

**Semi-Annual and Final Performance Report**

**for**

**CHF International**

**Community Revitalization through Democratic Action – Economy  
(CRDA-E)  
Northern Region, Montenegro**

**Cooperative Agreement Award #170-A-00-02-00102-00**

**Reporting Period: April 1, 2008 – August 31, 2008**

The following report is submitted to USAID Montenegro in accordance with 22 CFR 226.51 and pursuant to Section F.2 of the Cooperative Agreement between CHF International and the United States Agency for International Development (USAID), Award Number 170-A-00-02-00102-00, to provide support for the Community Revitalization through Democratic Action - Economy Program for Northern Montenegro.

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## **I. Introduction**

After more than six years, CHF has completed implementation of the \$24.6 million USAID-funded Community Revitalization through Democratic Action project in the thirteen municipalities of northern Montenegro. In the first three years of the project, CRDA rehabilitated community-prioritized infrastructure in 52 towns and villages across the region. Four hundred and seventeen projects were completed worth \$22.3 million. In the latter three years, the project took on an economic focus (becoming CRDA-‘E’), completing another 220 projects worth \$7.7 million. Nearly half of the project value was contributed by project partners in communities, local and national government, and the NGO and private sector.

CRDA-E began as a two-year project, but was extended a third year, during which over 50 new sub-grant activities were undertaken. Targeted beneficiaries were public institutions and NGOs that serve the private sector and had proven to be reliable and proactive past CRDA-E partners. The extension year work plan set out new and ambitious objectives according to the Foreign Assistance Framework, nearly all of which were met or exceeded (see section III). Among them were the use of public-private dialogue mechanisms to improve the business environment; trainings and consultancies to improve management skills; facilitation of networking events and business linkages for northern entrepreneurs; international and regional promotion of northern businesses; and research and publicity of strategic themes to inform decision-making.

To implement these activities, CHF relied heavily on two local implementing partners: the Foundation for the Development of Northern Montenegro (FORS Montenegro) and the Centre for Sustainable Tourism Initiatives (CSTI). CHF founded these legacy organizations in 2006 to eventually assume the role of leading and implementing development initiatives after the conclusion of CHF activities in Montenegro. During the extension year, FORS and CSTI drove the development and implementation of most sub-grant initiatives – introducing innovations, providing technical assistance, conducting research, and promoting the region’s tourism and investment appeal, all with the intent to stimulate the north’s economy through a more productive use of its assets and people (see sections IV.A and IV.B for more detail). Both FORS and CSTI have also been proactive in attracting alternative donors to achieve long-term sustainability. Currently, they are negotiating partnerships with the upcoming USAID 3-year project.

In addition, CHF’s partnership with MNNEWS, a local Internet Service Provider, has achieved the objectives set out under the Montenegro Connects initiative, funded through CRDA-E and the Last Mile Initiative. Having connected dozens of NGOs and public institutions and assisted in making MNNEWS a viable service provider, Montenegro Connects has brought competition into the market for internet service and has lowered the barriers to access. This should lead to greater internet usage by Montenegrin citizens and businesses in the future, thus advancing their educational and economic development goals (see section IV.C).

In all, CHF has invested \$15.3 million of USAID funds on 637 projects to spur community and economic development in northern Montenegro since 2002. The project created a tremendous amount of goodwill and positive momentum in the region, and is considered a stepping stone to future development by citizens and leaders alike. CRDA-E’s accomplishments were celebrated amidst a rousing crowd of partners and beneficiaries at the closing ceremony in Berane. Attendees were treated to traditional music and dance and parting words by US Ambassador Roderick Moore, USAID Mission Director Michael Harvey, and key stakeholders from the local and national government.

## II. Program Summary and Background

In 2002, CHF began implementation of the Community Revitalization through Democratic Action program, funded by USAID with the support of the American people, in northern Montenegro. Working in 52 communities in 13 municipalities, the program utilized a participatory approach to identify, develop, finance, and implement over 400 community development projects, which generated over \$5 million in income and 23,300 person months of employment.

The implementation of the CRDA program in northern Montenegro exceeded all goals and expectations. It also established USAID-funded support of a growing movement of citizens becoming better connected to both their municipal and republic-level officials and fostered real growth in the informal civil society sector. The following provides an overview of achievements from the CRDA program.

**CRDA Key Performance Indicators and Outputs  
(May 2002 - April 2005)**

| Key Performance Indicators   | LoP Outputs                     | LoP Targets              |
|--|---------------------------------|--------------------------|
| Total Number of CRDA Projects and Activities Initiated               | 417                             | 330                      |
| Number of Civil Works Projects Initiated                             | 125                             | 100                      |
| Number of Civic Participation Activities Initiated                   | 124                             | 100                      |
| Number of Environmental Protection Activities Initiated              | 53                              | 30                       |
| Number of Economic Development Activities Initiated                  | 115                             | 100                      |
| Number of Direct Beneficiary Impacts of CRDA Projects and Activities | 1,109,499                       | 108,000                  |
| Percentage of Community Contribution for all Projects                | 49.15%                          | 25%                      |
| Number of Citizens Actively Participating in CRDA Process            | 57,587                          | No target set            |
| Percentage of Women and Minorities Participating in CRDA Process*    | 28.81% women; 24.87% minorities | 30% women and minorities |
| Income Generated from CRDA Activities**                              | \$5,295,363                     | No target set            |
| Person Months of Employment Generated through CRDA Activities**      | 23,363                          | 10,000                   |

\* Minority is defined as people who do not identify themselves as either Montenegrin or Serb.

\*\* These figures have been revised using the economic indicator formulas that the CRDA Serbia implementers collectively agreed upon with USAID Serbia and Montenegro.

In April 2005, USAID granted a two-year extension to the CRDA program and renamed the program Community Revitalization through Democratic Action – Economy (CRDA-E). As the new name indicates, the program took on an economic focus and began working with a broader range of stakeholders throughout the 13 municipalities of northern Montenegro, including NGOs, associations, municipal institutions, and others in the region. While the transition from a community development themed program to a primarily local economic development program was challenging, it presented numerous opportunities to institutionalize within domestic organizations the development principles that have been key to the implementation of both CRDA and CRDA-E.

### CRDA-E Approach

In conjunction with the implementation of the CRDA-E program, CHF facilitated the establishment of two local NGOs that will continue to provide long-term development assistance to northern Montenegro, utilizing CHF's participatory approach and proven track record of transparency and results.

Recognizing the need for a coordinated and strategic approach to development, especially with European Union accession in the future, CHF leveraged its successful experience in

Bosnia to create a regional development agency for Northern Montenegro. The Foundation for the Development of Northern Montenegro, **FORS Montenegro**, is a locally-based NGO that works to advance sustainable economic development by focusing on regional competitive advantages to improve living standards and economic opportunity. Due to the relationships developed and results accomplished under CRDA-E with a number of local stakeholders, including the community and national and local government, FORS Montenegro is in a unique position to effectively cooperate with and mobilize the resources of citizens, NGOs, government institutions, and regional and international organizations.

The **Center for Sustainable Tourism Initiatives (CSTI)** was founded to work on the development of tourism in northern Montenegro, engaging the principles of responsible and sustainable tourism. CSTI works both on the supply side, working directly with tourism entrepreneurs to improve and expand the array of tourism services offered, as well as on the demand side with a marketing campaign that attracts European and regional tourists, which results in direct business linkages for tourism stakeholders in the north. In doing so, CSTI aims to economically regenerate the region, reduce poverty, and attract investments. CSTI is an active partner of the Ministry of Tourism, the National Tourism Organization, and the USAID-funded Regional Competitiveness Initiative.

With the establishment of FORS and CSTI, CHF changed its approach to working with Local Economic Development Councils (LEDCs). In program year one, LEDCs were responsible for reviewing and recommending new projects submitted by NGOs and government institutions, based on the economic objectives in their respective municipal strategic plans. In program year two, utilizing lessons learned from program year one, CHF focused on developing and funding projects and activities that would result in inter-municipal, sector-based cluster, or regional impact. Given that the LEDCs were municipal based (not sector or regional based), their roles were reduced in terms of project review and recommendation.

In the extension year, programming continues to be driven primarily by FORS and CSTI, in coordination with CHF, to select those organizations and activities which display the greatest potential for economic impact. Working with FORS and CSTI as its primary implementing partners, CHF's CRDA-E Extension Year activities focused on the following four sectors:

1. Sustainable Tourism Development;
2. Agro-Business / Wood and Wood Products;
3. Information and Communications Technologies (ICT)
4. Institution Strengthening

With support from CHF, the CRDA-E partners worked with municipalities, NGOs, ministries, other donor organizations, and implementers to select initiatives with the greatest potential and submit them to CHF for possible funding through the CRDA-E program. Each partner utilized a sector-specific approach, with CSTI focusing solely on sustainable tourism, while FORS focused on the remaining three sectors with some work with tourism institutions.

#### Overall Program Results

Since the beginning of the CRDA-E program in April 2005 through August 2008, CHF and its CRDA-E partners have completed **220** projects and activities across all CRDA-E program sectors and categories, resulting in more than **16,097** economic beneficiaries and **273,888** non-economic beneficiary impacts. The total value of all CRDA-E projects is **\$7,668,649**. Of that amount, USAID has contributed an estimated **\$4,223,362** or **55%** of the total cost of all projects. Partner contributions, including cash and in-kind contributions from citizens, private

firms, municipal administrations, republic-level ministries, local NGOs, associations and others is **\$3,445,287** or **45%** of the total cost of all projects. The average value of each project is **\$34,858** and the average USAID contribution per project is **\$19,197**.

When both CRDA and CRDA-E programs are viewed together, the results are even more impressive. From the CRDA program's inception through the current reporting period, CHF and its partners implemented **637** projects and activities across all CRDA/CRDA-E program pillars and categories. The total value of all projects is **\$29,926,277**. Of that amount, USAID has contributed an estimated **\$15,335,359** or **51%** of the total cost of all projects. The community cost share, including cash and in-kind contributions from individual citizens, private firms, municipal administrations, republic-level ministries, local NGOs and associations, the Montenegro Diaspora and others is **\$14,590,919** or **49%** of the total cost of all projects. The average cost per project is **\$46,980** and the average USAID contribution per project is **\$24,074**.

### **III. Progress Towards USAID Objectives and Performance Indicators**

The CRDA-E program was originally implemented under the USAID **Strategic Objective 2.11: Risk of Political Instability Reduced** and also contributed to the achievement of **Strategic Objective 1.32: Enterprise Growth Increased in High Potential Sectors and Municipalities**. While Intermediate Results for these two Strategic Objectives were tracked on a mission-wide basis using a variety of collection and verification instruments, CHF tracked an agreed-upon set of additional program-level CRDA-E Indicators. This framework and its associated indicators were established through a series of meetings between representatives of USAID Montenegro, and IRD and CHF International in FY05 and FY06. CHF's performance against these indicators through September 2007 is shown in Appendix 2.

In fiscal year 2007, with the introduction of the Foreign Assistance Framework (also known as the 'F Process'), reporting protocols changed. During FY07, CHF continued to track both the new indicators as well as those in the old SO framework which were set out at the beginning of the program in April 2005. Once the first two years of the program were finished, the extension year indicators were developed exclusively with the F Process framework in mind.

#### *Progress Towards CRDA-E Indicators*

During the reporting period, 46 CRDA-E projects passed through various stages of implementation, from approval to project finalization. Prior to each project approval, CRDA-E staff conducted intensive planning and projections with each project owner. During implementation, the CRDA-E team monitored projects to ensure that each was implemented in accordance with its approved plan. As stipulated under the agreed-upon framework, performance indicators were calculated upon approval of project proposals. Twenty-one new projects were approved during the reporting period as FORS and CSTI developed and launched projects targeted at fulfilling newly established extension year work plan objectives.

Targets developed under the F Process Framework are shown below, and with further detail in Appendix 2. The extension year targets were developed according to a new reporting framework, comprised of the following Program Area, Program Element and Sub-Element under the Economic Growth Pillar:

**USAID Foreign Assistance Framework**

Relevant to the CRDA-E Program

- Program Area 4.6: Private Sector Competitiveness
  - Program Element 4.6.2: Private Sector Capacity
    - Sub-Element 4.6.2.2: Sector Supply and Value Chains

**Economic Growth Program Area 4.6 – Private Sector Competitiveness:**

Improve policies, laws, regulations, and administrative practices affecting the private sector's ability to compete nationally and internationally. All elements include not only adoption and implementation of policies, but oversight by elected officials, NGOs and the private sector.

**Program Element 4.6.2: Private Sector Capacity:**

Improve the capacity of businesses to integrate into domestic and international markets through increases in productivity and improvements in corporate governance and the development and application of modern technology and marketing practices. Enhance the capacity of businesses and business associations in terms of their corporate governance capabilities and their application of best practices and technologies to achieve increased production and marketing of products and services. It includes adoption of efficient production processes, improved labor productivity, environmentally-sound management of natural resources and the development of accounting and management systems that can help the company and industry group implement business, labor, product and process standards that enhance business competitiveness. Business capacity development programs may include activities that help men- and women-owned firms and associations respond to these international markets and create regional alliances.

**Sub-Element 4.6.2.2: Sector Supply and Value Chains**

Enhance the capacity of business, industry trade associations, universities, institutes and local government to develop strategies collectively to create supply and value chains for products and services that will compete nationally and internationally; facilitate linkages among all components of chain members; and provide training and capacity building among male and female personnel within academic faculty, trade associations, and business centers so they will be able to guide further development of supply and value chains.

Based on the above framework, CHF broke down Program Year Three indicators into three categories corresponding with Sub-Element 4.6.2.2 and also include some general, 'over-arching' targets. For more detail, see the table in Appendix 2 'Extension Period Deliverables'.

Overarching Indicators

- Develop and complete 30 grant projects which address LED growth constraints. **34** projects were implemented during the extension year.
- Complete 12 regional projects which benefit multiple municipalities in the north. **32** regional projects have been developed and approved.
- 1,000 direct economic beneficiaries of CRDA-E activities. CRDA-E sub-grant activities launched thus far have had **1,800 economic** beneficiaries.
- Generate a minimum 25% of the total project value in cost share. Cost share for extension year activities is estimated at \$517,078 or **57%** of the total project value of \$910,000.

