Capacity Building and Awareness Raising Support to the MEPSP for Reform of the Planning Law**’ Project (further referred as Spatial Planning Project) was developed by the UNDP Liaison Office in Podgorica as a response to the request from the republican government and in dialogue with the republican and local/municipal planning authorities, public and private organizations. The project draft was based on discussions, workshops, and assessments of the physical planning process conducted by a team of international planners.

The ultimate **objective** of the Project was to **strengthen capacities** of republican and municipal governments for establishing a **transparent and participatory planning process** at all levels. The proposed project will not give immediate results but is expected to lead to the **adoption** of better **planning legislation**, streamlined licensing and other procedures, compliant with the EU standards, and to the involvement of key actors (planning secretariats, civil society, media, etc), especially focusing on the municipal level.

UNDP is engaged in the following activities and outputs of the Spatial Planning Project:

- Providing technical advice and policy support in drafting an EU compliant law on planning to ensuring that it provides a good basis for developing good governance institutions for planning, focusing primarily on:

⁵² TRACK resources in the amount of 40,000 USD were approved to UNDP LO in the second half of 2002.

⁵³ Poor planning controls adversely affect both tourism development as well as nature protection development in National Parks but a poorly conceived law might also mitigate against small clean energy producers, if not properly integrated into the planning process. Illegal construction is another huge problem to be solved with the help of well-enforced Spatial and Urban Planning Act.

1. Developing a clear institutional framework for administering and enforcing the law and procedures, as well as streamlined licensing process;
 2. Clarifying the responsibilities for various statutory authorities involved in land-use regulation;
 3. Making necessary provisions for coordinating sectoral policies and resolving jurisdictional disputes;
 4. Making provisions for ensuring meaningful public participation;
 5. Making provisions for introducing adequate law enforcement mechanisms and anti-corruption initiatives.
- Organizing a study visit for the members of the Working Group, representatives of NGOs and municipal bodies to the EU and accession countries.
 - Organizing training of staff at local and republic levels in the main changes in the law.
 - Organizing facilitation groups for input on how best to devise law enforcement mechanisms at all levels within the established legal and financial framework including ways of addressing corruption issues. Recommendations from the workshop would be forwarded to the relevant bodies responsible for institutional reforms.
 - Organizing training for the judiciary on the importance of full law enforcement.
 - Completing a review of existing court practices and monitoring its changes (for instance, the number of fining illegal construction). Such a watchdog role could later be taken over by a NGO.
 - Organizing training for NGOs on the new law with particular emphasis on civil society participation in decision-making and making provisions for public participation and monitoring.
 - Restoring public confidence in the planning system through raising awareness of the new law and new law enforcement mechanisms through wide media coverage, publishing easy-to-read materials, informing citizens about how to access public urban planning information and anti-corruption initiatives.
 - Monitoring the implementation of the new law in five selected municipalities. Publish monthly progress reports on enforcement success and problems. This information would also be regularly sent to all key institutions and the media.
 - Recommendation on, and develop the framework for an independent Planning Appeals Board, a body which would represent diverse stakeholder interests in environmental, social, and economic issues. In Ireland, such a body resolves conflicts in local and national plans or deals with cases where a developer is applying for exception to a provision in an existing land-use plan. In Montenegro, the body could also assess cases where licenses have been issued but the construction plan contradicts the urban development plan or where the license is violated.
 - Organizing cross-sectoral workshop to identify potential inconsistencies with sectoral legislation (acts concerning the environment, transport, tourism, heritage, etc) and achieve harmonization.

Implementation

The Spatial Planning Project started in April 2004 and was first designed to conclude in December 2005. A non-cost extension of the project was decided upon in the timeframe of January to June 2006, since the appointed financial resources had not been used up. The total budget of the Project is 758,893 USD; the major donor country is Sweden via SIDA.

The project has been implemented in three phases:

1. The project inception phase during which the problems related to physical planning in Montenegro and the needs for changed procedures and practices were defined, i.e. formulating project scope and activities;
2. Redrafting the spatial planning legislation in inclusive participatory process;
3. Training of spatial planners and other stakeholders.

Staff changes at the MEPSP slowed down the work of the Project Unit at the beginning. Time and effort was lost in briefing the staff who had not been involved in the first capacity building stage including the study tour to Ireland and drafting the Action Plan for the Project.

The previous working group of 12 members was closed and the new WG was established. Only 4 persons (two lawyers- one is Deputy Minister, and two architects/planners, both are Deputy Ministers) belonged to new one. The UNDP Spatial Planning Project Unit was able to negotiate and convince the representatives of the MEPSP that extensive consultation process and participation of foreign experts in the process of drafting the law was vital. It was understood that such a broad-based process would be more time-consuming, but mistakes could more easily be avoided in the Spatial Planning Act. Facilitation of participatory drafting of the Act was the first task of the Project Unit. A NGO partner was selected through a public, open, and transparent process to facilitate the public participation process and to review the judiciary practices and monitor the changes. A review⁵⁴ of urbanism cases related to spatial planning was published in 2005.

The consultation process on **drafting the Spatial Planning Act** was completed in three rounds. First roundtable discussions were held in all 21 municipalities and three on regional level in the period from June to July 2004. The partner NGO was responsible for all organizational work of the seminars. Project Unit made the marketing campaign, for very simple reason: it had to be done in short period. The draft of the Spatial Planning Act was printed in national newspaper, made available on the Internet, and municipal centers. This way commenting, questioning, and suggesting changes were accommodated. The number of citizens who attended the municipal roundtables was almost double⁵⁵ of what had been expected while planning the activities; the regional level roundtables were smaller with only experts participating in the discussion. The NGO facilitated the work professionally. The first round was completed with a big roundtable discussion with invited experts on 9 July 2004, although the event was open to the public and advertised openly. The Minister of Environmental Protection and Spatial Planning presented the official views on the drafted Spatial Planning Act.

The draft was developed further with substantial input from the Irish and Slovenian experts; they visited MN several times, also providing online assistance during the second phase of the project in the autumn 2004. The roundtable participants were also consulted via email.

The third round of consultations was organized as three regional round table meetings with a hundred participants in total. The draft was circulated and the comments sent to the MEPSP and to UNDP before the events and thus the roundtable meetings were used for discussing and finding compromises. The discussions were audio-taped and minutes were taken at all meetings. All the comments uttered in the process are included in booklet published in Slovenia.

