

Cross-border cooperation between municipalities and Rožaje and Peja as an opportunity for strengthening competitiveness of small and medium enterprises

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Abstract

Montenegro has made significant progress in developing a functional framework to support the development of small and medium enterprises. Development of the institutional infrastructure and consulting, business service aims to reduce entrepreneurial risk, improve market access and accelerate the growth and development of SMEs. Increasing the competitiveness of the SME sector to a large extent depends on the level of innovative activity. Innovation, as defined in the EU, is the application of a new or significantly improved products, processes or services, marketing or a new organizational method in business, organized labor and relations to the environment.

Projects on Crossborder Cooperation and IPA funds represent is significant opportunity for the development of SMEs in the municipalities of Pec and Rozaje. Basis for cross-border cooperation in the framework of the IPA is the principle of "mutual benefit". Of course, the use of pre-accession funds will be available and enabled only if you have a high-quality programs and professional staff. Only high-quality projects and business ideas will create opportunities for new jobs and employment, primarily of young people. For northern region of Montenegro, especially Rožaje municipality, and the municipality of Pec in Kosovo, significant opportunities for this exist in the following areas: wood processing, agriculture - food production and tourism.

In order to increase the business efficiency in both municipalities it is possible to establish a network for innovative development and knowledge transfer between the two municipalities, which will contribute to strengthening the competitiveness of SMEs.

Key words: Cross-border cooperation, competitiveness, innovation, SMEs, businesss

Introduction:

The development of SMEs is an essential factor for the development of any modern economy. When it comes to a market economy, most countries from the former Yugoslavia do not have enough experience in the development of the private sector and, what is further necessary, is to provide the system mechanisms and measures that will contribute to the competitiveness of small and medium enterprises, and thereby to the increase of the overall competitiveness of the economy of these countries.

Competitiveness is the ability to achieve success in the markets in order to increase the standard of living for a longer period of time. Country can become more competitive by improving their achievements in a wide range of factors that influence the growth of productivity. This refers to the innovation, the creation of a more favorable system environment, transmitting or acquiring new technology, education, entrepreneurship, new businesses, etc.

For small countries, such as Montenegro, competition has, inevitably, an exporting dimension, given the limited size of the Montenegrin market. Lack of innovation in the use of new charting technology and new product development, but also high labor costs, lack of awareness of the needs of the market and rather poor productivity are causing a large deficit in the foreign trade of Montenegro. These qualities are especially pronounced when it comes to local economies, above all those from the north of Montenegro, to which the municipality of Rožaje belongs to.

Some of the advantages of Montenegro, such as macroeconomic stability, acceptable tax system and a relatively stable banking sector, apparently are not enough to compensate for most of the competitive weaknesses. The opportunity that stretches to the municipality of Rožaje, is reflected in the possibility to position itself as recognizable provider of services, especially in the tourism, agriculture and organic food production, wood processing, etc.

Export is as important as the import of advanced technologies and knowledge that other produce in a more

efficient manner than us. To recognize someone else's success, learn and build own competence means to take advantage of the opportunities which the openness offers. It means to become competitive. Consequently, enhancing productivity and competitiveness of small and medium enterprises, has become the most important direction of further development of the local economy, with emphasis on the major backbone and bearers of the development of both municipalities - education, systemic environment, innovation and technological development, regional development and cluster development, so the potential growth comes more to the fore in order to achieve maximum effect.

1. European experience in cross-border cooperation

Cross-border cooperation in the enlarged European Union is of great importance. Today, about 32 percent of the population and 40 percent of the territory that makes up the enlarged European Union lives in border regions. On the other hand, border regions, generally speaking, are usually distinguished by the low population density (75 inhabitants per square kilometer on average in the border regions, compared to 145 people per square kilometer in the rest of the EU), the natural constraints (mountain or coastal areas) underdeveloped transport infrastructure, lack of cooperation in the management of transboundary ecosystems²⁰⁰. That is why one of the priorities of the EU is encouragement of this type of development for the region, for which it provides funding directed through funds that are intended for it. In this way, the development of cross-border regions became a central issue in the process of accession of new countries to the EU.