*“Enhance the capacity of business, industry trade associations, universities, institutes and local government to develop strategies collectively to create supply and value chains for products and services that will compete nationally and internationally;”*

- 15 public-private dialogue mechanisms utilized as a result of USG assistance (USAID Indicator). **17** public-private dialogue mechanisms have taken place during the quarter. These include FORS holding four business roundtables to discuss the results of the MSME Constraints study; participation by CSTI in three working groups

assembled by the Ministry of Tourism; one regional tourism fair; one presentation and discussion of results of a study on waste wood commercialization; one conference to discuss the hiking-biking initiative; presentation and discussion of results of a regional socio-economic analysis; public-private participation on a study trip to Austria and Slovenia; a presentation and discussion on energy efficient architecture; a roundtable on tourism services with international tour agents; and three roundtables and discussions on EU agricultural standards in different cities.

- Conduct five research or feasibility studies in key sectors to provide regional stakeholders and donors background information to guide decision-making. **Four** such studies were completed during the extension year: a survey on Internet usage, a tourism survey, a Socio-Economic Analysis of the region and a survey of coastal hotels on sourcing of northern products.
- Research results and analysis distributed to 500 stakeholders and decision-makers. The above studies were distributed to **755** stakeholders or 151% of the annual target. Additional people were informed through the events and through media coverage.
- Advocacy efforts undertaken in coordination with local stakeholders on 5 key issues. The Centre for Sustainable Tourism Initiatives actively took part in conferences, forums and working groups to lobby on the following seven issues:
  - Reducing national park fees.
  - Standardizing regulations for the rollout of the hiking/biking initiative.
  - Establishing a credit line for tourism service providers.
  - Advocating against the existence of unregistered transport companies.
  - Creating an industry standard for pricing consistency among hotels.
  - Need for regional economic development planning
  - Adoption of European Union agricultural standards
- Facilitate development of three municipal strategic plans which take into account national strategies and initiatives and position them for EU accession assistance. After further investigation into the timeliness of this activity and the readiness of relevant stakeholders, we decided that the execution of this activity would not be prudent at this time. We highly recommend that the activity be implemented after the completion of the spatial plan to be carried out by the Ministry of Economic Development in 2009.
- Design and implement three pilot e-government projects and publicize across region. **Three** projects were implemented: the provision of IT equipment to the Berane Tax Bureau and to the Niksic Finance and Planning Bureau to assist them in streamlining their systems and better execution of responsibilities. The third was the establishment of a wireless hotspot in downtown Berane in coordination with the municipality.
- Complete at least five projects to rehabilitate economic infrastructure, demonstrating proven business models in the tourism or agriculture sectors to encourage replication. **Five** such projects were launched: the rehabilitation of lodging facilities at Biogradsko Lake; the rehabilitation of a small cheese production facility in Bijelo Polje; the relocation and rehabilitation of the Berane Local Tourism organization; creation of new mountain climbing routes in Plav; and the improvement of the Bijelo Polje fountain to increase foot traffic and enhance local commerce.

“Facilitate linkages among all components of chain members;”

- Create at least 75 market linkages to businesses in the north worth \$75,000. **202** business linkages were created during this reporting period, leading to **\$92,878** of income for northern tourism service providers.
  - Organize or facilitate participation in five business networking events among entrepreneurs in targeted sectors. CRDA-E organized or facilitated **seven events** during the reporting period: 1) FORS co-organized the Bijelo Polje regional tourism fair; 2) CSTI facilitated participation of northern tourism service providers at the METUBES tourism fair in Budva and the 3) IFT Tourism Fair in Belgrade; FORS and CSTI facilitated participation in the 4) Becici Handicrafts Fair, 5) USAID Regional Competitiveness Initiative Conference and 6) the Pljevlja Ethno-Fair; 7&8) CSTI facilitated the participation of northern tourism service providers in two roundtables with international tourism agents.
  - Create at least five high-quality promotional materials to publicize tourism opportunities in northern Montenegro to be distributed to European tour operators and tourists. **Seven** such promotional materials/mechanisms were created. Two were produced and distributed by CSTI at tourism fairs in London, Berlin, Luxembourg, Budva, and Belgrade. CSTI also contributed a significant portion of content for the publishing of an international guidebook called ‘Montenegro in Your Hands’ and the new edition of the Bradt guide, whose chapters on Montenegro are greatly expanded, featuring several attractions and businesses in the north. CSTI and Montenegro Adventures put significant time into re-working the Montenegro Adventures website, featuring northern tourism destination and also launched a website in cooperation with World Hotel Links which will greatly enhance the north’s exposure worldwide. Finally, CSTI took part in a project to produce the promotional photo stock for northern destinations for use by the Ministry of Tourism, the National Tourism Organization, and several local tourism organizations.
  - Establish wireless Internet connectivity to at least 20 private businesses to promote use of technology and information access as a means to improve commerce. MNNEWS, our partner ISP on the Montenegro Connects initiative, has obtained **45** private business clients which pay for its wireless internet services.
  - Arrange for co-financing on 12 grant projects from public, private or donor sector. **Thirty-six** projects received financing from other parties.
- b) “Provide training and capacity building among male and female personnel within academic faculty, trade associations, and business centers so they will be able to guide further development of supply and value chains”.
- 300 firms (or private entrepreneurs and association members) receiving USG assistance to improve management practices (USAID Indicator). During the extension year **398** firms were assisted to improve management practices.
  - Provide capacity building assistance to five municipal institutions providing services to the private sector through provision of essential equipment and/or skills training. **Eleven** public institutions were granted key equipment or training.
  - Provide follow-up technical assistance to 25 past recipients of CRDA-E grants (mainly associations) to fully leverage grant investments made over the course of the program. **70** past partners of CRDA-E received additional assistance.

#### **IV. Progress in Specific Programs or Initiatives**

After spinning off FORS Montenegro and CSTI in 2006, CHF focused on building the capacity of these organizations' management in the development and implementation of CRDA-E activities in coordination with northern stakeholders. CHF's aim is to make each organization a self-sustainable catalyst for economic development in the region. FORS' mission is to engage and coordinate public and private sector stakeholders across municipalities to implement initiatives which address growth constraints and improve economic opportunity. CSTI focuses on tourism sector development, working on the supply side with tourism entrepreneurs as well as on the demand side in promoting the region and creating market linkages. A third partner, MNNEWS Ltd., was contracted during the previous reporting period to implement the Montenegro Connects project which is creating wireless Internet service for over 100 CRDA/CRDA-E partners. This presents yet another significant development opportunity for the north and other regions.

The table below lists the projects developed and launched during the extension year. Activities in the extension year aimed to continue work in the tourism sector to expand the array of products and services available, enhance hospitality and management skills, and to actively promote tourism entrepreneurs in the region. Projects also provided assistance in the agriculture and forestry sector and reflect a new emphasis on applications in information and communications technologies, as well as ongoing work to strengthen public institutions and NGOs which serve the private sector. Note that each project is categorized under one of these four areas: Tourism, Agriculture, ICT, or Regional Development Institution Strengthening. The majority of projects and activities are led by FORS and CSTI.

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|    | <b>Project Title</b>                                | <b>Partner</b> | <b>Location</b> | <b>Description/Justification</b>   |
|----|---|----------------|-----------------|--|
|    | <b>TOURISM</b>                                      |                |                 |  |
| 1  | Conduct 2007 Guest Survey                           | CSTI/CEED      | Regional        | Survey international tourists on opinions/services in the north and coastal tourists on interest in the north.                             |
| 2  | Expand promotional photo stock for north            | CSTI/NTO       | Regional        | Hired photographer to expand database of cultural and activity photos to be used in future NTO/LTO promotional materials.                  |
| 3  | Pilot Hiking/Biking Tour                            | CSTI/MoT       | Regional        | Worked with rural stakeholders to developed inaugural tour of this Ministry of Tourism initiative; held event to get participant feedback. |
| 4  | Develop High-quality promotional materials          | CSTI           | Regional        | Address lack of quality promotional materials through design, creation and mass distribution of such materials to W. Europe.               |
| 5  | Promotion of north at European tourism fairs        | CSTI           | Regional        | Raise awareness of north as tourism destination in European markets thru participation at major trade fairs in London & Berlin             |
| 6  | Rehabilitate Biogradska Gora facilities             | FORS           | Kolasin         | Improve lodging facilities in cooperation with Austrian project  |
| 7  | Fair Facilitation in Budva, Belgrade                | CSTI           | Regional        | Facilitate participation of 15 northern tourism service providers in regional fairs to improve promotion and management skills             |
| 8  | Montenegro Adventures Website                       | CSTI           | Regional        | Establish top quality website prominently featuring tours, attractions and business in north.  |
| 9  | Regional Tourism Fair                               | FORS           | Regional        | Bring together tourism stakeholders from region to network and discuss sector development constraints.                                     |
| 10 | Montenegro Adventures (service contract)            | CSTI/MA        | Regional        | Support sole agency focusing on services to north. Deliverables include \$20k in business linkages and creation of promotional materials.  |
| 11 | Content for International Guidebooks                | CSTI           | Regional        | Researched and provided content on northern Montenegrin sites and services providers to be used in Internationally distributed guidebook.  |
| 12 | Participation in Ministry Workshops                 | CSTI           | Regional        | Took part in Ministry of Tourism working groups for hiking/biking initiative and credit line for businesses.                               |
| 13 | Business training to lodging providers              | CSTI           | Plav            | Provided entrepreneurial training for small lodging providers in Plav.   |
| 14 | Participation at Becici Handicrafts Fair            | CSTI           | Regional        | Assisted northern handicrafts producers to market their goods at annual fair on the coast.   |
| 15 | Capacity Building of N ksic Cycling Association     | CSTI           | Niksic          | Provided equipment to cycling association to help in development of mountain biking trails and services.                                   |
| 16 | Study Trip to Austria and Slovenia                  | CSTI           | Regional        | Cooperated with Austrian project to bring key tourism service providers to observe eco-tourism services and Austria and Slovenia.          |
| 17 | Familiarization Trips for International Tour Agents | CSTI           | Regional        | Facilitated trip for tour agents to learn of Montenegrin attraction so that they can better market the country as a destination.           |
| 18 | Procurement of Kayaking Equipment                   | CSTI           | Regional        | Cooperated with Austrians to provide equipment to initiative to develop kayaking on Lim and Tara rivers.                                   |
| 19 | Website Development for World Hotel Links           | CSTI           | Regional        | Developed content for tourism website which is linked with global marketing network.   |
| 20 | Mountain Climbing Trail Development                 | CSTI           | Plav            | Cooperated with GTZ to facilitate German alpinists to establish mountain climbing routes in Prokletije                                     |
| 21 | Facilitating Exodus Tours                           | CSTI           | Regional        | Worked with local tourism providers to bring European tourists to northern Montenegro through large British adventure tour agency.         |
| 22 | Handicrafts Equipment and Marketing                 | FORS           | Plijevlja       | Purchased loom to expand capacity and sponsored marketing trip to coast to sell goods.   |
| 23 | Montenegro Adventures (service contract ext.)       | CSTI/MA        | Regional        | Small support to extend contract to continue to create market linkages and promote the north.  |
|    | <b>AGRICULTURE</b>                                  |                |                 |  |
| 24 | Train beekeepers to treat & prevent diseases        | FORS           | Rozaje          | Training requested by beekeepers to improve handling techniques which are expected to increase productivity and reduce losses.             |
| 25 | Establish small rural cheese facility               | FORS           | Bijelo Polje    | In partnership with Zora Dairy and the MEDNEM project, activity will establish model for rural, value-added processing and linkages.       |
| 26 | Promote of EU agriculture standards                 | FORS           | Regional        | Distribute information on EU agriculture standards developed by GTZ. Project endorsed by GTZ and Ministry of Agriculture.                  |
| 27 | Radio Education on Agriculture                      | FORS           | Regional        | Organize local agriculture experts to discuss agricultural themes on weekly radio show hosted by local radio station (no cost to CRDA-E)   |
| 28 | Marketing Assistance for Beekeepers                 | FORS           | Plijevlja       | Re-designed marketing materials and facilitated market linkage to coastal hotel.   |
| 29 | Organic Food Packaging Equipment                    | FORS           | Regional        | Provided food packaging equipment which will allow marketing of product to institutions  |
| 30 | Study Trip to Iowa for                              | CHF/USDA       | Regional        | Organized trip to Iowa State University to learn about animal  |