The draft of the Spatial Planning Act was discussed by the Government in November 2004, and went to the Parliament in December 2004 and was adopted in April 2005. The Spatial Planning Project Unit presented the Act to the Parliament Committees of the Environment, Economy and Finance. The draft's content, the process procedures, and 'open questions' were laid out. The Parliament discussion leaned heavily on the UNDP presentation. The whole process was considered successful, and thus it was suggested to the President of Parliament to apply the procedures as model of work in the Parliament.

⁵⁴ Vanja Calovic 2005. Corruption in Spatial Planning and Development. Case Study Montenegro. The Network for the Affirmation of NGO Sector MANS.

⁵⁵ Total number of all participants exceeded 700 in 21 seminars.

Stakeholders and the Project Unit discussed establishing the Spatial Planning Council consisting of ten experts from the public, private, and non-profit sectors for guaranteeing independent evaluation of spatial plan drafts. The Spatial Planning Act decrees founding such a Council but its members are appointed by the Government. Completing the spatial planning in the following three years is stated in the Act. All spatial plans should be done during next 3 years according to the adopted Law.

The quality of the plans will depend on the enforcement of Environmental Impact Assessment (EIA) Act, Strategic Impact Assessment (SIA) Act and Integrated Pollution and Prevention Control (IPPC) Act. These Acts are currently (November 2005) debated in the Parliament. The EIA Act has as it stands today a clause of postponing implementation until 2007 or 2008 with the justification that MEPSP lacks the capacity for immediate enforcement. Licensing had been the responsibility of the Chamber of Engineers; the MEPSP is the authority today but lacks capacity. It is clear that without proper issuing of licenses and monitoring system in place the legal frame for EIA and SIA is incomplete. To ensure sustainability in decision-making the enforcement of EIA/SIA Acts has vital importance. It is crucial, that all stakeholders, UNDP clusters and donor community in close cooperation with Government will carry out all needed capacity building, technical assistance actions and drafting of by-laws to ensure, that the enforcement of EIA/SIA will take place immediately after the adoption of these Acts in Parliament.

Drafting by-laws

Project phase 1 was thus completed with its intended output achieved although developing and issuing relevant by-laws and guidelines is still under way, which were not planned at the beginning. UNDP and the Project Unit have been requested by the MEPSP to assist in this process which wasn't originally intended, but is clearly within the mandate of the Project. Work started with drafting two by-laws: technical standards of planning (e.g. standardization of planning documents, harmonization of graphic presentation, etc) and the use of GIS which are both now completed.

The Project is supporting development of three more by-laws concerning the (1) licensing of professional consultants, (2) on documentation basis, and (3) on prescription of the method of insight, verifying, signing, presenting, filing, multiplying and keeping planning documents out of which first two will be completed in 2005, The third by-law will be completed during the non-cost extension.

A major issue where differences of opinion still prevail is subordination between central (republican) and municipal planning levels. The Act lists an unusually large number of different plans linked to various planning levels. The main planning levels are, as in most European countries, the National Plan and regional plans, Municipal Master Plan, General Urban Plan, and Detail Plan but there is also a number of special plans (e.g. drawn when national level intervenes on a municipal level case) and plans are defined with a large variety of scales. The system seems to have some uncertainty inscribed about responsibility and lengthy bureaucratic planning procedures may consequently follow. Only actual planning experience will show whether it is the case. Additional by-laws may also clarify some of the issues. The Ministry understands that it may have to review the legislation after some time according to lessons learned.

Training of professional planners

The process of drafting the law has meant training officials involved first of all at the Ministry but to a lesser degree also in the municipalities. Some NGOs have also been part of the public legal process. The second training phase of the project started in a more concentrated way in December 2004, when 46 municipal planners from the whole Republic met in order to share 'best practice'-

cases in urban planning. Training of professional planners has continued with a two week-long⁵⁶ course on a more specific theme of “Planning and financing cities in transition” in May followed by a more general “Methodological course on planning and development” in June 2005. Municipal planners who actually work with planning daily were the intended target group but some politicians and planning consultants (at the last-named course) attended. Professionals from Hungary, Poland, Romania, and other countries led the course sharing their experiences. One course was conducted by Slovenian planners from the Slovenian Institute for Spatial Planning. This course gave a series of thought-provoking Slovenian examples of planning interventions at various levels with inventive participatory planning and other advanced methods. The applied research practice of the Slovenian Institute has obviously resulted in producing good educative material. According to the mid-term report of the Spatial Planning Project the courses have had necessary focus although they have not dealt directly with the new Spatial Planning Act. The Slovenian and probably also the Hungarian/Romanian/Polish planners have first-hand experience of the transition phase in their country when planning was considered belonging to the past and of the EU demands to introduce proper procedures for spatial management and land-use control in its new member states.

NGO training

Relevant NGOs (involved in spatial planning, environmental issues, local democracy activities, etc) received training on the content on the new law. During this course they also learned about participatory rights and responsibilities in the planning sector. The Project Unit conducted two training occasions for the NGO sector: “Training on new legal framework in urban planning” and “Neighborhood projects training”. Both courses aimed at building capacities of NGOs in order to enforce implementation of the Spatial Planning Act. The objective was for the NGOs to learn about neighborhood upgrading linked to the problem of illegal housing development, since the NGOs have a watch-dog role in law enforcement. A manual was published and distributed.

Assessment of municipal capacities

Original project document envisaged that the project should support pilot spatial planning interventions in five municipalities. This would test the new law and established procedures in practice after which final revisions in the law could be made. The idea was abandoned, since adopting the law took longer than planned. The project now concentrates on fourteen municipalities instead where all aspects of possible planning problems are present, including the poor municipalities in northern, municipalities with rich natural and cultural heritage in central, and municipalities under high pressure from private developers in southern part of Montenegro. Representatives of these municipalities participated in a study tour to Slovenia in November 2004 and in the Conference on Public Spaces Management in Belgrade.