Cross-border cooperation can be defined as more or less institutionalized cooperation between regional and local authorities in border regions of neighboring countries²⁰¹. Depending on the level of authority that establish cooperation as well as the type of administrative structures, forms of cross-border cooperation can be different. In doing so, one should take into account the diversity of sources and methods of funding of that cooperation. In most cases, local governments appear as initiators and actors of that cooperation. Cooperation is based on the highest state legislative acts, as well as documents of the EU and international law. This clearly indicates the content of cross-border cooperation, ie cross-border cooperation is largely engaged in solving a wide range of practical problems of everyday life of the citizens. European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities, called. Madrid Convention,

defines cross-border cooperation as "all joint activities aimed at strengthening and the fostering good neighborly relations between territorial communities or authorities in the jurisdiction of the Contracting Parties, as well as the conclusion of any agreements and arrangements necessary for that purpose."²⁰²

So, today, one can rightfully say that representatives of the governments, private and civil sector, academia and the media employed in the field of European integration, but also the general public, aware of how important the continued strengthening of cross-border cooperation in the context of the implementation of reforms is for the integration of from the former Yugoslavia European Union. But despite of its importance, it is obvious that the area of cross-border cooperation is underdeveloped, as well as one of the areas of political, economic and social life in general, which can increase the chances that the government speed up the development of the institutional, administrative and human resources and the better leverage their development of local, regional, national and supranational potential. Thus, the EU representatives as well as representatives of certain movements indicate that fact and persistently indicate the importance of this cooperation. In addition, the European Union takes into account the mentioned situation by seeing all the border regions, to the outside, and on the internal borders of the EU, as a European priority, and provides funding for their development through the Structural Funds and the Cohesion Fund. In this way, the process of European integration transforms the previous peripheral position of many border regions in central position within the enlarged the EU is.

Bearing this in mind, we can conclude that what was primarily exclusive right at the national level under the authority of the central government gradually transferred to the regions and local authorities. Of course, to have lower levels of international legal personality, that was many years in the the EU is develop standards and rules, that in accordance with the law by International business to provide the ability to establish cross-border cooperation. So that in the current conditions, the question of cross-border cooperation is developing very dynamically, with technical and geographical aspect of this cooperation changes daily, with significant support from the European Commission through the INTERREG program.

In all these activities what should be emphasized is the role of the Council of Europe and the European Commission. While the Council of Europe has been particularly active in improving the legal framework for cross-border cooperation, the European Commission has provided substantial financial support for cross-border initiatives. The role of the Council of Europe in establishing appropriate legal instruments that have enabled local authorities to carry out cross-border activities in accordance with their national laws. Whereby what should be emphasized is that access of Council of Europe has evolved; from the initial position to

²⁰⁰ Perkman, Markus, *Cross-border Regions in Europe Significance and Drivers of Regional Cross-border Cooperation*, *European Urban and Regional Studies* 10(2): str. 153–171.

²⁰¹ Perkman, Markus, *Cross-border Regions in Europe Significance and Drivers of Regional Cross-border Cooperation*, *European Urban and Regional Studies* 10(2): str. 153–171.

²⁰² *Ibidem*

the cross-border regions are treated as a formal political administrative entities, to more pragmatic and economically directed approach in the context of the EU is regionalne politike. Also, crucially, the role of the Council of Europe in promoting cross-border cooperation and providing technical and legal assistance to stakeholders of cross-border cooperation, which contributes significantly to overcome political and legal barriers that have traditionally existed between the European countries.

1.2. European Union Charter of Border and Cross-border Regions

Following the adoption of the Madrid Convention, there was a further expansion of the euro regionalization process, witnessed by the adoption of the European Charter on the border and cross-border regions (European Charter for Border and Cross-Border Regions). This document was first adopted by the Association of European Border Regions, AEBR (Association of European Border Regions), on 1981 but was later adopted by the Euroregion Pomerania (Poland / Germany) on 1995. The text of the Charter was further modified after the big wave of EU enlargement to the East on 2004.

The Charter is intended for all partners involved in the formation of further European integration process, but is especially directed to the border and cross-border regions as drivers of such development. Modified version of the Charter of the 2004 attempts to re-use positive experience gained through previous practical of cross-border cooperation at the level of citizens of the European Union and the member states of the Council of Europe, in order to advance and intensify cooperation among the new members, as well as cooperation between the old and the new border regions of the European Union with its eastern and southern neighbors beyond European borders.²⁰³

With the fall of the Berlin Wall, the disintegration of the Soviet Union and Yugoslavia, created a significant number of new states in Europe. In such circumstances, when many national borders occurs, the issue of cross-border connectivity becomes more topical. That is, by its nature, frontier regions were brought to a peripheral position. They became structurally disadvantaged areas to insufficient level of development in areas such as the economy, transportation, culture, in all of these areas are being depopulated population. A variety of border regions often represent areas that complicate further the process of European integration. In addition to problems arising from the existence of administrative boundaries, many border regions in Europe often face special problems, mostly due

to unfavorable geographic characteristics of the region, such as rivers, seas, oceans and mountain ranges. To all this must also add a range of economic barriers and disparities in the internal and external borders of the European Union and the Eastern Europe. Commercial centers in border areas are often cut off from part of their natural hinterland across the border, hindering the development of the optimal structure of trade exchange. Keeping all this in mind, in order to take advantage of development opportunities border regions as well as for solving common problems, cross-border sardanja represents the primary task and political purpose of the European Union, which is necessary to carry out the regional and local level in partnership with national authorities.