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|  |   |                |                 |  |
|--|---|----------------|-----------------|--|
|  | Veterinarians   |                |                 | reproductive health technologies.  |
| <b>INFO AND COMM. TECHNOLOGIES (ICT)</b> |   |                |                 |  |
| 31                                       | Train unemployed women in computer skills             | FORS           | Pljevlja        | At NGO Elipsa in partnership with Unemployment Bureau  |
| 32                                       | Train unemployed and municipal employees              | FORS           | Kolasin         | In partnership with Unemployment Bureau, train in computer literacy and engineering design software  |
| 33                                       | IT Equipment to Berane Tax Bureau                     | FORS           | Berane          | Complement initiative to streamline revenue collection process   |
| 34                                       | IT Equipment to Finance and Planning Dept.            | FORS           | Niksic          | To complement initiative to streamline revenue collection process  |
| 35                                       | Internet Usage Baseline Survey                        | Strategic Puls | Regional        | Measure current level of internet penetration in Montenegro as a baseline to assess future impact of Montenegro Connects                   |
| 36                                       | Study Trip to Macedonia                               | FORS           | Regional        | Sent MNNEWS director on trip to attend USAID IT Conference and to observe share experiences with On.NET on Macedonia Connects.             |
| 37                                       | Enhance power supply to ISP                           | MNNEWS         | Regional        | Electricity supply needed stabilizing for ISP to meet Montenegro Connects objectives   |
| 38                                       | Computer literacy training for unemployed women       | FORS           | Plevlja         | Extended training to assist ladies to obtain full certification in computer usage which will help in landing employment.                   |
| <b>INSTITUTION STRENGTHENING</b>         |   |                |                 |  |
| 39                                       | UNESCO Business Training                              | FORS, UNESCO   | Pljevlja        | Business management and marketing training by GTZ-established training org CEFE. Product development training by Etno-Serbia.              |
| 40                                       | Graphic Design Training for Paraplegics Association   | FORS           | Pljevlja        | Training in business and graphic design to improve marketing of sugar packaging business and to help to diversify into business promotion. |
| 41                                       | Socio-Economic Analysis                               | FORS/ISSP      | Regional        | Research will gather key socio-economic data for the north, to pave the way for regional economic development planning.                    |
| 42                                       | IT Equipment to Polimski Museum                       | FORS           | Berane          | Equipment will improve museum's ability to process artifacts, improving exhibits in this tourist attraction.                               |
| 43                                       | Berane LTO relocation                                 | FORS           | Berane          | Rehabilitate improved location for tourism org.  |
| 44                                       | Procure office equipment for Mojkovac LTO             | FORS           | Mojkovac        | Help establish activities of new tourism org. thru provision of essential office equipment.  |
| 45                                       | Project for Public Spaces                             | FORS           | Niksic, BP      | Use PPS methodology to mobilize community leaders to prioritize and implement a project to improve public spaces.                          |
| 46                                       | Berane Eco-Campaign                                   | FORS           | Berane          | Complement municipal initiative to clean up Berane through provision of cleaning supplies and co-finance ad campaign.                      |
| 47                                       | Computer and English training to LTOs                 | FORS           | Niksic, Pluzine | Improve English language and computer skills of nine staff members in recently established local tourism organizations.                    |
| 48                                       | English language courses for municipal staff          | FORS           | Rozaje          | English courses for staff of citizen information bureau and tourism organization.  |
| 49                                       | Educational materials for reproductive health centers | FORS           | Regional        | Texts and materials on various topics relating to women's reproductive health distributed to 6 regional centers.                           |
| 50                                       | Develop FORS website                                  | FORS           | Regional        | Create website to better promote accomplishment and services of regional development agency. Critical step toward self-sustainability.     |
| 51                                       | Etno-Fair   | FORS           | Pljevlja        | Co-sponsored local festival with municipality to promote sale of local products.   |
| 52                                       | Marketing northern goods at USAID Conference          | FORS/CSTI      | Regional        | Facilitated northern producers of handicrafts, honey, tourism services and traditional clothes to market their goods at USAID conference.  |
| 53                                       | Presentation on energy efficient architecture         | FORS           | Regional        | Organized presentation of GTZ research on energy efficient architecture using traditional materials.                                       |
| 54                                       | Survey of Coastal Hotels                              | CHF            | Regional        | Surveyed coastal hotels on their interest and experience in sourcing goods from the north.   |

## *A. FORS Montenegro, the Foundation for the Development of Northern Montenegro*

FORS Montenegro spent the reporting period working on numerous fronts. Not only are they the primary implementer of CRDA-E activities, but they are also implementing activities funded by the European Agency for Reconstruction and Dutch NGOs SNV and Milieukontakt. In doing so, FORS took important steps toward becoming self-sustainable and strengthening their role as a Regional Development Agency for the North. During the extension period, FORS obtained vital experience in identifying and developing proposals for small economic development initiatives in coordination with local stakeholders, which were submitted to CHF. This experience will prove invaluable as the organization moves into a post-CRDA-E era.

### *CRDA-E program accomplishments*

During the reporting period, FORS maintained responsibility for monitoring implementation of remaining CRDA-E projects in addition to being busy at work developing and launching new initiatives for the extension year. FORS Montenegro actively collaborates with local and republic authorities, associations, NGOs, the business community, and citizens of Northern Montenegro on project implementation and new project development. As of the beginning of the reporting period, there were still 24 CRDA-E grant projects overseen by FORS at various stages of implementation. FORS launched and completed an additional seven activities during the reporting period.

### *FORS Montenegro Illustrative Results*

#### 1. Agriculture

USAID and the US Ambassador have shown strong interest during the extension year to explore ways to encourage commerce between northern Montenegro and the southern and central regions as a means of balancing the clear development gap that exists. In February, the CHF Country Director was invited to the Embassy to lead a discussion on obstacles that must be addressed through current and future development activities, particularly in the agricultural sector. At the conclusion of the discussion, CHF agreed to conduct several pilot marketing activities, which took place in this reporting period. In addition, CHF and FORS were able to carry out several learning opportunities to promote growth and education in the sector.

- Survey of Coastal Hotels. To gain insights into the private sector perspective on doing business with the north, CHF and the Center for Entrepreneurship and Economic Development conducted a survey of over 50 leading hotels on the coast and in Podgorica. The aim was to ascertain which of the hotels were doing business with northern producers, their impressions of these business relationships, and the perceived or real obstacles preventing hotels from sourcing from the north. In summary, it was found that most of the hotels did source some products from northern businesses, but most came from a small minority of larger food processing entities. Very little business was done with smaller suppliers. Factors constraining growth of these relationships were a lack of information about northern products, a limited array of products, inconsistent product quality, delivery delays and higher prices as compared to imported options. The next USAID project will have to address these issues in working with northern businesses in order to achieve its goal of strengthening inter-regional commerce.

- Exhibition at the USAID Competitiveness Conference. CHF, FORS, and CSTI arranged for northern entrepreneurs to exhibit their goods at a USAID conference in the coastal town of Pržno. The conference exhibited a diverse array of goods, including: handicrafts, honey, tourism services, traditional clothing, and olive oil. Although the exhibit resulted in some modest sales, its primary goal was to be a networking event where businesses and donor projects from throughout the region learned more about what Montenegrin producers had to offer.
- Creating North-South Business Linkages. Responding to USAID's interest in strengthening commercial ties between north and south, CHF brought together NGO Matica, an Association of beekeepers in Pljevlja, with Hotel Mediteran of Ulcinj. Matica was looking for opportunities to expand its market outside of Pljevlja while Jim Costa, the manager of the Mediteran, jumped at the chance to replace imported honey with high-quality local product. CHF used the opportunity to showcase the sale as an example of the prospects for northern businesses to capitalize on the growing southern market. On July 23<sup>rd</sup>, a press conference was held in Pljevlja in which Ambassador Moore, USAID OIC Joe Taggart, and other involved parties took part to express the significance of the event in the context of future opportunities for greater inter-regional business development.



#### CHF Partners with USDA to send Montenegrin Veterinarians to the U.S.

Though northern Montenegro's terrain limits its crop potential, it has the potential for strong growth in animal husbandry. Unfortunately, Montenegro's meat and dairy sector are still struggling, lagging in investment and modern veterinary techniques, leaving dairy and meat processors to import much of their raw material.

To help remedy this, the Belgrade office of the USDA approached CHF to propose co-financing of a trip for the Association of Montenegrin Veterinarians to take a study tour to Iowa State University to learn about livestock reproductive technologies, extension services and other veterinary care practices. The three week trip took the veterinarians all over the state, visiting cattle, pig and poultry farms, observing vast fields of corn and soy, and fulfilling a curriculum that concentrated on practical learning.



Among other lessons, they were shown how to conduct embryonic transfers and ultrasound analysis; they learned of the composition and importance of high-quality cattle feed in animal productivity and health; they studied the operations of a modern dairy operation which included milking parlors, productivity analysis, silage production, hygienic practices and waste management; they toured a vaccine production facility and lectured on the importance of preventative medicine.



During the tour, their hosts also treated them to a glimpse of American culture, visiting both Chicago and Minneapolis which left the group with very memorable impressions (and a few souvenirs). Upon their return, the Veterinarians produced a report of their trip which was submitted to CHF and the Ministry of Agriculture. The Association will hold workshops for their colleagues in October in both Danilovgrad and Bijelo Polje and will present the key findings of their trip at a nationwide conference of veterinarians in the Fall.

*Center for Organic Vegetable Production - Danilovgrad Greenhouse*

Organic production in Montenegro is a relatively new trend. One of the pioneers in this field is the "Association of Greenhouse Vegetable Producers," which is based in Danilovgrad, but has 120 members throughout the country. Their goal is to strengthen the agriculture sector by tapping the potential for organic food production. Eventually they would like to export the goods, exploiting the global trend to consume organically produced food.

The Association gained support through a grant from the USAID-funded CRDA-E program. The project enabled them to construct two additional greenhouses covering 5000 m<sup>2</sup> which will be used for organic production. Part of the area will be used for organic production of seeds. This will enable farmers to buy organic seeds at lower prices, reducing production costs.



The aim of the project was to fully utilize the advantages of the pristine environment in Bjelopavlici, a strip of fertile land in central Montenegro known for its favorable climate conditions, clean water, and unpolluted air. At the moment, the largest part of the greenhouse is used for production of organic pepper for which there is strong demand. At the end of a season they plan to produce organic seeds.

This project had an impact on the conventional producers to start producing organically because there are opportunities to export the goods. The project had also an impact on yields, which are much higher in greenhouses than in open air.

Realization of the project resulted in producing three full-time jobs and six seasonal jobs, and it is expected that the project will generate much more once fully operational. The total value of the project is roughly 70,000 €. USAID, through CHF International/Montenegro, provided 50,000 €, the Ministry of Agriculture 12,500€ and the rest has been provided as in kind contribution by the Association.

- **Introducing organic food to the market.** A long-time partner of the CRDA-E project, the association "Healthy Food Production" opened a small store in downtown Podgorica to market local and imported organic foods. Along with their periodicals on organic food production, the association hopes to popularize the business opportunities and health benefits of organic food to establish a market in Montenegro. Currently, most of the products at 'Bio-Montenegro' store are from other countries because local organic producers have yet to package, brand, and market their food. Instead local products are sold in bulk, and displayed in open bags and crates. In attempts to market local organic food to institutional buyers, the association was told that packaging was a pre-requisite before they would consider becoming clients. As a result, they came to CHF and FORS to apply for a grant. Through funding from CRDA-E and the Ministry of Agriculture, the association was granted simple packaging machinery which will enhance the presentation of local organic products at the Bio-Montenegro store and open up the possibility to sell to larger buyers. The equipment is expected to significantly expand their sales and to advance their goal to expand organic food consumption in Montenegro.



### *Wood Waste Products in Bijelo Polje Processed into Renewable Energy Source*

Responding to a potential environmental threat in their community, NGO Vranes applied to the CRDA-E program for equipment to process sawdust and other wood waste into an alternative energy source – wood briquettes. Many wood processing facilities in the region do not have an adequate means of disposing of waste products such as sawdust. As a result, they are often disposed of in local lakes, rivers, and forests, negatively affecting these delicate ecosystems.



NGO Vranes recognized that the production of wood briquettes would solve the disposal problem of processors while developing an effective renewable source of energy. With briquette-making equipment provided through the USAID-funded CRDA-E program, NGO Vranes recovers sawdust from two local sawmills and compresses it into wood briquettes which are then sold on the local market as a substitute for wood and coal for heating homes, schools, and businesses in the winter. This is a win-win situation as the sawmills dispose of their waste product, NGO Vranes gets a free source of raw material, and river eco-systems avoid damage and deforestation is slowed. NGO Vranes invested \$35,000 of its own money to buy a drying machine and to construct a building for the facility. CRDA-E contributed just \$12,000 for the equipment.

Production began in June of 2007. The NGO Vranes facility has the capacity to process 150-200 tons of sawdust monthly, or about 2,000 tons annually. The briquettes are packaged in 25 kilogram paper bags, which are sold in the market for 2.50 Euro each. Currently two people are employed full-time at the facility to operate and maintain the equipment. Processing of waste wood into briquettes has created conditions for a healthier environment in the Bijelo Polje municipality. According to Mr. Vidoje Moracanin, the President of NGO Vranes, "Procurement of this equipment solved the problem of wood waste disposal in the region and created conditions for a clean and healthy environment." The project can serve as an excellent example of how environmental protection can lead to good business and will hopefully catalyze the launch of similar ventures.



- Stimulating fruit production in the north. The Ministry of Agriculture contributed funds to purchase seedlings to help establish the Continental Fruit Nursery in Bijelo Polje. Currently, horticulturists must import tree stock to replenish their orchards. The Center for Agricultural Development in Bijelo Polje intends to remedy the problem by establishing a facility in the north to serve the region and country. The climatic conditions in Bijelo Polje are well known for their suitability for cultivating fruit trees. CHF contributed to the project by building a protective fence around the cultivated area, which was completed in August. The Association also has a working partnership with Dutch NGO SNV to gain technical assistance on the venture. Association leader Dejan Zejak was sponsored on a trip to Holland to visit several nurseries to gain insights on horticulture and management. As a follow up a Dutch expert visited the future nursery site to make recommendations on needed steps and appropriate plant variations. The planting of the first seedlings will take place this fall and the Continental Fruit nursery will commence marketing its saplings in the spring of 2009.

## 2. Tourism

- Becici Souvenir Fair. Last year, CHF and FORS Montenegro completed an assessment of handicrafts producers to determine the array and quality of products currently made in the north as compared to the demand for products by retailers in the south. To follow-up on this activity, FORS and CSTI identified 10 promising regional artisans and facilitated their participation in the annual Becici Souvenir Fair. Few of these artisans had engaged in marketing of their goods outside their home region. Beyond the opportunity to sell their goods to a larger market, FORS and CSTI also provided guidance on how to display their goods and how to approach and negotiate with potential buyers. The event resulted in over \$1,700 in sales for the artisans, several new business contacts, and most importantly an essential lesson on the significance of aggressively marketing their goods.