UNDP conducted an assessment of municipal physical planning capacities, e.g. assessment of their professional and technical capacity, and approximation to the extent of illegal buildings in their municipality. A survey of existing spatial plans was also included. Results showed great variation between the municipalities. Larger ones like Podgorica or Bar have established municipal planning and building control departments with reasonably good capacity in personnel and equipment while some inland municipalities have none at all. The differences directly depend on the development level of the municipality and thus are notable between coastal areas attracting new private investments and the mountain regions where former state mines or industries are being closed down but no new economic initiatives have been introduced yet. Based on the assessment, the project financed buying and distribution of equipment so that each municipal

⁵⁶ The courses were held for fourteen days or in two one-week packages. A group of 25 to 30 people participated each time.

administration now has a copying machine (A3), computer hardware with enough capacity for drawing maps (AutoCAD), and GIS software. This was a positive example of change especially in the poorest areas.

The new Act has been applied on municipal level since September 2005. They have to start immediate revision of master plans on municipal and urban level. In all the municipalities the real land-use situation considerably differs from what it was when the plans were originally made in the late 1980s. New plans have to be completed within the next three years dealing also with the issue of 'illegal housing'.

The poorest municipalities in North and Central Montenegro hardly have the human or technical (financial) capacity to comply with this requirement. The general development and planning problems differ between the poor municipalities in the north and the inland and the attractive and richer municipalities by the coast. In the first case, the main problem is sustaining or generating economic growth while controlling the growth has to be tackled in the second case.

Proposal of the extension of the project foresees that the Ministry and the UNDP Project will establish a joint spatial planning office for the smaller and stagnating northern municipalities which otherwise would not manage to complete the plans as required by the law. Organizational issues have to be solved, for instance a decision whether or to what extent such office replaces/complements the municipal planning department. A project contribution to the regional planning office could be of help for obtaining necessary equipment and consultation on drawing the plans.

Several problems were thus identified in the assessment but three best practice cases were found as well. Best Practice Exchange Conference was organized on 12 December 2004; 20 out of 21 municipalities participated at this Conference. The examples were presented from Kotor where software was developed for the municipal administration to create a database of all construction planning permits; from Bijelo Polje where all illegal buildings were recorded, the actual situation compared with that on existing plans and a database with pictures was built based on collected material;⁵⁷ and from Tivat with successful implementation of zoning plans. In the latter case, the conditions for new constructions were described instead of giving exact building volumes. Slovenian experiences on GIS use in spatial planning were presented as well. Cooperation with the MSDP GIS project worked well; the GIS project manager was involved in this part of the project which has to be noted positively.

Illegal construction, housing and settlements

The lack of land-use control over housing and other construction has been regarded from the project's start as one of the major multi-sided problems of non-functioning spatial planning process. Slovenian and Albanian experience was presented in front of the Working Group for Regulation of Illegal Construction, as a first activity in the framework of UNDP assistance to drafting Regulation on Illegal buildings. The Slovenian case and of implementing legal and administrative measures (and thus not directly dependent or solved through planning) was presented and discussed at the last training course. A small number of houses and other structures which were "wrongly located" (e.g. in planned infrastructure corridors, infringing on public safety or cultural heritage, etc) were not legalized and had to be demolished. The majority of houses were legalized in an administrative process prior to, or without the condition of inclusion

⁵⁷ Governmental regulation decreed the registration of all the illegal buildings by the end of 2002; most municipalities have not introduced such a register.

in detail plans. A legalization fee was requested. Legalization also meant including the house in taxation and service systems. In another example from the region – Albania – has introduced general and detailed plans for infrastructure and municipal sites (social services) as precondition for legalizing individual houses in spontaneous settlements of Tirana. It was possible to demolish or move a certain number of buildings thanks to a process of participation of the inhabitants of the area. The Slovenian solution seems to have been possible thanks to a fairly ordered and high-level “illegal” construction from the start. The Albanian example is one of dense spontaneous settlement where some elements were needed to upgrade the area.

The Ministry and UNDP established a Working Group to draft regulations for solving the illegal construction related issues in October 2005 (drafting the Informal Settlements Act). The WG will examine and suggest solutions for Montenegrin case by April 2006. The quality of illegal settlements is estimated to be somewhere in between the Slovenian and Albanian cases. Judging from some areas around Podgorica the solution lies probably closer to the Slovenian one of accepting a de-facto reality of reasonably high level “illegal” building changing their status in some simple way introducing fees and taxes. Whatever solution is found it has to be public and equally applied throughout Montenegro; the process supported by a simultaneous public campaign.

Evaluation

Preparation for the Project was properly completed: it gave main guidelines for implementation and left room for necessary changes. The Project was originally planned only for drafting the law, but incorporated later work on five by-laws. This extension was acceptable for the main financier – SIDA that indicates sound project practice and was appreciated highly by the local partner – the MEPSP. The Project Unit worked under high pressure in the first phase, partly caused by the structural changes at the MEPSP and the expressed desire to complete the drafting process as scheduled in the Economic Reform Agenda. The Project Unit was capable of presenting serious arguments against rushing the process and introducing a new deadline, and hence a higher quality law and extensive consultation process was achieved. The MEPSP expressed satisfaction with the process and results. This gives high credits to the UNDP Project Unit. In later stages, the Project Unit has had more time for organizing work and thus has been in a better position to prepare and implement the activities of phases 2 and 3.

The new Act introduced considerable changes in planning procedures but even in some basic spatial planning principles; partly in answer to adapting the EU Directives. Environmental issues have been given substantial consideration as is the practice in Europe today. The new law lists the procedures for public consultation and incorporation of non-professional stakeholder opinion on plans in various planning process stages and thus ensures the **transparency** of the spatial planning process. **Time** for adaptation of plans on various planning levels is **reduced**. **Environmental Impact Assessments** are included as obligatory at all levels. Spatial planning requirement concerns equally the private and public land. The law describes procedures for spatial planning and decision-making process on land-use according to **good European standards** (public participation, environmental concern, relations between administrative and political bodies). The law correctly understands and supports various professional roles of spatial planners which exist in market economies of Europe, i.e. relations between the planners working as public servants and those as private consultants.

The process assessment indicates that the method and practice of **participatory planning** was introduced in Montenegro and the MEPSP realized its importance after initial resistance involving the public and stakeholders in drafting laws. The model of consultative and

participatory planning process was used later by the MEPSP in the coastal areas, which goes to show that real attitude change had occurred among the officials.

Working relations between the MEPSP and municipality officials stayed stress-free and informal and thus the matter in hand could be discussed objectively forgetting about formal hierarchy. This was not the case at the beginning of the process, according to the opinion of interviewed local spatial planner, the Project made this change happen. Some examples of project success are: the capacity building courses were planned and implemented keeping to high standards, on these occasions stakeholder networks were created and the participants expressed themselves highly satisfied with the training courses. The only concern expressed was the shortness of the courses so that both learning and **feedback** on problems rising in law enforcement, public participation, EIA, awareness of citizens, etc has to be crammed in.