1.3. The European Charter of Local Self-Government and Cross-border Cooperation

Signed by the Member States of the Council of Europe, 15.10. In 1985. in Strasbourg and is the European standard for local government, as well as basic institucije democratic system of European Union member states. As one of the main objectives of the Charter emphasizes the focus on cross-border cooperation, strengthening susedskih relations and removing administrative and technical barriers to cross-border cooperation.

The European Charter of Local Self-Government also encourages mutual cooperation of local governments, as well as cooperation with other local authorities, to carry out activities of common interest. It also emphasizes the right of local authorities of a country to cooperate with the local governments of other countries, in the framework of the laws of the state. Charter is explicit in the belief that "every country must recognize right for local authorities to belong to an association of local authorities in order to protect and enhance their common interests, as well as to belong to an international association of local authorities."²⁰⁴ Entitlements under the Charter provides the personality of the organization and bodies of local self-government, not only within the country but also at international level.

2. Opportunities and needs of cross-border cooperation of the areas around the border of Montenegro and the Republic of Kosovo

The basic purpose of this paper is to point out the chance that through cross-border cooperation, that is based on programs, projects and funds, are being provided opportunities for stimulation the economic development and integration of these two municipalities in the border between Montenegro and Kosovo. It also opens the possibility to reduce or eliminate the negative influences of borders on the demographic, economic, social

²⁰³ Fond za otvoreno društvo Beograd, *Prekogranična saradnja - Instrument saradnje* p. 92.

²⁰⁴ Fond za otvoreno društvo Beograd, *Prekogranična saradnja - Instrument saradnje* , p. 92.

development, but also on the increasing need to protect and preserve the environment. Doing so will contribute to raising the competitiveness of the local economy and krajinejm and competitiveness of the EU economy on a global scale. It is an undeniable fact that these two areas in its long history was referred to each other in almost all spheres of life. But at one time, there was a depopulation of the population along the border with both fields, then a decline of economic development, poor infrastructure connections, poor flow of people, goods and services, which has further contributed to the poor socio-economic situation in these municipalities, despite toge they have the same resources that would enable a better socio-economic status. First of all in this area, and later the wider communities.

The new approach, which is at the foundation of the EU, will make the borders not to be a limitation, but a challenge in terms of the need to assert those differences that contribute to quality of life and baseline competitiveness in this area, both in the sphere of economics and other areas of life.

2.1. PGS program on cross-border cooperation Kosovo - Montenegro

Since January 2007, a new financial instrument, the European Commission IPA - Instrument for pre-accession assistance is to take effect. It provides targeted and effective support to countries in the process of accession to the European Union, according to their needs and level of development.

In order to achieve the objectives of all countries most effectively, this financial instrument has several components, one of which is especially emphasize regional and cross-border cooperation.

Regional and cross-border cooperation is a framework for accelerated economic integration, in order to reduce the existing differences in the level of development of the cross, as well as improving the overall cultural, social and scientific cooperation between local and regional communities. Thus, the goal of CBC is to promote good neighborly relations, strengthening stability, security and prosperity in the interests of all the participating countries and the promotion of balanced and sustainable development.

The cross-border cooperation between Kosovo and Montenegro is one step closer to implementation. The so-called. Programme Document, which is the basis for the cross-border cooperation between Kosovo and Montenegro, was approved by the European Commission. Whereby, starts from defining the problem and points to opportunities in the border areas of both states to define priorities rasadnje. It is in the so-called. Document the cross-border cooperation, there are analysis and the maximum number of answers to these questions.

In addition, Kosovo and Montenegro have made this document as the basis for their cross-border cooperation and any future proposals for cross-border cooperation projects, which need to deal with one of the priorities set out in this document. CBC project is a project funded by the European Union and managed by the EU Office in Kosovo. The main objective is to promote the establishment of cross-border cooperation and socio-economic integration between Kosovar border regions and adjoining regions in neighboring countries by strengthening economic, social, environmental and cultural ties. The European Commission will now prepare the agreement for cross-border cooperation between Kosovo and Montenegro, as the Financing Agreement. When this contract approved and signed by both countries, the preparations for the concrete realization of cross-border co-operation can begin.²⁰⁵

The European Commission has, adopted the Financial Agreement at the end of 2012, between the Government of Montenegro and the European Commission on cross border cooperation Kosovo – Montenegro, within the cross-border cooperation component of the Instrument for Pre-accession assistance for year 2012. By signing, the Financial Agreement will provide the implementation of activities designed to improve the general socio-economic situation in the eligible areas, the strengthening of cooperation and joint initiatives in the following priority sectors: environmental protection and climate change, sustainable agriculture, forestry and tourism, of mutual interest for the citizens Kosovo and Montenegro.