- Helping Berane Local Tourism Organization (LTO) relocate to better serve visitors. Located on the fifth floor of a residential building in a 10m<sup>2</sup> office, the staff of the Berane LTO was in an ill-suited location to carry out their mission of promoting tourism and disseminating information to visitors. After a lengthy negotiation process, the Municipality of Berane gave the LTO the opportunity to relocate its office to the first floor in a spacious 72m<sup>2</sup> office. Through the CRDA-E program, CHF and FORS refurbished the space and provided office equipment necessary to carry out LTO functions. Upon completion of the project, CHF joined LTO Director and staff to celebrate the opening of the new office in June. Furthermore, CHF included the LTO on its tour of site visits by the US Ambassador and USAID Mission Director prior to the CRDA closing event. CHF, FORS, and CSTI have also partnered with the LTO in the past year by facilitating their participation in tourism fairs in Budva and Belgrade and inviting staff on a study tour to Austria and Slovenia.

- Improving essential key tourism infrastructure. Despite being one of the most popular destinations for visitors to the north, the 12 cabins adjacent to Biogradsko Gora Lake had just a 19% occupancy rate during the 2007 season. Part of the reason is that they were structurally flawed, letting in moisture and cold which created uncomfortable conditions for guests. The Austria-Montenegro Partnership invested in the improvement of the lodging facilities and asked CHF to make improvements on the common washroom used by guests. The project was completed shortly before the start of the season in June. As a result the occupancy rate doubled to 38% in 2008, and will continue to grow as tourists discover the improved facilities. Montenegro Adventures has also established a relationship with the facility and has begun to actively market the destination. A ceremony to celebrate the opening of the newly rehabilitated facilities was attended by hundreds of visitors including the Deputy Chief of Mission from the US Embassy, the USAID Deputy Mission Director and Officer in Charge, the Austrian Ambassador, and the Director of the Austrian Development Agency.



### 3. Better Access to Information and Communications Technologies (ICT)

At the forefront of CHF's strategy to improve access to and usage of ICT in northern Montenegro is the Montenegro Connects Initiative. The project has provided subsidized wireless Internet service to 90 NGOs, schools, health stations, and public institutions, enhancing their operational efficiency, reducing costs, and improving learning opportunities. An even more important result will be the establishment of a wireless Internet infrastructure, which will break the current monopoly for services, expand access, reduce service fees, and ultimately increase the level of Internet usage (for more details see *section IV.C.* of this report). Aside from Montenegro Connects, CHF is also leveraging past grant investments to encourage increased usage of ICT among citizens, job-seekers, and in government services.

The last report mentioned the opening of two citizen information bureaus in Berane and Rozaje, which will centralize and streamline services provided to citizens. In addition, IT equipment was provided to the revenue collection offices in Berane and Niksic to enhance and simplify tax payment and collection to businesses. Computer literacy courses were held in Kolasin, Pljevlja, and Bijelo Polje to improve employability of job-seekers. CRDA-E also arranged computer and English trainings for Local Tourism Organizations in Danilovgrad, Niksic, and Pluzine. The following summarizes ICT activities during this reporting period.

- Internet Usage Survey. In relation to the Montenegro Connects Initiative, CHF funded a survey of Internet usage in Montenegro to act as a baseline to track how quickly Internet usage increases over the coming years. Notable results include the fact that just under half of households have computers and less than one-third of those have access to the Internet. Consequently, household Internet usage stands at just 15%. Though this is roughly in line with neighboring countries, the rate is considerably lower than the EU rate which stands at about 60%. The data also shows that more males use the Internet than females and that use is far more predominant among those who are younger, more educated, have higher salaries, and who live in the capital or on the coast. CHF has left the study with USAID to use as a reference point for future surveys. With the Montenegro Connects Initiative, it is expected that household Internet usage will accelerate.
- Establishing wireless Internet hotspots in the north. Through the Montenegro Connects Initiative, wireless Internet connectivity was made available to northern Montenegro as of July 2008. Though not a project deliverable, MNNEWS – CHF's ISP partner on the initiative – made Tivat the first wireless city in Montenegro through a partnership with the Porto Montenegro venture. Director Danilo Cetkovic did not want to stop there. He suggested meeting with the Mayors of Bijelo Polje and Berane to propose establishing two wireless hotspots in the downtown areas of these cities. The proposal was met with enthusiasm by both Mayors. Subsequently, Berane's wireless hotspot was up and running within two weeks, allowing citizens to access the Internet on their cell phones and laptops for free. The Bijelo Polje hotspot should be operational in October. Though this was not in the original project design and came about with no funding from CRDA-E, it reflects the strength, creativity, and flexibility of our partnerships.
- Improving computer skills of unemployed women. In 2006 NGO Elipsa in Pljevlja was equipped with computers, a projector, and a printer under the CRDA-E program to improve its Internet Center. In 2008, FORS approached Director Zeljko Dragas for ideas on how to use the center to educate the local population. Mr. Dragas suggested that training for unemployed women would be helpful because of high unemployment and low computer literacy among women in Pljevlja. FORS then contacted the local employment

bureau which confirmed this claim. The Bureau had no difficulty finding an interested group of 30 women to participate, even though they had to make a modest cash contribution. The first module of training toward obtaining a European Computer Driving License (ECDL) certificate was completed last reporting period. After confirming the trainees' satisfaction with the instruction and their ongoing interest in obtaining the certificate, CHF, FORS, and NGO Elipsa arranged for the final module to earn the certificate. Training was completed in July and testing was done in August. Finally, after several months of training the women were awarded their ECDL certificates, which provides them with an important credential and confidence in their search for jobs.



#### 4. Regional Development Institution Strengthening

In order to capitalize on growth and donor opportunities, public and private institutions will have to take a more proactive and communicative approach to planning, budgeting, and investing within and across municipal borders. CRDA-E institution-strengthening activities begin with support of FORS and CSTI. With the credibility earned and the network of contacts in the public, private, and NGO sector developed over the past several years, no organizations are better poised to lead regional development initiatives and span the communication gap between local and national government. In addition to their role as primary implementing partners of CRDA-E economic development grants, some projects will fund necessary research and capacity building to provide a foundation for the future activity of these organizations. During the reporting period, CRDA-E continued its support to select public institutions (see previous section as well) that show strong motivation to improve service delivery and have an identifiable need that can be addressed through CRDA-E support. The NGO sector is also a target for assistance, as the civic activism of these groups is an important element in the development of the region as they have the potential to lead development initiatives to provide input and impose accountability on decision-makers.

- Essential Equipment to the Polimski Museum. With roughly 3,000 exhibits, the Polimski Museum is one of the most important institutions in Berane and the region in its role to preserve the cultural heritage. However, the museum lacked the equipment needed to conduct its basic research, promotional, and administrative functions. For instance, they were in need of a high-quality camera to be able to meet their obligation of creating an electronic exhibits' database and a projector to be able to present their activities and hold events. To enable the museum to better carry out its core functions, CRDA, in partnership with the municipality and the Austria-Montenegro partnership, procured a high-quality digital camera, a projector, a laptop, and a laser printer.
- Supporting Environmental Clean-up. CRDA-E partnered with the Municipality of Berane and the Lim Fishermen Association to support the Eco-Campaign in Berane to clean the Lim riverbed which runs through the town of Berane. The city hired 70 temporary workers for this activity while the Association "Lim" provided 30 volunteers to take part in this three-month activity. The main goal of this project was to improve environmental conditions by cleaning riverbeds, rivers, and green spaces, and clearing dumpsites while generating income for workers and raising awareness. CRDA-E supported the project through the procurement of tools and clothing for the clean-up. As a result, Berane was cleaned and ready for the summer tourist season. The Municipality of Berane together with donors and community members will continue to support similar projects each year.

### NGO Viva Vita – Preserving Tradition through Handicrafts Production

The lagging economic growth in northern Montenegro disproportionately affects women. It is very difficult for women to find employment in a situation when most public enterprises are privatised and traditional customs dictate that family obligations are a priority. At the same time, many women in the region continue to express their traditional way of life through handicrafts production. Since tourism in the north is relatively new, there has not been a ready market for these products, and thus their talent and hard work in this craft has not been valued. Now, however, with a growing tourism market, handicraft production presents a very real commercial opportunity.

Still, there are several factors restraining growth, including a lack of investment capital, market sensitivity, and business acumen. Through funding from CRDA-E and an UNESCO initiative to improve economic prospects among women in the Durmitor region, FORS Montenegro partnered with the women's NGO Viva Vita based in Pljevlja. The initial project funded two very successful trainings in marketing and product development as well as providing basic equipment and materials to expand their operations. The jointly funded project went on to assist Viva Vita in marketing their products to local retail outlets in Durmitor National Park and Pljevlja Municipality.



The enthusiasm and aptitude shown by the ladies soon led to follow-on activities. The artisans displayed their crafts at a Women's Day exhibit in Pljevlja, receiving an award, and were invited by FORS to take part in the Becici Souvenir's Fair and USAID Conference in May on the coast. In June, Viva Vita displayed their goods at the Pljevlja Ethno Fair. Sales from these events exceeded 1,500 Euro.

CRDA-E partners weren't the only ones impressed. Not only were they successful at making sales, the Mayor of Pljevlja declared that he would provide space in the city's new ethnic museum for a workshop which will double as a display of traditional art work. He has also started using their work as gifts for visitors to the municipality and has purchased products valued at 2,500 Euro. The project outcomes have also been very well-received by the public and repeatedly featured in local print and broadcast media.

Stressing the importance of marketing, CHF sent Viva Vita and FORS on a client search trip to the coast in July, arranging meetings with some of the most prestigious hotels. It was not only an important learning experience but a great success. Viva Vita secured an additional 5,000 Euros in orders and numerous important business contacts.



CHF is extremely pleased with the project results, largely because most of the initiative and entrepreneurship came from the beneficiaries themselves. We expect that Viva Vita will be at the forefront of a movement to revive the production and marketing of traditional Montenegrin handicrafts to meet surging demand in the growing tourism market.

*New Business Development*

Since its founding over two years ago, FORS Montenegro has become increasingly able to identify and develop proposals for donor opportunities. This capacity is of particular importance now that CRDA-E has closed if FORS Montenegro is to fulfill its goal to continue to lead develop initiatives in the north. During the reporting period FORS completed several small donor activities for the US Embassy, UNESCO, SNV, Milieukontakt, and the Ministry for Protection of Human and Minority Rights.

Numerous other donor opportunities are in the works as of the end of CRDA-E. Most prominently, FORS management is negotiating a role in the new USAID-funded Global Sustainable Tourism Alliance project to be implemented by USAID. Securing a primary role in this three-year \$10 million project would be a boon to the NGO's long-term viability. FORS is expecting to extend Milieukontakt's forestry project to develop a 'Green Agenda' in Mojkovac. FORS and SNV are developing a project for Albania and Montenegro to be submitted to the EU's Cross Border Cooperation program in October. In addition, FORS is awaiting response on two EC projects and a World Bank rural development project in October.

The table below summarizes donor activity and proposal development efforts in the latest reporting period.

| <i>Donor</i>                            | <i>Project</i>                            | <i>Amount</i>     | <i>Status</i>                    | <i>Comments</i>   |
|---|---|-------------------|----------------------------------|---|
| <b>COMPLETED</b>                        |   |                   |                                  |   |
| UNESCO                                  | Improve women's business skills           | \$7,000, 3 months | Completed in May                 | FORS continued work with NGO to market handicrafts                          |
| SNV                                     | Create assoc.'s of private forest owners  | 16,000€, 4 months | Completed                        | Follow-on being discussed with SNV/Lux Dev.                                 |
| US Embassy                              | Facilitation of food branding consultancy | N/A               | Completed in June,               | Successfully facilitated week-long consultancy                              |
| Milieukontakt International             | Green Agenda Process in Mojkovac          | 3,000 €           | Completed                        | 1-year follow-up being negotiated   |
| Ministry for Protection of Human Rights | Improve Economic Status of Roma Families  | 52,000 €          | Completed in June                | Procured agricultural equipment for families in Niksic, Pljevlja and Berane |
| <b>PENDING</b>                          |   |                   |                                  |   |
| US Department of Defense                | Social Infrastructure Rehabilitation      | \$40,000          | ToR submitted                    | Rehabilitate hospital and two schools                                       |
| EC                                      | Rural Development                         | 200,000 €         | Submitted                        | Results expected in October   |
| EC                                      | Econ. Development                         | 120,000 €         | Submitted                        | Results expected in October   |
| SNV                                     | Cross border cooperation                  |                   | Assessment Finished              | Proposal to be submitted in Fall 2008                                       |
| USAID/AED                               | Global sustainable tourism alliance       | TBD               | Negotiating partnership with AED | Project starts in October   |
| <b>DECLINED</b>                         |   |                   |                                  |   |
| World Bank                              | Create /market Organic Fruit Juice        | 195,000 €         | Submitted                        | Proposal not approved   |
| EC                                      | Environmental preservation                | 150,000 €         | Submitted                        | Proposal not approved   |
| EC                                      | Media                                     | 130,000 €         | Submitted                        | Proposal not approved   |

Core Management Team and Operations

In summer of 2007, the FORS Montenegro Management Team underwent significant change as a result of the downsizing and restructuring process that occurred last year. The reduction of program funds and staff last summer and the establishment of a new and simplified activity-based management structure led to a solidification of the organization, making it consistent with EU best practices for a Regional Development Agency. The core management team assumed full responsibility at the beginning of the CRDA-E extension year for operations as an independent implementing organization working with CHF International and other donors.

During the reporting period, FORS Montenegro continued to scale down its operations in preparation for the conclusion of the CRDA-E program. The contracts for the Strategy and Planning Manager and the Senior Administrative Assistant were not extended and four program officers departed: three for other opportunities and one for maternity leave. An administrative assistant was hired. This leaves FORS at its smallest size yet with nine staff. At this size, it is more conducive to cost-effective handling of an array of smaller activities from various donors, thus improving its chances at long-term sustainability.