The fact that instead of five altogether fourteen municipalities are involved in the Spatial Planning Project, is assessed as positive. Mid-term project report argued for this change. Selection criteria were set as local willingness to participate (motivation) and on existing national park/protected area in or close to the municipality. Thus the selection criteria can be assessed as rational and sensible. Especially the willingness to cooperate was bigger in North Montenegro, since the region has so far been neglected and is twice poorer than the rest of MN. The practical hands-on outcome was that up to three computers were delivered to these municipalities, one powerful enough to be able to work with GIS applications in the future.

The need, essence and usefulness of cooperation between the municipalities and NGOs were understood in practice through joint participation in the drafting process and training.

The acute issue of finding solution to deal with illegal building was included among the activities of the Project and a WG was established. Possible solutions used in Slovenia and Albania were examined. Spatial planning process alone cannot solve the problem, but it is an effective tool to future risk reduction and legalization.

The discussions with the MEPSP on the action plan for drafting the spatial planning law and capacity building in 2005 led to work with the five by-laws, necessary tools for the enforcement of the Spatial Planning Act. This shows flexibility and tailor oriented approach of the UNDP Project Unit which was highly valued by stakeholders.

Establishing international contacts with the Irish and Slovenian experts from the very beginning is positive. Participation in study tours in Ireland and Slovenia as well as attending international conferences is assessed as highly valuable and timely. An initiative to cement long-term cooperation with Ireland has been made by launching a plan of a half-year training course for thirty MN planners in Ireland over the period of next three years. Academic staff will be included among the trainees who could then design the syllabus for spatial planning at the university level in Montenegro.

Functioning, honest, corruption-free court system has key importance in practical law enforcement and makes long-term positive change possible. Regarding the training of judiciary on environmental and spatial planning (incl. EIA) issues, the Project Unit assessed the last four-year period for spatial planning related court cases in all the fourteen pilot municipalities. The conclusion was that the legal system for back-up in environmental and planning issues has to be addressed in a more structured way and has to go hand-in-hand with the overall reform of the judiciary system in Montenegro. Here is one possible future cross-linkage to the activities of the Institutional and Judicial Reform cluster of UNDP. The long-term character of the double

transition process has to be kept in mind. Necessary changes will take the minimum of five years before full results can be observed in practice.

Highlights

The Project strengthened the capacities of republican and municipal governments for establishing a transparent and participatory planning process at all levels with the emphasis on municipal urban planning in fourteen municipalities. This process was facilitated through technical advice and policy support for introducing a new framework law on planning adjusted to the EU standards and through institutionalizing opportunities for public participation in decision-making, appeals and enforcement processes.

The Project achieved more outputs than was originally planned. The core idea was to assist in drafting the new Spatial Planning Act, in addition five by-laws and regulations for dealing with “informal settlements – illegal building” were/will be developed.

One of the beneficial steps in the process is making use of the experience of other countries and applying their standards to Montenegrin context where possible. Thus international connections – study tours, participation at conferences, inviting international experts to national events – are assessed as highlights of the Project. This had a two-fold effect: dealing with the problems of enforcement as well as harmonization of Montenegro’s legislation with the EU standards, which the Government sees as an important part of the process of Montenegro’s integration to Europe.

Very positive is finding that all municipalities were involved from the very beginning in the drafting process, this created a feeling of ownership not only among the MEPSP officials but included all planners who will enforce the Act in the future.

“Thanks to UNDP we have a modern high-quality Spatial Planning Act with additional bylaws, which were originally not thought of. The model of transparent public participation was made tangible for all stakeholders through several very well targeted events. It changed the work environment from top-down hierarchical approach to good cooperation between experts where the institutional set-up was of no consequence. The UNDP and foreign experts have had high-level and useful expertise. UNDP has been flexible and found the necessary consultants in time. ... NGO MANS was very active in urban planning, they were organizers and facilitators of the consultative process.”

Cross project link within the MSDP

Within the project of Strengthening Governance System in Urban Planning in Montenegro, Bylaw on GIS was produced. Main objective of the Bylaw is to regulate the relationships between different stakeholders regarding data supplying and access to information. In addition, Bylaw gives legal basis for establishment of MonGIS center that would be the coordinating GIS unit for whole Montenegro. On the other hand, within the framework of the project Environmental GIS, GIS project unit has been established with the ambition to develop core organizational, management and technical functions of future MonGIS centre. In the first phase, the main function of the GIS project unit is to collect and elaborate environmental data and to develop critical mass of technical expertise for running future MonGIS centre.

Close cooperation between the MSDP projects on GIS and Spatial Planning was indicated. The project teams participated at planning and implementing events of both projects. Providing the municipalities with technical equipment (copying machines and computers) within the frame of the Spatial Planning Project bears well for the future of the GIS Project and supports joint development efforts. Dealing with illegal or unplanned development and poor enforcement

constitute a major threat to sustainability in the context of sustainable tourism and nature protection. Hence cross-linkages between the Spatial Planning, Sustainable Tourism and Renewable Energy projects will be advantageous at a later stage combining strategic directions and land use at specific locations. Localization of Sustainable Economic Development Project (introduced shortly in next paragraph) as continuation of the Localizing Sustainable Development (LoSD) project can be a possible cross-linkage area for the Spatial Planning Project. It will position different local strategic and sustainable development initiatives under one sustainable community umbrella.

Localization of Sustainable Economic Development Project has been designed to be demand-driven and to reflect the need to rebuild the local fabric of state and non-state institutions that typically underpin economic, social and political development. Project's main objectives are preparing a strategy of local economic development in two pilot municipalities in regions of southwest Serbia (Prijepolje) and northern Montenegro (Rozaje), which are certainly the most underdeveloped areas in both republics. Other two objectives of the Project are establishing municipal development fund (MDF), and implementing projects based on the developed sustainable strategy document. Main stakeholders and partners are identified as municipal government, local NGOs, entrepreneurs, international agencies and donors, which operate in Rozaje Municipality area. The main expected outcome of the project is to contribute to alleviation of poverty, reduction of unemployment and overall socio-economic development of two selected municipalities, Rozaje and Prijepolje, using well-structured method of strategic planning and participatory public-policy making. Additional outcomes are (1) established partnership between local authorities, private sector and civil society organizations; (2) Sustainable development principles embedded into local strategies; and (3) multi-ethnic dialogue consolidated and development of participatory approach towards common problems is used. The Project was started in December 2004 with duration 1 year in order to build capacity of local stakeholders in direct communication with donors and investors. This project has so far helped in creating the Strategic document which was based on exact data and viable projects for implementation. MDF was established and it is expected to become operational in near future. The Project was funded by Government of Luxemburg with total budget of 450 000 Euro.