The eligible area in Montenegro covers an area of 4061 km² and is made of the following municipalities: Andrijevica, Berane, Bijelo Polje, Kolasin, Mojkovac, Plav and Rožaje. For this program, Montenegro demanded two corresponding areas, total surface of 2294 km² (the capital Podgorica and Ulcinj and Bar).

The eligible area in Kosovo covers an area of 2311 km², and that is the Western economic region consisting of the following six municipalities: Pejë / Peč, Istog / Istok, Klin / Klina Junik, Decan / Decani, Gjakovë / ĐakovicaKosovo is required and a corresponding surface area of 2261 km², and the northern economic region consisting of the municipalities: Skenderaj / Srbica, Vushtri / Vucitrn, Zubin Potok, Zvecan / Zvecan, Mitrovice / Mitrovica, Leposaviq / Leposavic. The objectives of the program are associated with the process of reconciliation, as well as the process of European integration. These goals will be achieved through supporting the promotion of good neighborly relations between the implementation of local and regional initiatives, encourage integration in the EU, the preparation of future EU member states to implement the objective of territorial cooperation within the framework of the Structural Funds, as well as to stimulate economic and social development in the border areas.

²⁰⁵ CBC - Neighbourhood Programs Montenegro - Kosovo, the Ministry of Foreign Affairs and European Integration of Montenegro

Additionally, it is expected that the program will have a catalytic effect, given that the implementation of approved projects contribute to further build capacity to manage projects with local stakeholders, municipal and regional institutions and civil society organizations.

2.2. Cross-border cooperation in the period 2014-2020

Europe is facing major challenges. The economic crisis has increased unemployment and poverty, on the other hand it is necessary to invest to maintain competitiveness, while increasing investments in both scientific research and in the application of new technologies, especially those that lead to environmental preservation and reducing carbon dioxide emissions.

In the period after the 2013th The EU will also be found in significantly changed political conditions. Adopted the Lisbon Treaty, which aims to achieve economic, social and territorial cohesion, adopted the EU 2020 Strategy, the Action Programs Europe 2020th for each Member State, as well as the Lisbon Strategy for Increased competitiveness through uvodenjenajmodernijih technology (knowledge and research as the basis for economic and social progress). However, there are defined answers monetaranu policy within the eurozone and its relationship with national fiscal policies states, in order to avoid the effects of the financial collapse of Ireland, Greece, Spain and Portugal, which these days joined by Cyprus, and potentially Italy. It is obvious that the financial discipline of members to be one of the future challenges and the subject of difficult negotiations. So many aktivnostina multiple fronts in the future must be adjusted, given the economic crisis must take into account the expenditure of every euro.

In such circumstances, the question of priorities of cohesion policy is being raised. Specifically, the dilemma that arises is to what extent will allocated funds contribute to quality of life, but also - how to take into account the selection process in the allocation of financial support. Of course, incentives should be given to those regions and countries that have implemented the agreed European goals well, and achieved satisfactory, measurable results.

Cohesion policy in the period after the 2013 will enable all Member States and regions to implement sustainable and inclusive growth actively²⁰⁶. One priority is to support the development of the poorest regions in accordance with the principle of solidarity, which is included the Treaty of Rome. It also points to the difficulties and potential growth in other parts of the EU, such as social isolation, degraded environment in cities and their surroundings, economic restructuring. Cohesion policy has only one goal - to encourage the equitable development of the EU and its

regions. Policy supports the development and has a clearly defined investment strategy, which increases the competitiveness, employment and improve the quality of life and environment.

Having all this in mind, the chance to achieve the goals of the program PGS and Cohesion policy, through projects of cross border cooperation of municipalities Rožaje and Peja, opens by itself. Especially as Cohesion policy after 2013 must be clearly linked to the EU 2020 strategy, which means fiscal consolidation, economic recovery and creation of new jobs. In this light, it should be noted that at least part of what has been achieved Cohesion policy. Cohesion policy has by 2009 created a million new jobs, supported the work of 70,000 researchers, further trained and raised level of knowledge of 10 million young people, the long-term unemployed and unskilled, in each year of implementation. One invested euro has brought about 2.10 euros of additional investment²⁰⁷. Considering the above, as inevitably the question arises, where we are currently and what are our chances? Certainly they are much higher if you go with joint projects.