Organizational Capacity Building

FORS' reorientation from a grant-making organization to an independent Regional Development Agency requires capacity building in several areas. To assist in this process, CHF engaged Zoran Radic, an experienced CHF staffer from its Bosnia program. Mr. Radic worked with FORS on application of the model by which a successful Regional Development Agency in Central Bosnia and Herzegovina was established. Mr. Radic continued supporting the new organizational and management structure and assisted the organization to prioritize, develop, and launch foundational program activities which will solidify FORS' role as the development catalyst in the North. Mr. Radic worked with FORS Montenegro management from May 2007 until May 2008. Other capacity-building measures include:

- The FORS Executive Director attended a conference in Brussels for NGOs in South East Europe on an invitation by European Commission for Enlargement Olli Rehn.
- The FORS Finance Director attended the conference "PARKS FOR ONLY ONE WORLD" in Reggie Veneto Italy, by invitation of National Park Dolomite. The purpose of the Conference was to examine policies and best practices in Italy, Europe, and around the globe with regard to nature conservation and national parks.
- FORS continued to work with seven other organizations on designing the capacity building program to be financed by Dutch development organization SNV. The final plan and commencement of capacity building should take place in November.

***B. Centre for Sustainable Tourism Initiatives (CSTI) & Montenegro Adventures (MA)***

Following the tourism asset mapping initiative carried out in 2005, CHF International decided the most effective avenue to develop and market the tourism potential in northern Montenegro was through the establishment of a local tourism NGO along with a commercially registered subsidiary travel agency. At that time, the regional NGOs, travel agencies, and associations in the tourism sector in northern Montenegro did not have the vision or capacity to conduct coordinated tourism development activities. Two organizations working together in coordination with CHF could address deficiencies in the supply of tourism services and on the demand for these services.

*CSTI and MA Illustrative Results*

Since their establishment, CHF International has worked with CSTI and MA to set clear goals for development of both the supply and demand sides of the tourism market in northern Montenegro while contributing to the regional and national dialogue on broader development issues. Together, CHF and CSTI/MA prioritized initiatives relating to 1) *strategy and planning*, 2) *product and service development*, 3) *capacity building*, and 4) *promotion and business linkages*. Being that this reporting period coincided with the high-season in Montenegro, CSTI/MA focused largely on product/service development and business linkage activities.

1. Product/Service Development and Capacity Building – With abundant natural attractions, but limited complementary products and services, CSTI and MA immediately recognized the need for development within the adventure and eco/cultural tourism markets in northern Montenegro. Together, the organizations designed pilot tours to better understand the current supply of products and services, existing and potential market demand, and the expectations of potential tourist-customers. By facilitating pilot tours, CSTI and MA brought income and experience to partner tourism businesses while identifying gaps in tourism services and targeted capacity building needs. Further, by beginning with pilot tours, CSTI/MA gained credibility with their partners by combining the tangible results of a business relationship (customers and income) with the resources and sector expertise of NGO assistance (market information and training).

CSTI works directly with tourism entrepreneurs to adapt products and services to meet the needs of consumers. Starting development of pilot tours in the 2006 season, CSTI/MA has since designed more than 40 tours through strong coordination with local stakeholders. During this time, CSTI/MA has also conducted 90 tours and conferences and expects this number to grow steadily. Tours and conferences range in size from 1-2 people to more than 40 and typically bring business to an average of six tourism entrepreneurs per trip. In preparation for each tour, CSTI/MA works closely with local service providers learning first-hand their limitations and providing personal, on-site business training and consulting. CSTI capacity building activities have focused on entrepreneurial lodging providers, guides and tour operators to improve their readiness to create satisfied, repeat customers.

As municipalities recognize the importance of tourism, CSTI works with government sponsored Local Tourism Organizations (LTOs) to establish stronger linkages between them and the private sector businesses which they aim to assist. Experience shows that capacity building connected with the potential for business linkages is the most effective way for CRDA-E to improve business practices. This approach reinforces the complementary relationship between CSTI and MA.

- **Capacity Building and Product Development with Exodus Tours.** CSTI Program Manager, Svetlana Vujicic, participated in the Exodus-led guide certification training. This was followed by a familiarization tour for eight Exodus-certified guides to test tours developed by CSTI. Based on their experience, Exodus selected two tours for inclusion in their internationally viewed catalogue. The first tour is an eight-day trek throughout Montenegro, focusing on the north; the second is an 11-day regional discovery tour that includes Montenegro, Bosnia-Herzegovina (BiH) and Croatia (Dubrovnik). The tours can be viewed at <http://www.exodus.co.uk/brochure-request.html> (see pages 47 and 50). Montenegro Adventures will handle Exodus tours as a sub-contractor of Green Visions from BiH, a travel agency with a two-year relationship with Exodus. This has already led to the first two Exodus tours in Montenegro, held this summer. See the text box below for more detail.

### Learning about Sports Tourism in Austria and Slovenia

In cooperation with the Austria-Montenegro Partnership, CHF and CSTI co-organized a week-long study trip to Slovenia and Austria for 15 tourism stakeholders in northern Montenegro. The aim of the trip was to expose Montenegrins to European Standards in adventure and sports tourism products to better prepare them for hosting tourists and to inspire ideas. Participants included representatives from small tourism service providers, associations, local tourism organizations, and the National Tourism Organization, all of whom were selected for their level of influence and initiative in the sector. Two journalists were also invited to ensure that the broader public learned about the event.

The trip program was split into two parts: the first part focused on sports tourism such as rafting, canyoning, kayaking, biking, fly fishing, free wall climbing, adrenalin polygons, and a visit to the biggest National Park in Austria. The second part studied past Cross Border Cooperation (CBC) at the border triangle between Austria – Italy – Slovenia which included a visit to natural Katuns and cultural monuments. The trip was designed in a way to experience these products first hand and get informed on the evolution of their development over the last two decades.

Participants gained exposure to tourism products that are new or poorly developed in their home country. Having visited the Northern and Southern Alps in Austria, the group got a sense of the tourism potential of national parks by visiting the largest in Austria. The park generates a lot of business around the nineteen picturesque towns that lie in the middle of this diverse natural area by offering a complete array of services, including swimming, hiking, cycling, mountain biking, horse-back riding, fishing, golfing, and paragliding.



A good example of how private entrepreneurship has used natural resources to fill a service niche was evidenced through a visit to the Gasthop family, which has the biggest fly fishing property in Austria. Over the last 35 years, this family turned their tradition into a business by building a hotel and restaurant and running a fly fishing school. In last two years they re-opened a brewery that was originally established back in 1907. Very often they target VIP groups offering special fishing packages, making it an extremely lucrative business.

After returning, with an insight to more than 20 service providers in Slovenia and Austria, organizers convened participants to exchange their new perspectives gained during the trip and jointly determine the next steps towards trendy sport development in Montenegro. The lessons learned and ideas generated from the study tour are expected to accelerate the development of tourism services in the region.

- Developing Kayaking in the North. Building on the study tour and the partnership to develop sports tourism in northern Montenegro, CHF and CSTI seized the opportunity to cooperate with the Austria Montenegro Partnership to develop and promote kayaking along the Lim and Tara rivers. AMP had already heavily promoted kayaking opportunities in Germany, having shot a film and developed promotional materials in the German language. But local service providers lacked equipment for rental to tourists. CSTI wrote a project to jointly procure seven kayaks and associated gear to be used by the Regional Tourism Organization for rental to tourists in Kolasin and Mojkovac. AMP followed up by training kayaking guides, and Montenegro Adventures will promote the new service.

- Capacity Building of the Biking Club from Niksic (Perun). In line with the Ministry's



Hiking/Biking Initiative, CSTI supported Perun – a biking association from Niksic – in order to strengthen a group of motivated professionals that could be used as a partner for the future development of biking tourism in Montenegro. In order to build its capacity, CSTI supported the organization of a bike race on May 11<sup>th</sup> to enhance visibility of the club and provide it with basic equipment. In addition to co-organizing the event with Perun, which volunteered labor to prepare the off-road race route, CRDA-E provided 20 helmets and five bicycles. The equipment is intended to promote safety and build the organization's bike-

pool, which will be rented to tourists or used by members. Aside from being a future partner of the Ministry and CSTI, parents in the Niksic area are strongly behind the organization, as it gives their kids a healthy activity in which to get involved.

- Development of Mountain Climbing Routes. In cooperation with GTZ and an Alpine Club from Germany, CSTI implemented a project to establish new mountain climbing routes in the Prokletije Region. The project builds on GTZ's campaign to support non-motorized sports in the Prokletije Mountains, such as hiking, biking, fishing, and particularly climbing. In accordance to the GTZ activities in Prokletije Region, CSTI is supporting climbing product development through co-organizing a 10 day trip of alpine climbing that will result in development of 50 climbing routes by the experienced German alpine club. CSTI will contribute greatly to the material costs for route development, food, and accommodation for the group. The primary result of the project is to increase recreational experience and tourism opportunity, in order to draw more tourists in the region which would result in benefiting the local economy. In addition, by developing tourism products such as alpine climbing, interest in the tourism products of this region will increase which, together with existing hiking, biking, and fishing, will make a solid foundation for future tourism development and product diversification.

- Training for Private Accommodation Providers. In cooperation with GTZ, CSTI organized training for unregistered lodging providers in Plav municipality on basic entrepreneurship. The course touches on a variety of issues such as formulating a business idea, setting goals, decision making, negotiation skills, meeting customers' expectations, pricing, and marketing mix. Montenegro Adventures will provide an ongoing consultancy and promotion for those participants who showed a strong interest, investing their time and resources into creating a solid tourism product.

**2. Promotion and Business Linkages** – CSTI recognized early on that sustained and increasing promotional efforts were required to establish the north as a popular international tourism destination. As recently as 2005, there was virtually no information or promotional material produced on the region. To fill this gap, CSTI/MA created high-quality materials which feature the terrain, accommodations, and other services in the north. In addition, through the development of tourism products and the promotion of tourism businesses, CSTI and MA work directly with businesses in the north to improve their awareness of the expectations of tourists and their ability to serve them at a level consistent with other tourism destinations. Through this approach, CSTI/MA creates lasting linkages between northern businesses and partners on a national and international level.

### Acquainting International Tour Operators to Montenegro

The Tourism Master Plan of Montenegro is paving the way for a national development program for hiking and biking, with new infrastructure and services. The realization of its step-by-step program for the coming three years will help visitors to discover, experience and enjoy the best-kept secret in the Mediterranean. The focus will be on the development of Northern Montenegro and one of the targeted activities includes attracting biking tour operators to the country. For that reason, the National Tourism Organization (NTO), together with CSTI and other partner organizations working in the field of adventure tourism, conducted a six-day familiarization tour for tour operators from Germany and Austria.

CSTI's initial success in creating an inaugural biking tour last fall led to them being invited to participate in this tour. CSTI's participation was focused on the selection of a trail network and service providers, utilizing its familiarity with the terrain and tourism resources arising from their past activities. The tour culminated in a round table of stakeholders and biking tour operators in Kolasin, on May 30, and was followed by hiking and biking event on Javorje in organization of Ministry of Tourism on July 15.

CSTI was in charge of organizing the last day of the tour, which was on Mount Bjelasica, for a group of 25 people – representing seven tour-operators (BiTou Bike Tours & Adventure Incentives, Cycling Adventures Radsportreisen, Mapsolutions, Flory Kern Ski Berge Abenteuer, Radurlaub ZeitReisen GmbH, World Wide Active, and Naturfreunde) and media. The trip culminated in a workshop where CSTI presented the results of the inaugural tour, as well as the profile of the travel agency Montenegro Adventures. The workshop was extremely important for the national Hiking & Biking Development Program and all participating organizations, as the tour operators provided thorough and direct feedback on the current position of the country in the market, while listing essential steps in biking development. CSTI assisted 12 businesses from the North by introducing and promoting them to the tour operators.



Following the tour, the Ministry of Tourism organized a hiking & biking event on Javorje for the purpose of promoting current and future development activities. The two-hour demonstration of hiking, biking and an authentic katun settlement also provided an educational background on the new signalization standards that were recently adopted by the Ministry and have to be in accordance with future trail implementations. The event ended with a round table in Boan of more than 30 relevant business and institutions, where the next steps for development of hiking and biking products and services were defined. CSTI contributed by setting more than a dozen tasks with specified responsibilities and deadlines both for private and public sector in order to meet the service demands of the market.

- Website Development to Promote Northern Montenegro. Marketing and promotion of tourism services, one of the key elements for enabling growth, is one of the chief weaknesses of this industry in Montenegro – particularly in the north. One of the biggest obstacles for individual and small group travelers is that these websites are not interactive and it is difficult to get a quick and reliable answer to an inquiry. The original Montenegro Adventures website was designed to establish northern Montenegro as a tourism destination, but it was not suited to being a frequently updated, effective marketing tool to serve a growing travel agency. The website needed to be easier to update from the administrative side and made more attractive and easier to use from the customer side. Potential customers must be able to access a full array of tourism attractions and services and an efficient means to engage the MA agency. Montenegro Adventures staff spent a great deal of time during the reporting period to upgrade the site. It can be viewed at [www.montenegro-adventures.com](http://www.montenegro-adventures.com).

The new website was designed so that potential visitors will easily be able to search for activities by location and type, specific tourism service providers, and review tour packages and special offers. Since the targeted users are also travelers who prefer tailor-made holidays and use the Internet to learn about travel destinations, it will also act as an information center, containing facts about Montenegro, travel tips, and brief description of towns with pictures showing tourist destinations, accommodations, restaurants and cafes. The plan is to continue to develop the website to be fully interactive, and potential and current visitors will be able to receive more detailed information regarding their stay or travel arrangements at their request via e-mail. The goal is to optimize the new Montenegro Adventures website that will give better exposure and extend the image of Montenegro as a growing destination, with a focus on all tourism sector businesses, bringing them market expansion, greater credibility, and ultimately more growth.

In June 2008, Montenegro Adventures signed a three-party agreement with International Finance Corporation (a member of the World Bank Group) and WHL – World Hotel Links. In this way, Montenegro Adventures became a part of the Balkan Hotel Market Access program, whose mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty by improving economic performance of small enterprises. The program is opening the Balkan region to the independent travelers market by supporting a web-based reservation and payment portal, which will lead to improvement of the local tourist companies' quality of services and an increase in the number of independent travelers visiting the region. Montenegro Adventures has built and will administer three portals within the main WHL portal: 1) [www.travel-budva.com](http://www.travel-budva.com); 2) [www.travel-podgorica.com](http://www.travel-podgorica.com); and 3) [www.travel-kotor.com](http://www.travel-kotor.com). Northern destinations are included on the Podgorica site.