Recommendations:

1. Continuing with capacity building at all the public sector and local self-government levels to ensure that all municipalities can implement the Spatial Planning Act;
2. Establishing the NGO support system for (legal) advice and financing for participation in the spatial planning process;
3. Allocating more time for training e.g. organizing longer courses on a more detailed level and the training of trainers and university level education of planners;
4. Extending the activities focusing on the judiciary reform to include environmental issues (e.g. training for judiciary⁵⁸ on spatial planning, SD, environment, biodiversity, EIA, SIA; public participation, access to info, Aarhus Convention, etc) via cross cluster cooperation;
5. Encourage the public to participate in spatial and urban planning processes through communicating the rights and obligations;⁵⁹
6. Maintaining a track record of project plans and implemented events, project introductory material, user friendly summaries of reports, press releases and action plan for the newcomers to smoothly be included in project work;⁶⁰

⁵⁸ This will improve the court/legal system assisting in creating sustainable civil society and following the European standards for corruption-free court system.

⁵⁹ Public should have clear expectations of a (spatial) plan and/or (sustainable development) strategy.

7. Producing good practical working guidelines for various stakeholders;
8. Establishing joint fund between the Government and the donor to conduct two different kind of spatial plans, (1) supporting spatial plan and general urban plan in more detailed level and (2) on long term strategic planning level;
9. Changing project based approach to community based approach, if adequate: ensure links between different projects and their institutions in one region/municipality.⁶¹

⁶⁰ High staff flow in the public sector seems to be a common problem in (double) transition countries.

⁶¹ E.g. Localizing Sustainable Economic Development has established Municipal Development Fund, GEF Project will have Joint Management Board, Tourism Project has Local Partnerships and Working Groups, Spatial Planning Project will develop participatory spatial planning process, Renewable Energy Project needs local stakeholders to be included into planning process. Local Sustainable Community umbrella concept (Agenda 21) suggests, that there is structure and procedure, where all these project based initiatives meet, discuss and agree an appropriate information exchange and cooperation methods.

3.4 Renewable energy

UNDP in energy sector in Montenegro

UNDP LO in Montenegro recognized at the outset links between the issues concerning energy, environment, and poverty in 2001. Ms. Susan Legro, Regional Coordinator on Energy & Climate Change for Europe & CIS, visited Podgorica in November 2001. She stressed the importance of the linkages in developing Environment and Energy sectors in MN. She also recommended some actions in regard of possible funding from the Thematic Trust Fund (TTF) on Sustainable Energy. In January 2002 Deputy Resident Representative of UNDP LO contacted Dahlberg Associates in relation to a renewable energy proposal. Renewable energy project proposal was seen as nexus between the down side of energy production (CO₂ and SO₂ emissions) and sustainable energy sources. After the finalization of the proposal it was sent to the Swedish, Finnish, and Danish Embassies for consideration of possible funding.

Energy Focal Point for FRY was appointed in UNDP CO in Belgrade in February 2002. Some communication difficulties were experienced in including MN LO in energy network. Mrs. Susan Legro recommended preparing a proposal to TTF in March 2002 focusing on energy environment carbon impact components. Discussing Preparatory Workshop for WSSD a government-related NGO suggested the UNDP proposed title of Workshop "Poverty, Energy and Environment" to be replaced by the title "Ecology, Economy and Tourism". Renewable energy and environment as a topic had not found favor by the donors in MN. This was explained by general consensus amongst bi-lateral donors that MN did not have an energy crisis and by the existence of more acute issues. For instance the issues of cross-subsidy, consumption and conservation were considered more urgent than dealing with the issue of energy generation (renewable or otherwise). FRY based international organizations were also skeptical about the demands in relation to energy made by the MN Government. For example EBRD withdrew a several million euro commitment to the EPCG due to lacking co-operation; World Bank was unable to access the mine that produces the bauxite for KAP; and USAID expressed the opinion that the coal mine and thermo plant at Pljevlja posed an uneconomic environmental hazard and declared that they would not fund its modernization.

Given such feedback UNDP LO had two choices: (a) drop energy as an area of focus, or (b) together with the Ministry for Energy and Economics, using external consultants, conduct overall cost benefit analysis (including environmental impact) of current energy strategy in terms of the state's constitutional commitment to ecological state. The second choice was potentially non-productive, but ignoring the energy issue threatened to undermine the basis for all work on sustainable development in MN. Energy was and is seen as the key to MN's future development.

Despite the efforts of the Resident Representative of UNDP CO in Belgrade cooperation between the Podgorica LO and Energy Focal Point in Belgrade suffered from serious miscommunication, which affected the preparation process of the TTF energy project proposal in April 2002.

UNDP LO organized a high-level donor briefing event for officials at UNECE, USAID and UNDP led by the Director of KAP including a tour of the plant. It was clear that KAP was not only a serious polluter but a significant contributor to Green House Gas (GHG) emissions.⁶²

⁶² It was assumed that the CC (Climate Change) Brief made ready on time and it was seen an ideal GEF project proposal as the approx. 135 aluminum plants world wide contribute 0.5% of all GHGs.

UNDP LO in MN also contributed to preparing the proposal for TTF-Energy led by Belgrade CO. The structure of the Energy Unit was not clear at that stage. Considering the paucity of communication with the Energy Specialist on their side UNDP LO in MN made every effort to discuss the role and possible practices, in case of successful application, in the process of project implementation.

In the summer of 2002 UNDP supported the establishment of the NCSD (providing technical advice only) and funded a local NGO (Zeleni /Greens) to run a National Critical Issue Workshop. The central topic was defining the meaning of Energy and the Sustainable Ecological State. UNDP LO in MN also employed a Renewable Energy Expert at the time who made an excellent presentation, which opened the debate on hidden subsidies. UNDP RR in FRY, Mr. Frank O'Donnell opened the conference, which indicated high-level acceptance of the work in energy sector.