3 Options cross border cooperation of municipalities Rožaje and Peja, a chance to strengthen the competitiveness of SMEs

The development of SMEs is an essential factor for the development of any modern economy. When it comes to a market economy, the area in question in this article does not have enough experience in the development of the private sector and the further need to ensure systemic mechanisms and measures that will contribute to the competitiveness of small and medium enterprises, and thereby increasing the overall competitiveness of the economy of this area as part sastvanog economy of Montenegro and Kosovo.

Competitiveness is the ability to achieve success in the markets in order to increase the standard of living for a longer period of time. This economic areas can become more competitive by improving their achievements in a wide range of factors that influence the growth of productivity. This refers to the innovation, the creation of a more favorable system environment, transmitting or acquiring new technology, education, entrepreneurship, new businesses.

For small countries, such as Montenegro, competition inevitably has a dimension of exports, given the limited size of the Montenegrin market. Lack of innovation in the use of new charting technology and new product development, high labor costs, lack of awareness of the needs of the market and weak productivity caused by a large deficit in the foreign trade of Montenegro. It is a kind of image low competitiveness of domestic products for which the export

²⁰⁶ Lazarević, Gordana, Knezevic, Ivan, Božić, Relja, Cross-border Cooperation, Belgrade: European Movement in Serbia, 2011

²⁰⁷ Ibidem

deficient. On the other hand, some of our advantages, such as macroeconomic stability, acceptable tax system and a relatively stable banking sector, apparently are not enough to compensate for most of the competitive weakness. The opportunity is reflected in the ability to Montenegro in the coming years as a recognizable position in the provision of services, especially in the field of travel and tourism, environmental, food and beverage, transportation, construction and financial services.²⁰⁸

Equally important as exporting and importing of advanced technologies and knowledge that other produce more efficiently than us. Recognize someone else's success, learn and build their own competence, so take advantage of the opportunities which the openness offers. It means to become competitive. Consequently, enhancing productivity and competitiveness of small and medium enterprises, has become the most important direction for further development of the economic policies of both countries, with an emphasis on the major backbone carriers and the development of the region - education, systemic environment, innovation and technological development, regional development and cluster development, to potential growth come more to the fore in order to achieve maximum effect.

In light of this point is the main goal of cohesion policy for the period 2014-2020.

In order to become the most productive region in the world (Lisbon Strategy) The EU must invest more in education, training and lifelong learning. To achieve this, one must invest at least 3% of GDP in research and development. Today, in Europe, only 10% of the region has reached such a percentage. Moreover, the regions in the EU invest about 75% of all investments intended economic development. It is clear that all regions can not be bearers of innovation, but we all need to be more concentrated on their use and dissemination.

Another objective of Europe 2020 is to increase the proportion of people in the age between 30 and 40 who have a university education, and it is now done in a little less than one-sixth of the region. This means that you must increase the capacity of the university and must increase the number of young people who remain in the chain of continuing education. The number of those who will leave school must be drastically reduced to a maximum of 10%.

In terms of infrastructure, it should be noted that the area has suffered major changes. Even the most isolated regions through online distribution may facilitate its exit to the growing market of Europe and the world. This will require that the EU establish seu 'exclusive digital market and to increase the availability of broad band networks. Despite

the development of this kind of trade, it is still important transportation of passengers and goods by rail, road, water and air traffic. The development of classical network infrastructure remains priortet for EU 12 and their neighbors (Wider Europe policy).²⁰⁹

Unemployment was significantly decreased in the period 2000-2008. Nevertheless, regional unemployment rates remain high, even before the outbreak of the global economic and financial crisis. Therefore, one of the priorities of cohesion policy to be reducing unemployment. One of the goals of the "Europe 2020" and reducing unemployment and increasing the involvement of different groups.

When it comes to adapting to climate changes, it should be noted that this will be a very difficult task, especially in Southern European cities and regions, maritime coastal and mountain areas. In particular it will be necessary to pay attention to regions that are dependent on agriculture (drought, floods and reducing snow cover) and tourism, for example, what is the area of the municipality stove and Rožaje.

3.1. Socio - The economic review and possible areas of cooperation between municipalities Peja and Rožaje

Both municipalities are typical border municipalities in the two countries, and the example of both municipalities can be traced to a single market due to the collapse of Yugoslavia, as well as the transition process marked by poor privatization, and the wars of dvedestih, their growth slowed at the same time we have the lowest possible level of cross-border cooperation.