The aim is to reach 10,000 visitors per month by the end of 2008 for each of the WHL portals. Montenegro Adventures will use the WHL knowledge base to finalize the new [www.montenegro-adventures.com](http://www.montenegro-adventures.com) portal and is expecting that the MA portal will reach the same target (10,000 hits per month) by April 2009.

### CSTI and Montenegro Adventures bring UK's Exodus Tours to Montenegro

UK-based Exodus Tours is one of the most prominent tour operators in Europe, specializing in hiking and cultural trips with most guests coming from the US, UK, Australia, and New Zealand. CSTI/MA first met with Exodus at the WTM Tourism Fair in London in 2006. After lengthy negotiations, CSTI was entrusted with the handling of the Montenegro portion of two cross-border trips, in partnership with a more experienced Bosnian tour agency which had worked with Exodus for two years.

Where possible, Exodus trains and employs local tour leaders because they can provide invaluable insights that enrich the trip. Extensive planning, research, fact-finding and training are signs of Exodus' commitment to providing a holiday where customers enjoyment, value for money, and safety come first. CSTI carefully identified three guides for Exodus training. The result is that most Exodus clients state that their tour leader exceeded their expectations.

In July and August of 2008, for the first time Exodus sent a total of 42 customers on two 7-10 day intense hiking and cultural trips, taking the groups from Bosnia to Kotor, Lovcen, Cetinje, Ostrog, Durmitor, Tara Canyon, Bjelasica, and Komovi among other destinations. CSTI supervised and brought participants for a training of local guides in preparation for the visitors. Guests also enjoyed national cuisine in specialized restaurants and in authentic households of Podgora village, one of the highest villages in the region.

Both itineraries provide very rich and diverse experiences on one hand but encountered logistical difficulties and service shortfalls on the other. Overall the trip evaluations were generally positive but some sound criticisms were lodged as well, which made the tour a successful learning experience, as well as a worthwhile business transaction.

In the future CSTI will need to work with service providers and municipalities to better accommodate Exodus guests in order to ensure that guest numbers grow. In addition, by training the local guides to meet demand of this tour operator, Montenegro Adventures would be qualified to directly contract Exodus, helping to benefit both them and their community by building a solid foundation for opening part-time employment positions for the next year.



**3. Strategy and Planning** – A key component of CSTI's work is to overcome the historic political and economic isolation of northern municipalities from those of the center and south of Montenegro, to encourage cross-municipality coordination, and to bring the voice of northern constituents to the national dialogue on tourism development. CSTI has acted as an intermediary between the municipal and national levels in both strategy development and implementation by offering technical expertise, conducting targeted research, leveraging donor funds, and perhaps most critically, linking small entrepreneurs and other nascent tourism service providers into national government-led strategic initiatives. The following is a re-cap of the strategy and planning activities that took place during the extension period.

- **Participation in Ministry of Tourism workshops.** Initial success at creating an inaugural tour for the Ministry's Hiking-Biking Initiative in the summer of 2007 led to CSTI being included in a public-private working group to strategize on rolling out the activity nationwide. Steadily gaining credibility with the Ministry and National Tourism Organization, CSTI was also invited to contribute to working groups (together with Directorate for Small and Medium Enterprises) on establishing a credit line for tourism service providers.

- MoU between CSTI and Ministry of Tourism and Environmental Protection. On July 23rd, CSTI signed an agreement with the Ministry and members of the NGO sector to formalize cooperation on the following issues related to environmental protection:



- Drafting and implementing a strategy and programs related to environmental protection, sustainable development, and utilization of natural resources;
- Following on and analysing current environmental conditions while proposing safeguards;
- Clustering and protecting those natural areas of high importance for Montenegro
- Implementing projects in accordance to the Stabilization and Association Process of Montenegro in EU with a focus on environmental protection.

CSTI looks forward to joining a group consisting of those NGO representatives chosen by the Ministry to closely participate in all activities defined by this agreement.

- CSTI's proactive role in developing the tourism sector and its reputation among stakeholders in the public and private sectors has provided them with the opportunity to advocate on several key measures. First, involvement in the Ministry of Tourism workshops gave CSTI a role in advocating for establishing standards and regulations relating to the hiking/biking initiative and in establishing a credit line for tourism service providers. In addition, through engagement with the CTU (Tourism Association), CSTI has been a vocal advocate for additional issues such as the reduction of recently increased national park fees, enforcing laws with regard to illegal transport companies, and establishing industry standards with regard to hotel pricing.
- CSTI, together with the Center for Entrepreneurship and Economic Development (CEED), completed the first in-depth opinion survey(s) focused on the north. The Guest Survey interviewed more than 1,000 tourists traveling to both the mountains and the coastal areas, providing CSTI and its public and private partners with a better understanding of regional and international visitors to Montenegro. The survey was distributed to key partners and is available to the public on the CSTI website.
- CSTI/MA has also forged strategic partnerships with other regional and international donors and NGOs, assisting them to better target investment and technical assistance resources. During this reporting period they have worked closely with:
- *Austria-Montenegro Partnership* – CSTI coordinated actively with AMP on the Hiking/Biking project, developing kayaking along the Lim and Tara Rivers, and co-organizing a study trip to Slovenia and Austria. After the study trip CSTI and AMP organized several joint activities (two workshops and several coordination meetings);
  - *SNV* – CSTI has become one of the eight partners on the Local Capacity Builder's Project and was hired by SNV to assist in preparing a new cross border project for Prokletije Region to be submitted for EU funding; CSTI has also been selected as the leading partner in all future SNV tourism projects;
  - *Green Visions of Bosnia* – in creating the tours for Exodus as well as preparation of the first cross-border project;
  - *British Council* – CSTI participated in a conference and wrote a strategy paper for developing cultural tourism in Cetinje; CSTI has been selected to lead the new working group that will be working on submitting the new proposals for EU projects;

- *Austrian Development Agency* – CSTI presented its projects to ADA and is considered in their plans as one of the local partner in the future development projects;
- *Business Start Up Centre from Bar* – CSTI's Advisor was selected to write two curriculums for future tourism courses that will be held in Bar, Ulcinj, and Podgorica; it is expected that this will be followed by a consultancy agreement and that CSTI Advisor will be one of the selected trainers and consultants in several tourism projects that will be organized by BSC Bar.
- *UNDP* – CSTI is contributing to the design of trails that will be entered in the GIS system UNDP is developing in cooperation with the Ministry of Tourism; in addition, CSTI is selected to lead the workshop on Project for Public Spaces for Cetinje municipality in October.

*New Business Development and Partnerships*

CSTI is working towards diversifying its fundraising base, mainly looking toward EU funds, and trying to create a portfolio of projects that will eventually make it an eligible candidate for IPA funding. In this attempt CSTI will look into the possibility of joining forces with several regional companies such as Green Visions from Bosnia, Regional Development Agency from the Uvice Region, Karzen & Karzen company from Croatia, Eden Project from Albania, and also some of the NGOs from Montenegro (primarily MOST, Green Home, and FORS Montenegro). Montenegro Adventures is seeking partnerships with various international tour operators in the next period. The focus of the work will be to reply to the needs of the organization's new strategic partners: Regents Holiday from UK, Go Global, World Hotel Links, and Exodus Tours.

### *C. Montenegro Connects*

#### Background

Key economic sectors in Montenegro such as tourism and agriculture suffer from a lack of real time information and the inability to effectively communicate with clients and colleagues. The education sector and municipal services also suffer from inadequate means of coordination, knowledge gathering, and sharing and educational growth opportunities.

The Montenegro Connects project was designed to address these constraints by offering subsidized broadband internet service provision to a select group of CRDA and CRDA-E beneficiaries. The project will create a cost effective and efficient means of connecting rural as well as urban users to the internet, for business development, public administration, and health and education sector development. The availability of cost effective internet services supports development opportunities across a variety of sectors, leading to increased jobs and income.

The objectives of Montenegro Connects are to provide affordable broadband internet access to approximately 100 select beneficiaries from the CRDA and CRDA-E programs, thus enabling strategic economic growth across both the public and private sectors; to establish sustainable, commercial service to business, government, and individual consumers by providing broadband Internet connectivity solutions for rural and urban subscribers at competitive prices; and to introduce a competitive atmosphere for Internet services which results in the reduction of costs associated with connectivity to the Internet.

#### Project Status

We are pleased to report that Montenegro Connects successfully met its objectives to:

- 1) Provide cost-effective broadband internet access to select CRDA clients.
- 2) Establish sustainable, commercial service to business, government and individuals.
- 3) Introduce a competitive atmosphere for internet services, reducing the barriers to access.

The project is providing subsidized high-speed internet service to 26 schools and 19 health stations and offices along with tourism organizations, municipal buildings, public services and a wide array of NGOs. In contracting MNNEWS to carry out this service, the project has significantly enhanced the viability of this local ISP, which has since greatly expanded its array of paying customers from both the project-related clients as well as more lucrative private sector clients. Finally, the presence of MNNEWS in the market has created a more competitive atmosphere, resulting in a dramatic reduction in market prices. Since the beginning of the project, household rates have dropped from over 40 Euro per month to less than 20 Euro. In addition, MNNEWS offers its business clients the same bandwidth as the incumbent T-Com at half the price with a fixed IP address, hence, its success at luring new clients.

Since the last of the targeted clients are expected to be connected in October, the subsidized service will continue through March of 2010 for some customers. This is much later than set out by the original work plan, which had a very ambitious timeline, and is also due to several unanticipated delays. The original work plan foresaw a vendor being chosen by late 2006, the connections being made by April 2007, thus implying subsidized service would last until October 2008. However, several delays occurred that were outside the control of CHF or the vendor, leading to an 18-month delay in connecting all clients. These include:

- Passage of the reform of the telecommunications law (six months late)
- Securing access to transmission towers (four month delay)
- 2007/8 winter weather (four months)
- Scheduling of client connections (two months longer than expected, cumulatively)
- Late equipment deliveries (cumulatively one month late)

With access to the key towers secured and equipment installed, the main goals for the final quarter of the project were to complete the transmission network and connect the remaining clients. As of the beginning of the quarter, remaining work included the installation of equipment on five base stations in Berane, Kotor, Plav, Pljevlja, and Ulcinj, and to connect 53 more clients to reach the target of 106. However, a couple of changes were made to the original plan to enhance results.

First, CHF and USAID agreed to substitute Bijelo Polje for Plav as a location for a base station. The larger population of Bijelo Polje and its role as the hub of business and transport in the region meant it was in a better position to leverage wireless Internet service for economic impact. Another reason was that it had a longer list of potential connections in the NGO and public sector. Just one of the planned connections was located in Plav while some 12-15 potential candidates were identified in Bijelo Polje. This was particularly important in the final months of the project as nearly half of the clients initially showing interest (as far back as October 2006) dropped out due to delays in establishing wireless service and the reduction in general market prices which led them to seek alternative providers.

Second, MNNEWS offered to establish wireless hotspots in Berane and Bijelo Polje. In recognition of this favorable, unplanned project outcome, CHF and USAID agreed to lower the number of targeted connections from 106 to 90. Building off the successful experience in Tivat, MNNEWS, CHF and USAID requested meetings with the Mayors of these northern towns in early August to offer free Internet service in the central, heavily-trafficked areas of these towns. The proposal was met with enthusiasm by both Mayors. Within two weeks MNNEWS had established service in Berane and is expecting to do the same in Bijelo Polje in October. Given the understandable number of dropouts from the original connections list and that the hotspots are a very favorable and complementary result of the project, CHF and USAID agreed to reduce the number of targeted connections by 15% from 106 to 90.

#### Project Results

- Connections. 90 CRDA clients in the public and NGO sector were connected in 12 municipalities. This is lower than the 106 originally targeted, but deemed allowable given the delays in establishing service, new market prices, and other favorable, unanticipated project outcomes as outlined above. CHF believes that these deliverables will contribute to the objective of lowering barriers to internet usage, thus justifying modestly lowering the number of overall connections.
- Viability of MNNEWS. Since winning the tender, MNNEWS has greatly improved its commercial prospects by expanding its network, collecting revenues from subsidized clients, and landing nearly 50 private sector clients including KAP aluminum plant, the largest company in Montenegro. Furthermore, they have recently secured a 300,000 Euro investment from an international investment fund to expand into the household market.
- Competition for internet service. The impact of the Montenegro Connects Initiative through the reform in the telecommunications law and the rise of MNNEWS as a player

has certainly affected the market for internet services. Prices for internet service of comparable or better quality has dropped at least 50% in the last year, and the wireless network has also expanded the coverage area for service further lowering barriers to access.

- Cost share of 42%. LMI/Montenegro leveraged \$270,000 of USAID/Montenegro's investment in its CRDA-E project (which is managing LMI/Montenegro), nearly \$100,000 by MNNEWS, as well as another \$100,000 in cash and in-kind contributions broken down in the following manner:
  - A donation of Classmate laptops by Intel to schools connected by the project worth \$6,000.
  - Motorola Co. donated equipment licenses worth \$10,000
  - Porto Montenegro, the largest foreign investor in Montenegro, contributed \$30,000 to MNNEWS to make Tivat the first wireless city in Montenegro (achieved in June 2008).
  - The Montenegrin Ministry of Defense granted free access to its towers on Mt. Lovcen and Bjelasica valued at \$40,000 over the course of the project.
  - The Radio Diffusion Agency of Montenegro lowered usage fees on its towers during the course of the project, a contribution valued at \$25,000.
  