UNDP sought entry point regarding alternative energy/switching energy sources and aimed at LPG Challenge.⁶³ This was discussed at "Sustainable Luncheon" with the Swedish Ambassador in Belgrade in June 2002, also attended by RR, DRR and GEF Focal Point in Belgrade.

In response to several donors' concerns regarding the Energy Act and energy policy in Montenegro UNDP, by invitation of the Government, organized their assessment. Dr. Klaus Sall examined the Act and policy from the sustainability and environmental impact perspective and made recommendations in October 2002. Another expert, Mr. Gary Stuggins from World Bank, expressed his comments and views on new Energy Act.⁶⁴

Comments and interventions in the drafting process of the new Energy Act helped UNDP to find entry point for mini hydro-plant regulation. One of the international experts in the Dr. Rene Castro's mission to MN in December 2002 had focused on energy and environmental issues and made recommendations, how to further develop energy sector.

Project proposals were prepared on the basis of abovementioned recommendations in February 2003. As a follow-up Resource Mobilization Portfolio was prepared in Belgrade excluding the large-scale Energy Environment Nexus projects, prepared by UNDP LO in Montenegro. The official explanation was their high cost.

⁶³ Montenegro is a classic Post Conflict Eastern European country in transition. Almost 60 % of all heating and domestic appliances run on electricity. Heretofore - as part of Yugoslavia - electric energy was so cheap (artificially so) that other forms of heating were just not competitive. However as the country now goes through a double transition process with the price of electricity rising by 50% every six months and blackouts at regular intervals in winter, as the outdated system tries and fails to match demand, many of the poorest members of society can no longer afford the "luxury" of electric heating. Expression of interest in the LPG Challenge was articulated. [UNDP] development efforts; and government interest in and commitment to developing appropriate policy frameworks to increase LPG access.

⁶⁴ The Energy Law should address Third Party Access issues in a broad context, not just for mini-hydro plants. The off-take will be a result of negotiations between the owner of the qualifying facilities and qualifying customers. For off-take that is not bilaterally, contracted clear rules and procedures for dispatch should be established as part of the grid code. Regarding the incentives for renewable energy, this should be taken up as part of tax policy to ensure that environmental externalities can be internalized with the market prices – for example, a carbon tax could be considered. Therefore, the key issue that needs to be addressed in the Energy Act is non-discriminatory Third Party Access to the transmission and distribution system.

Capitalizing on Castro Initiative, the second strand of Advisory Services to the Government (ASG) was launched. A portfolio of 12 projects – under three strategic headings – was prepared and submitted to both the Government of MN and the donors for resource mobilization. These projects formed a program document for creating the Sustainable/Ecological State Strategy for Montenegro. Only one focused on renewable energy, namely the mini-hydro plant strategy, discussed in detail below.

Renewable energy sources

Montenegro's current energy producing capacity is insufficient to meet the need due, in part, to enormous energy requirements of the two antiquated metal processing facilities⁶⁵. The Republic of Montenegro currently spends approx 48 Million USD a year importing 1500 G•Wh of power, that covers almost one third of its energy needs. The State Power Utility Company (EPCG) is the sole national producer gaining a significant amount by burning low-grade fossil fuel (lignite) with large associated costs.⁶⁶ In addition, a long period with electricity prices kept artificially on a low level has led to substantial increase in the use of electricity in private heating (approx 85% increase). In the period between 1980 and 2000 electricity consumption in Montenegro increased three times while no additional capacities have been installed. Comparison of current estimated real costs for production/purchase, transmissions, and maintenance (including depreciation) indicates a 100% undeclared subsidies for private and industrial consumers.

Renewable energy sources are used in a very limited extent in Montenegro despite existing resources. The use of solar energy is very low by European standards. It is used only in heat production in a few hotels and buildings along the coast. Neither legal nor tax incentive scheme exist to encourage the use of solar energy. Biofuels are used mainly in form of firewood. Two large hydropower plants built in the 1960s and 1970s are still functional and have a total generation capacity of 650 MW (producing 1650 G•Wh per year). In addition, there are seven small hydro power plants with 9 MW total generation capacity (producing 20 G•Wh per year). Existing plans of the EPCG focus on large-scale hydropower production that would need enormous capital investment and have serious environmental impact. Environmental NGOs and the local population are strongly against such projects which will inevitably hamper access to funds from international institutions. In such a checkmate situation, the importance of looking beyond traditional and often environmentally harmful solutions is necessary. Additional locations for small hydro power plants can be identified after potential evaluation studies. A Norwegian bilateral aid project is designed to provide necessary equipment; the study should be conducted over a one to three year period for reliable results. Hence first steps have been made in using wind energy – a Dutch company erected one windmill. A single experimental public-private partnership wind power project has been launched. No research, however, on wind or solar energy resources has been conducted in MN. Wind mapping is necessary in order to secure

⁶⁵ These are the Kombinat Aluminum Podgorica (KAP), a 1970s aluminum production plant that was constructed using French 1960s technology and has never been up-graded. This plant alone stands for over the half of the current energy consumption in Montenegro, and the Niksic Steel Plant.

⁶⁶ A major EU funded research conducted over the last ten years has shown that the cost of electricity production using coal or oil would double and using natural gas would increase by 30% when external costs, such as damage to the environment and health, were to be taken into account. It is estimated that the production costs amount up to 2% of the EU Gross Domestic Product (GDP) when the cost of global warming has not been included. Such costs need to be covered by everybody, since they are not shown on energy bills of consumers. The EXTERNE project, involving researchers from all the EU Member States and the United States of America, was designed to quantify the socio-environmental costs of electricity production. This was the first research project ever to put plausible financial figures against damages resulting from different forms of electricity production (fossil, nuclear, and renewable) for the entire EU.

investments in future wind energy development. Biomass energy (sawdust briquettes, using agricultural and forestry residue, etc) might have potential, but also needs to be investigated further. Solar energy might prove to be uncompetitive in electricity production, being too expensive, but can be used for heating water as widely as applied in the Mediterranean region but not yet in Montenegro.

A conference supported by UNDP on Renewable Energy and organized by “The Greens of Montenegro” analyzed the options available for Montenegro in renewable energy. The conclusion was that building small hydro stations would combine local development through establishing SMEs with strengthening the electricity grid in peripheral areas, causing minimal environmental impact in energy sector and facilitating sustainable tourism development.