When it comes to the municipality Rožaje, by socio-economic and statistical indicators, it belongs to the group of less developed municipalities, in one of the less developed border areas in Montenegro. Social problems depending on restructuring and privatization of the economy, insufficient utilization of existing capacity-building and the absence of clear and high-quality development programs - some of the most important characteristics of the economy in the municipality.

Although the municipality has a better age structure of the population than the average country. Lately, she captures a slight increase in population. From this aspect the Rožaje can be identified as one of the municipalities with better potential for future socio-economic development

Infrastructure development is limited by poor condition of local roads and poorly regulated transit traffic in the city. Particularly complex problem is the treatment and disposal of municipal and industrial waste, the absence of any treatment of waste water and the deterioration of most

²⁰⁸ *Strategy for boosting the competitiveness at the micro level, 2011-2015 Podgorica, June 2011*

²⁰⁹ *Lazarević, Gordana, Knezevic, Ivan, Božić, Relja, Cross-border Cooperation , Belgrade: European Movement in Serbia, 2011*

distribution systems, which today greatly endanger the environment and human health. These are particularly negative factors if one takes into account that the development of tourism and the production of healthy food a basic generators of future development.

On the positive side, as seen by the percentage of the population with a high school education, the educational structure of the population in Rožaje is at a satisfactory level, a positive trend and low rates of dispersal in education. The municipality is characterized by a poorly trained work force except in the wood processing industry, and the relatively low level of entrepreneurship, which indicates a weak capabilities for processing into other areas of manufacturing industry in this area above all in the production of agricultural products at the local level. A significant feature of the municipality is the wealth of trees, especially četina. Preserved nature is suitable for the production of healthy food, as well as above average yields in collecting berries and mushrooms. In addition, the chances of economic development of the municipality Rožaje, by many estimates, primarily found in the development of tourism (tourist complex Haile, saving, Žljeba, shadows, peers, Musina Jame, Vlahov and Turjak), agriculture, wood processing. However, will Rožaje fail to resolve their problems and will make full use of its capacities development depends not only on Rožaje but from the border of the municipality on the border kosovoj - Peja. Also, the proximity to the airport in Podgorica, as well as the airport in Pristina is important for tourism and for the transport of goods. Economic development is often one of the ways (among many others) to slow down the negative demographic trends, and the problem (s) migration in modern conditions solves "the abolition of space" through rural development, especially the development of electronic communications, which is the problem of national policies and regional development policy. Thus, when viewed as a whole, the development of county seat Rožaje depends on itself, but also from her neighboring municipalities in Kosovo, as well as cooperation between Montenegro and Kosovo in the field of traffic, which is one element of regional cooperation in the Western Balkans and the goal of the regional approach of the European Union western Balkans, since 1997.

City of Peja covers the western part of Kosovo, bordering Decani, Djakovica Klin and Istok, while the state borders the border with Montenegro, where the largest part of the territory that belongs to the municipality of Rožaje. This area is characterized by good transport links, close to the capital Pristina airport, railway lines, as well as plenty of good network of auto roads and connection with Montenegro. What also makes this area of the city are the natural beauty and the richness and diversity of flora and fauna. Variety of relief, a significant difference between the highest and lowest nadmorske height (from 520 m to 2,522 m), and that the small space we have fertile plains and beautiful mountains for example, such as Guri i Kuq with 2,522 yards nadmorske level, indicating great potential this area for the development of agriculture, forestry, food production and

tourism. Very often, it can be said this city is rightly called Green municipality in Kosovo.

Tolerant, modern, prosperous, clean, green and accessible city on the banks of the River Bistrica, which provides economic, educational (in a significant number of primary and secondary schools, special place UNIVERSITY Haji Zeka and UNIVERSITY Dukagjin), and cultural opportunities and an environment that is attractive for all. Attractive place with dynamic development, open city with perspective; bridge for economic and cultural development, lies at the foot of beautiful mountains place with investment potential for its citizens, a city that is friendly towards the environment in which it is worth to live.

General socio-economic characteristics of Peja Municipality are similar to the municipality of Rožaje. Like, very important at this moment to appreciate is the adoption of the Detailed Urban Plan of the municipality Rožaje, 2012. Also it should be noted as very important to the 14th May 2007th, the Municipal Assembly adopted the furnace Municipal Development Plan to Urban Development Plan for the period 2006-2025. Plans of both municipalities are vital to economic development and environmental protection, cultural and historical heritage of the area. What needs to be underlined that the Rožaje one of the first mummies municipalities in Montenegro, which has brought this plan and the Municipality of Peja first municipality ended the plans of development and will be a model for other municipalities in Kosovo. This points us to the ambitions of both municipalities.