- Baseline study. The final results of an Internet Usage Survey were delivered in August. CHF contracted Strategic Puls to conduct a baseline survey to measure the levels of internet access and usage among Montenegro's population. Operating regionally, Strategic Puls is the same company that completed the survey for the Macedonia Connects project. The questionnaire is identical to that which was done in Macedonia and in other European countries so that the data from Montenegro can be easily compared. This survey will be repeated in future years to gauge how the Montenegro Connects project impact internet access and usage. Over 1,000 households were surveyed throughout the country. Results show that less than half of Montenegrin households have computers and under one-third of those have access to the internet. This signifies that the household internet penetration rate is about 15%, distantly trailing the EU rate of over 50%.
  
- Ideas for future ICT applications. In January, CHF submitted a concept paper to the Global Development Alliance proposing to leverage the private sector investment of MNNEWS and a modest additional investment from GDA to extend the network and use the connectivity established to improve fire surveillance and enhance the environment for internet commerce. Initial feedback from the GDA office in Washington was positive and the proposal was approved by the USAID Mission Director in Belgrade. However, CHF was informed in June that GDA no longer had funds to support such projects. Even so, these ideas can be used by USAID Montenegro in the upcoming project to build upon the results already achieved.

Updated Timeline

The first phase was completed in February 2007. At the beginning of the reporting period, we expected Phase II to start in May and end in August. Due to the issues described above, it started in June and ended in December (though not all clients were connected). The following are the activities associated with each phase:

**Phase I** (completed in February 2006):

- ✓ selection of beneficiaries
- ✓ creation of the RFP for the selection of the internet service provider (ISP)
- ✓ pre-bidders conference
- ✓ review of the submitted proposals
- ✓ re-assessment of the regulatory environment
- ✓ selection of the winning ISP

**Phase II:** June – December 2007

- ✓ signing of a sub grant agreement with the selected ISP (CHF, IRD, and AED)
- ✓ distribution of the first tranche of funds to the ISP (CHF, IRD)
- ✓ construction of the infrastructure by the ISP (MNNEWS)
- ✓ sign contracts between the ISP and the selected project beneficiaries (MNNEWS)
- ✓ initiation of service provision (MNNEWS, with CHF oversight)

**Phase III:** January 2008 – June 2009 (CHF present until August 2008)

- ✓ Provision of broadband internet service to subsidized and non-subsidized clients
- ✓ Monitoring of service provision and quality of service to subsidized clients
- ✓ Monitoring progress against milestones for the increasing number of regular clients signing service contracts with the ISP
- ✓ Collection of monthly reports from ISP
- ✓ Maintain subsidized client base of 100+ beneficiaries
- ✓ Distribution of the third tranche of funds to ISP when milestones have been met

**D. Women's Reproductive Health (WRH) Program**

Until the extension year, most of the \$500,000 earmark for Women's Reproductive Health (WRH) was allocated to the construction and equipping of the Berane WRH facility. The Reproductive Health Center in Berane has now been fully operational for two years, successfully treating the women of Berane and the region. The number of women using the center and the number of exams conducted and counseling sessions held have risen considerably since the period prior to opening. Comparing the latest five-month period to that of 2006 and 2007 shows that the overall number of exams has risen by 35% and 6%, respectively. Over the same period, cervical cancer screenings increased by 63% since 2006 and 23% since last year, while the number of counseling sessions has grown by 279% and 14%. Clearly, the local and regional population is becoming more aware of the benefits of getting educated on issues of reproductive health and taking action to do so. The full results are below:

| Performance Indicator                     | Indicator Unit                  | Year    | April | May  | Jun  | Jul  | Aug  | Sep  | Oct  | Nov  | Dec  | Jan  | Feb  | Mar                        | Total                      |           |
|---|---------------------------------|---------|-------|------|------|------|------|------|------|------|------|------|------|----------------------------|----------------------------|-----------|
| <b>Result 1</b>                           |                                 |         |       |      |      |      |      |      |      |      |      |      |      |                            | <b>Inc. over last year</b> | <b>9%</b> |
| <b>Discovery of Cervical Cancer</b>       | # of Cervical Cancer Screenings | 2004/05 | 14    | 12   | 6    | 15   | 4    | 20   | 8    | 6    | 7    | 9    | 21   | 15                         | Apr-Mar Yr 1               | 137       |
|   |                                 | 2005/06 | 30    | 160  | 80   | 29   | 64   | 98   | 98   | 107  | 135  | 83   | 128  | 124                        | Yr 2                       | 1,136     |
|   |                                 | 2006/07 | 20    | 82   | 153  | 103  | 48   | 84   | 110  | 127  | 181  | 222  | 243  | 239                        | Yr 3                       | 1,612     |
|   |                                 | 2007/08 | 133   | 107  | 57   | 133  | 105  | 115  | 240  | 216  | 198  | 66   | 169  | 218                        | Yr 4                       | 1,757     |
|   |                                 | 2008    | 185   | 230  | 136  | 52   | 57   |      |      |      |      |      |      |                            | Yr 5                       |           |
| <b>Result 2</b>                           |                                 |         |       |      |      |      |      |      |      |      |      |      |      | <b>Inc. over last year</b> | <b>105%</b>                |           |
| <b>Increase in Counseling Services</b>    | # of Counseling Sessions        | 2004/05 | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0                          | Apr-Mar Yr 1               | 0         |
|   |                                 | 2005/06 | 0     | 0    | 0    | 0    | 0    | 14   | 50   | 97   | 120  | 49   | 89   | 64                         | Yr 2                       | 603       |
|   |                                 | 2006/07 | 30    | 46   | 88   | 93   | 49   | 62   | 91   | 112  | 353  | 220  | 255  | 210                        | Yr 3                       | 1,609     |
|   |                                 | 2007/08 | 249   | 127  | 150  | 237  | 256  | 251  | 320  | 335  | 311  | 335  | 336  | 398                        | Yr 4                       | 3,305     |
|   |                                 | 2008    | 487   | 250  | 220  | 96   | 107  |      |      |      |      |      |      |                            | Yr 5                       |           |
| <b>Result 3</b>                           |                                 |         |       |      |      |      |      |      |      |      |      |      |      | <b>Inc. over last year</b> | <b>13%</b>                 |           |
| <b>Discovery of Irregular Pregnancies</b> | # of Pre-Natal Exams            | 2004/05 | 137   | 157  | 35   | 120  | 62   | 118  | 120  | 117  | 115  | 91   | 135  | 152                        | Apr-Mar Yr 1               | 1,359     |
|   |                                 | 2005/06 | 27    | 186  | 184  | 94   | 145  | 249  | 264  | 285  | 338  | 265  | 357  | 396                        | Yr 2                       | 2,790     |
|   |                                 | 2006/07 | 112   | 123  | 87   | 96   | 81   | 124  | 117  | 94   | 121  | 109  | 107  | 125                        | Yr 3                       | 1,296     |
|   |                                 | 2007/08 | 95    | 102  | 103  | 158  | 134  | 136  | 135  | 120  | 156  | 118  | 107  | 106                        | Yr 4                       | 1,470     |
|   |                                 | 2008    | 72    | 58   | 81   | 89   | 79   |      |      |      |      |      |      |                            | Yr 5                       |           |
| <b>Result 4</b>                           |                                 |         |       |      |      |      |      |      |      |      |      |      |      | <b>Inc. over last year</b> | <b>1%</b>                  |           |
| <b>TOTAL EXAMS</b>                        | <b>Total # of Exams</b>         | 2004/05 | 700   | 825  | 252  | 668  | 337  | 766  | 620  | 675  | 559  | 519  | 704  | 825                        | Apr-Mar Yr 1               | 7,450     |
|   |                                 | 2005/06 | 270   | 1537 | 1124 | 480  | 948  | 1451 | 1539 | 1692 | 1959 | 1432 | 2215 | 2107                       | Yr 2                       | 16,754    |
|   |                                 | 2006/07 | 1191  | 2146 | 2196 | 1705 | 1241 | 2105 | 1885 | 2257 | 3250 | 3248 | 3279 | 3212                       | Yr 3                       | 27,715    |
|   |                                 | 2007/08 | 2360  | 1946 | 1784 | 2159 | 2508 | 2165 | 1875 | 2015 | 2889 | 2804 | 2795 | 2752                       | Yr 4                       | 28,052    |
|   |                                 | 2008    | 2676  | 2035 | 1272 | 2664 | 2788 |      |      |      |      |      |      |                            | Yr 5                       |           |

The remaining earmarked funds were used on training and equipment for several reproductive health centers. In the last reporting period, text books and instruction manuals covering various facets of reproductive health from technical areas to guidance in parental counseling were distributed. CHF also purchased a colposcope for Niksic RHC in cooperation with FORS Montenegro's EAR-financed project to develop services and raise awareness in the reproductive health realm, which FORS completed in August.

During this reporting period, the project concluded its activities in this realm with additional trainings in coordination with FORS' EAR project. Thirty-six doctors and 13 nurses from six Reproductive Health Centers in northern Montenegro received trainings in: Psycho-physical preparation of pregnant women; conducting the colposcopy procedure; use of ultrasound equipment in gynecology and obstetrics; conducting a fetal echocardiography; pre-natal ultrasound diagnostic before the 12th week of pregnancy.

After thorough research and consultations with managers and staff of the centers, it was concluded that trainings in these areas would most significantly contribute to addressing the needs of women in the region. The fact is that during their formal education, they rarely receive practical trainings to develop the specific skills necessary for their practice. In addition to the training, 500 copies of a textbook for pregnant women "Healthy Parents Lead to Healthy Offspring" by Nada Lazic were also distributed to RHCs.

## **V. Operations**

The CHF Coordinating Office provided overall financial and program management, including administrative, logistical, and communications support to the CRDA-E program, as well as to FORS Montenegro and CSTI. CHF staff continually downsized during the extension period in anticipation of program closure. As of the end of the program, CHF has one local staff person, who is working half-time.

Four staff persons departed for other opportunities during the reporting period: the Director of Finance and Administration (July), Program Manager (May), IT/Reports Coordinator (August), and Accountant/Admin Assistant (April). In addition, Zoran Radic, a CHF Advisor to FORS Montenegro, departed in May.

By the end of the project, none of the CHF employees were left without employment. As the project began to downsize in late 2006, employees started to look for other opportunities. As a result, most of the roughly 25 employees who left CHF and its implementing organizations (FORS and CSTI) departed for other jobs. Consequently, CHF boasts a long list of former staffers who now work in prominent positions in other influential organizations. These include the World Bank, EBRD, OSCE, the Ministry of Economic Development, municipal governments, Opportunity Bank, and other private sector institutions.

As CHF was closing down its operations, FORS Montenegro began negotiation with the Academy for Educational Development, the implementer of the new USAID project. As a result, FORS Montenegro will extend occupancy of the CHF Podgorica office in addition to its field offices. In the months leading up to the project end date, CHF disposed of its project assets to various project partners. Much of the office equipment went to FORS and CSTI due to their ongoing activities, but some was also transferred to other organizations. The remaining vehicles went to FORS, CSTI, Institute for the Internet (MNNEWS' NGO), the Center for Assistance to Children, the National Tourism Organization, and the Association of Veterinarians.

## VI. CHF CRDA-E Montenegro Public Awareness Activities (see *Appendix 8*)

There were 40 articles on CRDA-E program results in the latest reporting period printed in the four monitored newspapers (Vijesti, Dan, Pobjeda, Republika). This was considerably less than in the previous period, reflecting the reduced program activity as the program was preparing for expected closure. Of the 40 articles, 69 had a positive tone, eight were neutral and one carried a negative tone. CHF Montenegro continued to promote the accomplishments of its partners and to continually ensure appropriate visibility of project and program events, always conveying the message that the program and its projects are implemented with support from the American people. The main PR events taking place during the reporting period were:

- ✓ *May 2008:*
  - Becici: FORS/CSTI facilitating the participation of northern handicrafts producers in the Becici Souvenir Fair
  - Pržno: FORS/CSTI facilitating the exhibit of goods by northern producers at the USAID Regional Competitiveness Initiative Conference.
- ✓ *June 2008:*
  - Kolasin: CHF co-sponsored an event with GTZ and the Austria-Montenegro Partnership to publicize their work in ecologically friendly architecture using traditional materials.
  - Biogradska Gora National Park: Opening ceremony of the rehabilitated lodging facilities done in cooperation with the Austria-Montenegro Partnership. Attended by the US Deputy Chief of Mission Arlene Ferrill and the Deputy Mission Director Marilyn Schmidt.
  - Nikšić, Bijelo Polje: FORS Montenegro facilitated a consultancy for US Embassy food branding consultant Roxanne Clemens, who made two presentations on opportunities for branding of regional agricultural produce.
- ✓ *July 2008:*
  - Pljevlja: a press conference with Ambassador Moore to publicize the sale of honey produced by Pljevlja beekeepers to Hotel Mediteran in Ulcinj.
- ✓ *September 2008:*
  - Berane: Closing ceremony for CRDA-E attended by US Ambassador Roderick Moore, USAID Mission Director Michael Harvey, Mayors of Bijelo Polje and Berane, and Secretary of the Ministry of Agriculture. The event included:
    - Press conference launching the Montenegro Connects initiative.
    - Seven Site Visits of CRDA/CRDA-E projects in central Berane
    - Closing ceremony with speeches from above attendees, traditional music and dance and a reception.

Over the life of the USAID-financed CRDA/CRDA-E program, CHF has monitored 1,698 print media articles on CHF's activities in northern Montenegro. The articles were published in the four national newspapers, Vijesti, Pobjeda, Republika, and Dan, as well as in numerous local or regional newspapers. A total of 236 monitored television broadcasts covered the CRDA/CRDA-E program events and activities. There were broadcasts on both national and regional television stations, including TV Crna Gora, TV In, NTV Montena, MBC, RTV Elmag, TV Eho, TV Nikšić, TV APR, RTV Atlas, TV Plav etc. TV Crna Gora and TV Nikšić provided the most extensive coverage. It included occasional news features about communities and particular projects. Over the life of the CRDA/CRDA-E program, 152 monitored radio broadcasts covering activities in northern Montenegro were aired. News features and interviews were broadcast on Radio Crna Gora and regional stations in all 13 municipalities.