The Government has passed the new Energy Act that makes provisions for Independent Power Producers (IPP). The Act includes a separate chapter (Chapter VII) focusing on energy generation from renewable energy sources. Article 32 deals more specifically with generation from renewable energy sources in small hydro power plants. In addition, a round table discussion on small hydro power plants was organized by the EPCG with researchers and experts drafting possible development trends in MN. The Government has thus changed the approach on IPPs and small hydro power plants (or has been forced to change it by international agencies that have been engaged in drafting the new Act).

Nevertheless, adopting new legal frame is only a basic precondition for future steps towards using renewable energy sources. The EPCG is still in charge of the licensing process, although the round table initiative indicates a change in attitudes, which will make it easier to “mobilize forces” for small hydro project implementation. The situation regarding pricing, grid connections, use of water resources still needs clarification. Successful cases in developing small hydro power plants and of SME involvement in the process from other countries in the region (Macedonia, Slovenia) could be used as reference (transferring experience). The experiences could speed up the process of defining legal and pricing issues and may set the ground for individual entrepreneurs. UNDP could have a consultative role here.

Creating conditions for the use of untapped small hydro potential – Small Hydropower Plant Development Strategy for Montenegro

The estimated untapped potential of hydropower in Montenegro is more than 80% since only 17% of the 10 T•Wh potential is used today. In the period of 1980 to 1986 viability studies were conducted for constructing 70 units of mini hydropower plants with the capacity of up to 10 MW.

Objectives

UNDP has declared its interest in developing Small and Medium Enterprise (SME) package to facilitate clean energy production in Montenegro developed from a successful World Bank mini-hydro project executed in Macedonia. UNDP’s strengths can also be utilized through building the capacities of SMEs and municipal authorities in renewable hydro energy production.

The proposed project is in line with the conclusions of the NCS of Montenegro and has a potential to serve (when successfully implemented) as a model for development of the IPPs. The project would help to open up the energy market in MN by introducing small companies outside the monopoly of the EPCG. It would also encourage the municipal infrastructure as distinct from central governmental investments in line with the local governance reform (decentralization) ongoing in Montenegro.

The overall objective/intended output of the project is to assist the government in preparation of the strategy for the development of small hydro power plants in Montenegro. The major steps would be addressing following issues: (1) defining conditions for use of available water resources; (2) defining the possibilities of the existing distribution system to include the produced energy; (3) defining conditions for connecting the small power plants to the grid; (4) defining prices for energy produced in small hydro power plants, etc.

Beneficiaries

The main partner and one of the beneficiaries of this project is the Cabinet of the Deputy Prime Minister for Economic Policy and Development. The Cabinet has expressed interest in and readiness to support UNDP's small hydro project. The project has a potential of benefiting local and/or foreign investors when legal and pricing issues are resolved. Local municipalities and/or local SMEs as partners in the concrete small hydro power plants projects would also benefit. Local people gain a more reliable and clean source of energy. Successful realization of this project will create conditions for project replication in other regions. In addition, reduction in carbon dioxide emissions is achieved and in the 30+ years the plants are likely to be in operation.

Renewable energy project preparation process started in August 2004 by drafting TOR; a project for the implementation of TOR was launched in May 2005 when a Croatian company was contracted and is expected to conclude in January 2006. The Rockefeller Brother Foundation (RBF) provided the funding with 35,000 USD and the USAID CHF with 25,000 USD; UNDP's contribution was 7000 USD. During the initial meeting all stakeholders (the MoE, Energy Regulatory Agency (ERA)⁶⁷, NGOs, and experts) were contacted. They had a chance to comment and collectively develop an action plan that when finalized will be presented to the Government. The drafted strategy provides a good starting point but it still lacks clear guidelines for promoting use of renewable energy sources, especially hydro power and concrete incentives how to attract investors. Lack of reliable, up-to-date data on water flows as well as capacity of the Ministry to implement recommendations/actions from the action plan are also big challenges.

Both local and foreign NGO representatives (WWF Serbia and Montenegro) and Slovenian experts commented on environmental issues. They saw the potential in small hydro power plant development in the region. There is no need for constructing big dams and reservoirs, since MN can make use of the hydro power potential of its rivers and waterfalls.⁶⁸ The part of the draft strategy dealing with environmental issues is considered to be fully in compliance with European standards. The governmental institutions mainly commented on technical and engineering issues. UNDP/MSDP will in the interest of sustainability hear both sides, balance the ecological and technical/economic interests for ensuring compliance with the EU regulations from the very beginning.

Assessment

The evaluation of process and documents on development of energy issues under the MSDP umbrella indicated that this process was adversely influenced by internal dynamics in its early stage in 2002-2003. As these issues were entirely outside the control of UNDP LO in MN, it was found that the only possible entry point was through mini-hydro plant regulations.

⁶⁷ Originally a governmental agency, now independent, that determines the energy prices and legislation on renewable energy source use supporting/forcing the Government to reform the sector.

⁶⁸ Croatia has had some negative experience in sediment accumulation in lakes, general destruction of nature, but the overall experiences are positive. It would be crucial to learn not to repeat the mistakes.

In order to get involved in energy sector, UNDP LO in MN needed additional expertise, governmental and/or NGO commitment and funding. Additional expertise was intended to be gained from Belgrade CO, Bratislava Regional Centre (RBEC) or UNDP in New York. Governmental and/or NGO partnerships seemed simple enough to enforce, while direct; but originally the link to GEF went through State Union officials and resulted in communication and cooperation difficulties.

Dropping energy out of the title of the WSSD preparatory conference may indicate governmental disinterest in 2002 in dealing with energy issues in MN.

Areas where less than model co-operation existed related specifically with the CBF and energy. Unilateral actions resulted in the issues related to Montenegro's needs where input from UNDP LO in MN was potentially valuable, being ignored.

The biggest challenges have to be faced in the next phases of strategy implementation. Seventy potential locations for small hydro plants have been listed. All situated in the territory of NPs or protected areas (about thirty) will be excluded. In the final document that will be submitted to the Government, a specific Action Plan and measures for its implementation will be listed. However, in practice, until the adoption of the legal framework and development of adequate enforcement mechanisms and capacities to implement them the challenge (for NGO community and UNDP LO) will be to ensure/monitor implementation of the given recommendations.