Of course, one must not overlook the fact that modern living conditions, and widespread socio-economic development flows, demand the establishment of quality partnerships of all stakeholders' socio-political community. Planning, guided by, directed, coordinated to joint action of these agents, with the obligation of an institutional and systematic development mechanism is a prerequisite for harmonized efficient and effective thinking and development of the municipality. For this it is necessary to make use of modern methods of management and governance in the economic development to modern public institution in the service of its citizens.

3.2. Assumptions for the use of cross-border cooperation as a development instrument

The European Union 1999th define the Stabilisation and Association Process as a policy framework for the improvement of relations with the countries of the Western Balkans. The aim of this process is to provide support that is to ensure the political and economic stabilization of the region and the opening times of the Western Balkans towards EU membership. Only membership, since these countries individually gain candidate status will depend on the fulfillment of the general conditions and criteria for membership.

In this sense, we should point out the inadequacy of the institutions and the lack of coordination of policies and the use of financial incentives for development. In this context, attention is drawn to the absence of the policy of cross-border cooperation, which certainly contributed to stop the depopulation of villages along naročto Granč with Kosovo, which lives in najvećem percent Albanian population.

These two municipalities have a long tradition of cooperation. This cooperation takes place in various fields, especially in culture, cherishing tradition, cooperation organizations and sports. Occupies the central place of cooperation certainly border crossing in the Tower and Savinuh water. Cross-border cooperation in this area has great potential due to the diverse and well-preserved natural environment.

This cooperation could take place various fields, especially in culture, cherishing tradition, cooperation organizations and sports. Cross-border cooperation on border planinina has great potential due to the diverse to well-preserved natural environment. In towns on both sides of the border cultural offer could be complemented by the existence of museums, theaters and libraries, which creates favorable conditions for the further development of joint activities aimed at increasing the value of a common cultural heritage.

Yet the importance of suštinki should have cooperation to support for the development and improvement of the business environment for the establishment and operation of small and medium enterprises in the areas, represent the pillars of further development of the municipality to city Rožaje Furnaces. First of all in the field of agriculture, forestry, wood processing to tourism.

One of the forms of cooperation could be the transfer of experience from the work of the Centre for Sustainable mountain education, which opened in Peja at the end of 2011. This center was opened with the intention to promote mountain tourism in this municipality. And not coincidentally Center is located in the cultural to historical monument Haji Zeka Watermill. The main objective of the center is to promote the natural and cultural values of the area Metohija. The idea is supported by the European Commission and the Swedish Agency for coordination of international development. Such an experience would have no significance for the efforts of the municipality Rožaje to start and realize such activities, particularly bearing in mind that the same is on the other side of the mountains whose potencijele Center promotes education for sustainable mountain town of Peja.

3.4. How to contribute to increasing the competitiveness of SMEs through cross-border cooperation

In the contemporary global economic conditions in a number of countries, a need for business activities in the international market is becoming a key elemental development. For it is a necessary condition for the development of competitive ability of individual economic entities, and industries to national economy as a whole. Although economic theory there are different views and definitions of competitiveness and njihovaznačenja, most economists agree in their assessment that the 21st century will be a period of global economic competition, thanks, above all, the process of globalization.²¹⁰

Under such conditions are particularly vulnerable local economy especially in the border areas by the state. That cross-border cooperation projects in the field of promotion of small and medium enterprises can make a significant contribution in fostering their competitiveness. Undoubtedly the most significant factors of competitiveness are emphasized:

- Education as a factor in the competitiveness of enterprises,
- Innovation as a factor in gaining competitive advantage,
- Quality as a factor in the competitiveness of enterprises,
- Intellectual property as a factor of competitiveness,
- Brand as a factor of competitiveness,
- The impact of information technology on competitiveness

Since in both municipalities there is a significant number of both educational institutions and institutions responsible for supporting and improving the business climate, the effects of cross-border cooperation between these institutions would not be left behind. In this sense, it would be necessary that the teams on both sides organize promotion of their potential to support the development of existing and new brands, to thereafter joint team needed to work on a strategy presentation of those segments of the economy (eg tourism), where the best possible effect on international markets. Of course here is meant communication with economic diplomacy to missions in order to increase exports.