## VII. Donor Coordination

CHF and USAID carried on an active partnership in the implementation of CRDA-E. With the arrival of a new US Ambassador in September 2007, CHF was asked to host numerous field visits during the reporting period. Ambassador Roderick Moore showed an immediate interest in learning about the country from the citizens themselves. He not only visited CRDA-E project sites and municipal authorities, but also took the time to talk with ordinary citizens on their quality of life and their outlook for the future. During the last reporting period, the Ambassador made visits to Pljevlja, Pluzine, Gusinje, Savnik, and Mojkovac, holding 'Average Joe' meetings with citizens in each location. In this reporting period, he visited Pljevlja for a press conference on the marketing of northern honey and was the featured speaker at the CRDA-E closing ceremony in Berane.

USAID continued to be instrumental in assisting CHF with the launch of the Montenegro Connects project. USAID has facilitated CHF's access to top officials in the government on whom the success of the initiative depends. The CTO has also been an active partner, brainstorming ways to expand the impact of the activity and networking on behalf of CHF with potential partners in the public and private sectors. In August, USAID CTO Vladan Raznatovic accompanied the CHF Country Director and MNNEWS manager Danilo Cetkovic to two meetings with the Mayors of Berane and Bijelo Polje. The purpose of the meetings was to propose establishment of wireless hotspots in downtown areas of these two cities in order to provide free Internet services to citizens. Both Mayors enthusiastically agreed. As of the end of August, the Berane hotspot was up and running, while the one in Bijelo Polje was expected to be set up in September. USAID and the Ambassador also took an active part in the launch of the Montenegro Connects Initiative at a press conference at Panto Malisic gymnasium in Berane.

### Other Donors and Partners

CHF and its partners – FORS and CSTI – took a proactive stance towards engaging other donor projects, government agencies, and other partners to share information, coordinate activities, and co-finance projects. Such coordination serves beneficiaries in the short term but it is also strategically important in light of the downward trend of USAID assistance and the subsequent rise of support coming from the EU. Through third year activities, we increased coordination with European-fund donor programs to position our local partners and northern stakeholders for present and future donor opportunities.

### European Organizations

- Coordination with the *Austria-Montenegro Partnership* was particularly important due to their level of activity in tourism in the Bjelasica-Komovi area. CHF and AMP identified several initiatives on which to partner. These include the rehabilitation of lodging facilities and training of staff at Biogradska Gora, equipping and promoting kayaking along the Lim River, and co-hosting a study tour to Slovenia and Austria for key stakeholders in mountain tourism. Both FORS and CSTI are involved in the implementation of these activities.
  
- *Lux Development* sponsors the MEDNEM dairy assistance project based in Berane. CHF is supporting a FORS grant to assist MEDNEM and the Ministry of Agriculture to establish a rural cheese-making facility which will sell its product to Berane-based Zora Dairy. This venture could serve as a model for village cheese facilities, which addresses the obstacle of costly milk transport. During the reporting period, CHF completed rehabilitation of the site, while the MEDNEM project procured equipment to ready it for operation.

- Both FORS and CSTI have been identified as strategic partners for Dutch NGO SNV. They have participated in the creation of SNV's strategic plan and hope to be contracted out for future program activities relating to environmental protection and tourism.
- GTZ is active in tourism in Plav. CHF and CSTI organized a training for lodging providers on entrepreneurship and marketing. CHF co-organized an event in Kolasin to publicize GTZ's work in ecologically-friendly architecture using traditional building materials. Finally, the two organizations co-financed a project in which German mountaineers developed new climbing trails in Prokletije.

Government of Montenegro

- The Ministry of Agriculture continued to be a willing partner to CHF. Most recently they co-funded projects to procure packaging equipment for organic foods, the establishment of a fruit nursery, and distribution of materials on EU agricultural standards.
- The Ministry of Tourism has included CHF and CSTI in the strategy dialogue for the Hiking and Biking Initiative. CSTI has also taken part in Ministry workshops relating to a credit program for tourism service providers.
- The Ministry of Education was a willing partner in the Montenegro Connects project, authorizing wireless Internet connections to 28 schools. CHF arranged the donation of 25 Intel Classmate laptop computers to the Ministry. They were presented to Minister Backovic in November by an Intel representative, who made a presentation on product features.

## VIII. Comments and Recommendations

The CRDA-E program went a long way towards mobilizing resources and creating momentum for positive change in the north. By design, program activities required participants from all facets of society to have a hand in the region's re-building efforts, and in doing so contributed to re-establishing trust among citizens and government. The resulting infrastructure rehabilitation, technical assistance, equipment provision, and promotional projects were important tangible results of CRDA programming. However, the intangible results of the cooperation that brought the projects to fruition are just as important, as they provide the foundation for future endeavors. The following are comments and recommendations on how subsequent USAID activity may build upon this foundation.

**1. Smaller projects, bigger local contributions.** CRDA began at a very difficult time in the north, immediately following a decade of conflict and sanctions. The program's first order of business was to demonstrate goodwill and rebuild trust. CRDA did this through an impressive mobilization of local and USAID resources to bring about notable improvements in the north's essential infrastructure. This was accomplished through grants averaging over \$25,000 from USAID, including some significantly larger.

The environment has significantly changed since 2002. Stability is restored, investment is flowing in, and the economy has expanded significantly. As tourism grows and European integration progresses, it is critical that Montenegrins increasingly look to the market for economic opportunity. To date, the private sector in the north remains unprepared to pursue these opportunities, leaving USAID with important medium-term development goals. Should USAID continue to sponsor grant projects, the size of these grants should shrink considerably and be contingent on the considerable financial commitment of local stakeholders.

Six years of sizable grant assistance were sufficient to accomplish the original CRDA goals. To continue to do so would only result in donor dependence at a time when market sensitivity and business acumen are needed to seize current opportunities and promote self-sustainability. Grants targeted to motivated stakeholders, who have a significant financial stake in the investment, will help in accelerating local investment, innovation, and knowledge transfer.

**2. Work directly with small enterprises.** In the last three years of CRDA-E, the program departed from strictly community development work, and took on the goal of stimulating economic development. Hoping to avoid market distortions or the perception of giving handouts to individuals, it was agreed that grants would only be given to NGOs and public entities. In hindsight, excluding entrepreneurs as target beneficiaries hindered results.

This was partly due to the fact that few viable and active NGOs existed in the north and few public entities strove to better serve the private sector. Successful grant projects were found in improving market infrastructure and in providing equipment to municipal services that serve the private sector. However, an opportunity was missed in serving micro- and small businesses which must eventually be the backbone of the economy in the north.

Due to its isolation, occupation, and period of socialism, entrepreneurship is hardly a part of the culture of northern Montenegro. Yet that is the direction it will have to go if it is to meet its development goals. The opportunity is present. With tourism growth, light industry, regional trade, and a rich natural endowment for agribusiness sectors such as forestry, livestock, dairy, and continental fruit, northern Montenegro possesses the basis for a strong

local economy. But there is much work to be done in enhancing the local business environment, creating incentives for local investment, and generally improving the level of business sophistication. Needless to say, this can't be done working strictly with local governments and the relatively dormant NGO sector.

USAID programming must directly engage emergent entrepreneurs and cooperatives since they will drive future growth. In addition to the technical skills needed in the above-mentioned sectors, developing business skills in product development, marketing, networking, customer service, and financial management, among others, must also be encouraged. Even co-investment in a businesses' infrastructure or equipment could be prudent in certain circumstances should the investment either demonstrate an innovation that can be replicated by others or engage a business whose expansion would benefit the larger community.

Obviously, in making such an investment, care should be taken to avoid market distortion by favoring one business over another or crowding out private investment. One way to do this is to target entrepreneurs whose small size or lack of collateral disqualify them from securing a bank loan. Another is to open the grant opportunities to a broad array of MSMEs while putting forth restrictive contribution requirements so as to attract only the most accomplished and willing to invest in their own business.

**3. Connect fledgling enterprises with established businesses.** Too often small producers and enterprises operate in isolation. Their output is marketed at local bazaars or directly to end consumers. Key to small enterprise growth is creating mutually beneficial relationships with more established businesses. For instance, small agriculture producers could cooperate with growing food processors who import their raw materials for lack of local availability. Small tourism service providers could cooperate with Podgorica tour agencies and coastal counterparts to more effectively market their service and diversify Montenegro's tourism experience. As straightforward as this cooperation may seem in a market economy, it has yet to take hold in Montenegro. There is still little organization among producers or between producer and processor for agricultural output. Cases of active coordination between the strong tourism enterprises on the coast with the fledgling service providers in the north are few and far between. The trust among businesspeople and the knowledge of functioning market economies needed to enable these relationships is not there.

Yet these relationships must evolve if Montenegro expects to be competitive in the agribusiness and tourism sectors. Therefore, recommending more direct work with enterprises entails extensive engagement with the more established businesses, such as those targeted under Booz Allen Hamilton's Montenegro Competitiveness Initiative. In order to create functional relationships with established food processing businesses, USAID interventions would have to target mechanisms to organize the fragmented production and marketing from the small production sector. In tourism, coastal service providers would need to be convinced of the need to coordinate to diversify their product and the level of professionalism of tourism service providers in the north needs ongoing improvement. Expected investments would be in basic infrastructure (e.g. produce collection centers, hiking paths/rest areas), equipment (e.g. refrigerated milk collection tank), technical assistance (multiple technical and business areas), and networking events. The established businesses would be expected to benefit greatly from this assistance, and thus could be expected to share in the investment.

**4. Focus on select sub-sectors.** Once sectors have been targeted and constraints identified, there is always the temptation of taking on the issues involved in this realm, particularly in a small country. However, if impact is to be achieved the program would be well-advised to focus on a manageable array of high-impact sub-sectors or services. For instance, the Ministry of Agriculture is very interested in developing the livestock and dairy sector, whose growth is constrained by inefficient and fragmented production (many household farmers), unproductive breeds, sub-standard nutrition, and veterinary practices. The Ministry of Tourism is in the midst of an extensive effort to develop hiking and biking trails throughout the country to enhance Montenegro's offering away from the coast. Each of these endeavors has strong backing from the central government and buy-in at the local level, but they still face considerable challenges before reaching fruition. The point being, resources spread across too wide an array of areas may compromise effectiveness on those that stand to have the most impact.

**5. North-South Trade Development.** As a future member of the European Union, Montenegro will eventually benefit from participating in this massive market. As it stands, however, few enterprises in the north are ready to compete through exports or in serving European tourists. The coming years present an opportunity to prepare for the heightened level of competition. Though the north is a very small market, Podgorica and the coast are burgeoning markets in which northern producers and service providers can gain experience marketing their goods.

Currently, the northern economy remains surprisingly isolated, largely excluding it from the benefits of growth and leading to an increasing gap in the standard of living between regions. Locally produced goods are predominantly marketed at the local bazaar and distributors are few, resulting in only a handful of products produced in the north finding their way onto the shelves in Podgorica and the coast. Tourism is still hugely imbalanced toward the seaside. The pending development challenge is to assist northern producers and tourism service providers in reaching the growing regional markets.

In a survey of coastal hotels conducted earlier this year, CHF found that there is strong demand for northern products by hotels and tourists in other regions, but the level of professionalism, quality, availability, and price were often lacking in dealing with northern enterprises. In working with some enterprises, we found that small producers were often at a loss for how to engage coastal clients, remaining unaware of their needs and requirements.

Future development efforts should go to spanning this trade gap, opening up networking and marketing opportunities for northern producers, and helping them meet the requirements of more demanding markets.

**6. Tap into regional expertise.** The Balkans are unique from the development perspective in that it is a group of linguistically and culturally similar countries in close proximity to one another which are at different levels of development and specializing in different sectors. This should translate into an ideal and affordable learning opportunity for Montenegro. Montenegro can learn lessons from Croatia's experience in coastal tourism and preservation of local culture and cuisine. It can also draw from Serbia and Slovenia's experience in mountain (eco-) tourism. Serbia's Vojvodina region also has much to offer in agricultural expertise, while Serbia and Macedonia have more experience in IT and municipal services. And the list goes on. While this seems like an obvious step to take, regional expertise has been an underutilized resource until now. USAID's missions in the Balkan countries can be a

bridge to reaching knowledge transfer opportunities, as can USAID's Regional Competitiveness Initiative. A positive by-product of these exchanges would be to create a mechanism for productive engagement across borders which would contribute to breaking down traditional barriers between countries. This cross-border learning can be accomplished in any number of ways through study tours, trade fairs, networking events, cross-border projects, and use of consultants.

**7. Span the gap between national and municipal governments.** The national government is undergoing strategy development with regard to tourism, rural development, and European Integration. Given the reduction and eventual phase-out of USAID financing, it is important to leverage government investment while also supporting their self-sustainability. Though planning is on-going, the national government's capacity for outreach to regional stakeholders to enact plans and realize goals is quite limited. USAID, FORS and CSTI have the reputation on both the national and local level to bridge this gap, helping national plans reach fruition on the local level. Seeking opportunities to align USAID program activity with well-designed aspects of national level strategic plans would both leverage donor funding and strengthen coordination of the traditionally tense relationship between Podgorica and the north.

**8. Information and Communications Technology.** CHF recently completed a \$270,000 USAID/LMI funded Montenegro Connects initiative which brought wireless Internet technology to Montenegro, enhancing competitiveness in the market for Internet service. But this could be just the beginning. Establishing connectivity and raising awareness of the power of the Internet paves the way for countless applications which can stimulate economic growth through enhancing business practices, expanding and streamlining government services, and providing cost-effective communications for all citizens. Looking to Macedonia's e-government initiative and Serbia's e-government activities would be a logical starting point to develop ideas. Potential areas for program intervention may include (1) the National Tourism Organization's initiative to centralize marketing efforts for tourism service providers through an Internet portal; (2) using the Internet to provide services to remote MZs so that citizens don't have to travel to municipal centers (Bijelo Polje and Berane have shown interest); and (3) establishing wireless Internet hotspots in municipal centers, as has already been done in Berane, Tivat, and Podgorica.