The project was only recently launched and thus has not have time for serious impact in society. Its main achievement so far has been creating positive attitudes so that decision makers have started activities on developing the renewable energy strategy and action plan for MN. The project will in future have cross linkages with other MSDP projects, such as the Spatial Planning, GEF Biodiversity Project and Sustainable Tourism Project.

Recommendations:

1. Target of becoming the coordinator of renewable energy policy development in MN;
2. Link to and use the results of the Norwegian study of hydro power potential specific measurements in MN;
3. Drafting a strategy and action plan on renewable energy development for the Government, covering all renewable energy sources (wind, solar, biomass, tidal etc);
4. Support basic and applied research on all renewable energy sources and their potential:
 - a. Completing a 'wind map' for identifying locations for wind parks;
 - b. Extend the possibilities for biomass use: sawdust briquettes, agricultural and forestry residues, waste from timber and wood processing industry;
 - c. Conducting a feasibility study for direct and indirect use of solar energy – to consider the option of providing economic incentives to encourage use of solar energy PV panels;⁶⁹
5. Follow the energy and other strategic policy drafting processes (incl. NSSD) and ensure, that all renewable energy strategies and action plans are included in strategic documents;

⁶⁹ Using PV panels in renovation of old houses can be an option for the future, especially with some support from the Environmental Fund. The MoE has considered solar energy potential in coastal areas for supplying energy for air conditioning and water heating.

6. Facilitate or take concrete steps in the implementation of the Energy Efficiency Strategy that was adopted recently and potentially combine that with a visible public campaign on energy efficiency and sustainable development.

Conclusions

The evaluation of the MSDP/EESDC of UNDP LO in Montenegro was based on desk study/analysis of relevant documents, interviews and material from the feedback roundtable meeting. Qualitative indicators, described in Introduction, were used.

A general conclusion is that the **Objectives** of the **MSDP** were achieved **almost fully**. A non-cost extension project will be finished in the following half-a-year. The extension was mainly caused by external factors, unavoidable in a country embarking on double transition and new projects are already in the process of development with secured initial donor interest/support. The mission of UNDP/MSDP to support Government in the implementation of its Economic Reform Agenda, Poverty Alleviation Strategy and ecological priority programs in the jointly selected key areas of tourism, forestry, energy and spatial planning has been fulfilled.

The MSDP and project **outputs and outcomes are fully in compliance** with MYFF, SRF and with CPAP, the latter one was developed after MSDP. The Government endorsed the MSDP and supported its implementation with human, financial and 'in-kind' resources. The MSDP/EESDC is leading the work for achieving sustainable development in close cooperation with Government in Montenegro and is well focused in its activities following the recommendations of Dr. Castro's team, as well as the Strategic Results Framework and Country Program and Action Plan.

The actors assessed the **cooperation between the clusters** of UNDP LO as being **very good**. Several cross-linkages have been established at team leader and project managers' level. The cooperation was essential in many projects (Spatial Planning and Sustainable Forestry, Sustainable Tourism and Dinarides Ecoregion) and thus the solid ground was built for follow up projects in future.

Cooperation between donors was also evaluated as **very good**. Several joint projects have been implemented and many interesting and promising project proposals are being prepared (the Dinaric Arc, Skadar Lake National Park, and UNESCO World Heritage Site Tour in the Balkans). Donor info exchange is organized on sectoral or bilateral level and is project based. All donors expressed their willingness to continue and intensify the cooperation.

The actors assessed the **program and project management** of the MSDP as being **very good**. The MSDP and specific projects are managed with high professionalism. The ice-breaking role of the UNDP/MSDP in North Montenegro was emphasized, where sustainable development and poverty reduction projects are combined, for example the pilot sustainable tourism project "Unleashing Sustainable Tourism Entrepreneurship in area of Durmitor National Park". The management of MSDP/UNDP was described as responsive and inclusive. High marks were given to effective, high quality and professional work of the office staff in Podgorica.

The actors assessed the **work environment** in MSDP as being **very good**. The work conditions and atmosphere at the UNDP LO in Podgorica were highly appreciated by all interviewees. The dynamics and staff commitment to the issues at hand were noted by everyone who has come into contact with the office.

The actors assessed the **cooperation with stakeholders** as being **very good**. Joint actions were held in order to stop implementation of unsustainable decisions, for instance damaging the environment in the Durmitor National Park and UNESCO Man and Biosphere area in North

Montenegro. All policy drafting projects had public consultation component implemented by NGOs, which indicates good cooperation between the stakeholders who are learning by doing.

The actors assessed that project **outputs and outcomes have significant impact** for positive changes in Montenegrin society targeted in the CPAP. Outcomes will definitely have a long-term impact, which was especially pointed out by the SD advisor of PM/NCSD; all political parties are aware of the importance of the ‘ecological/sustainable state’ concept. Impressive confidence in continuation of building sustainable society/ecological state was expressed independent of which political parties form the next coalition/government. Lack of continuity in achieving the goals has lost valuable time in several other European transitional countries and thus the political stability in supporting sustainable development in Montenegro is notable.

The actors assessed the **overall role** of the UNDP LO and MSDP in Montenegro as having **significant impact** on guiding the development of Montenegro towards the ecological state/sustainable society according to Article 1 in the Constitution of Montenegro.

Evaluation of UNDP/MSDP shows that the organization is able to mobilize funds; prepare, implement, manage, monitor, evaluate projects and plan follow-up activities at a high professional level and thus to be a reliable partner to all the donors, who see their mission as aiding Montenegro in becoming European ecological state/sustainable society and a member of the EU after a accession period of ten to fifteen years. Donor assistance is crucial for Montenegro to pass through the double transition period successfully: the transition from planned economy to market economy and democracy followed by a transition from a neo-liberal “markets solve all problems” market economy to sustainable society, which is economically viable, socially fair and ecologically healthy.



Annexes

Annex 1 Terms of Reference of External Evaluation

To be enclosed as separate file: Annex 1 Terms of Reference of External Evaluation

Annex 2 Agenda of the mission and the list of interviewed persons

To be enclosed as separate file: Annex 2 Agenda of the mission and the list of interviewed persons

Annex 3 Sustainable Development Framework and Indicators

To be enclosed as separate file: Annex 3 Sustainable Development Framework and Indicators

Annex 4 EU sustainable development indicators

To be enclosed as separate file: List of Indicators_EN_EU