3.4.1. Network for innovative development and transfer of knowledge as a prerequisite for the promotion of competitiveness of SMEs

If we look at small and medium enterprises as well as individuals, it is not difficult for us to conclude that they were practically alone. In most cases nedosatje their support,

²¹⁰ Directorate for Development of Small and Medium Enterprises Montenegro Strategy for boosting the competitiveness at the micro level 2011-2015,

consulting, information and connectivity, which is very important. As one of the chances and opportunities to contribute to the development of small and medium enterprises is the transfer of knowledge and innovation.

In this sense it is necessary to change the mindset of people, and those working in the public sector and those in the private, to accept that the state should, in fact, only obzebedi setting that will come to the fore creativity and engagement of all people who want to achieve prosperity, both for themselves, so, of course, for the region and country in which we live. This network will have a role in providing a range of support services to encourage innovation: the provision of relevant information, training and consulting, through technology transfer, seeking partners to raise awareness of the importance and role of innovation in economic development of the country. In the future, the work of such a network neohpdno to include a number of members, from faculty to innovative institutions such as associations, clusters, incubators, chambers and other relevant actors in this area.

Small and medium enterprises in these municipalities are characterized by a lack of technical and non-technical innovation, investment in research and development, the lack of necessary knowledge and experience. Therefore it is necessary to raise awareness about the importance of a culture of innovation, then create innovative achievements through međustobno linking SMEs with technological parks, centers of knowledge - performance, establishment of a system of financial support, as well as creating conditions for the internationalization of business innovation. Directorate for SMEs, Montenegro adopted the Strategy for the encouragement of SMEs for the period up to 2015, where besides coordinating role, and an important role in providing direct support to enterprises within their current activities and activities EIICM, as well as through a network of business centers at regional and local level, with the cooperation of individual donor projects.

However, due to the specificity of the area municipality Rožaje and specific economic structure and orientation of this area tržište Kosovo and Serbia, often the result at fail. Manage implementation of the Action Plan for 2012 of the Strategy to encourage competitiveness at the micro level implied a commitment to the Directorate and its efficient and effective cooperation with all relevant institutions in the public and private sectors, from national to local level, in cooperation with international institutions and organizations²¹¹.

The importance of innovation and technological advancement is best highlighted in the Global Competitiveness Report 2012-2013. of World Economic Forum, which covered 144 countries. According to this report, Switzerland is at the top of the rankings and held the

top spot this year. The most important advantages of the country are associated with innovation, technological readiness and efficiency of the workforce. Scientific research institutions in Switzerland are among the best in the world and it is a good cooperation between the academic and the business sector, where companies spend heavily on research and development.

Therefore, as a priority cross-border cooperation just a need for cooperation between the academic and business sectors, and investment in research and development. For such cooperation are certain the chances of support from the EU. As an example of this we can state that the European Union has successfully completed the "Project for the development of competitiveness and export promotion" (SECEP) whose main task was to, a budget of 3.5 million euros, improve competitiveness and export capacity of small and medium enterprises in Serbia as well as to strengthen the total domestic export capacity. This assistance has been allocated for more than 1,100 Serbian companies through a series of individual assessments within the company, through business improvement projects, providing international consulting assistance as well as through special workshops SECEP's development component suppliers, which are designed to respond to the specific needs of firms in Serbia.

This experience leads us to the possibility of cross-border cooperation through projects supporting the development of market economy and social and economic cohesion of the border of the two država improving competitiveness and export capacity of SMEs.

Much like in Serbia, this program could be implemented through projects of cross-border cooperation through three components:

Cluster Development - a component that works with a group of companies and their institutional partners to joint activities undertaken in order to improve business competitiveness and development.

Development of the supply chain - designed to improve process management and operations of individual SMEs in various sectors, in order to improve their prospects for integration into the international supply chain.

Internationalization - which focuses on linking SMEs with foreign business partners by helping to develop networks of clusters and exporters.

Conclusion

Projects on cross-border cooperation and IPA funds represent a significant opportunity for the development of SMEs in the municipalities Rožaje and Peja. In the area north of Montenegro, especially municipalities Rožaje and Peja municipality in Kosovo, a significant chance to exist in

²¹¹ Directorate for Development of Small and Medium Enterprises Montenegro Strategy for boosting the competitiveness at the micro level 2011-2015

the following areas: forestry, wood processing, agriculture - food production and tourism. To achieve such cooperation, political will and political support.

Kosovo and Montenegro have made document CBC program between Kosovo and Montenegro as the basis for their cross-border cooperation and any future proposals for

cross-border cooperation projects, which need to deal with one of the priorities set out in this document. The main objective is to promote the establishment of cross-border cooperation and socio-economic integration between Kosovar border regions and adjoining regions in neighboring countries by strengthening economic, social, environmental and cultural ties.

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