

SDG POLICY BRIEF



Is Montenegro's
Northern region at risk
of being left behind?

Quarter 4/4 — 2023



Foreword

This policy brief is the second knowledge product to enhance public discourse around the Sustainable Development Goals (SDGs) and a continuation of the series that we hope will stimulate discussion around how to accelerate progress on the SDGs. These policy briefs are a joint venture by agencies from our UN Country Team, to analyse a particular issue such as the development of the North of Montenegro, and I would like to thank them for their contributions to this policy brief. At the end of this report you will be able to find a link to see what projects our agencies are implementing to support the development of the North of Montenegro. The next policy brief in our series will be released in the first quarter of 2024.

– **Peter Lundberg**, UN Resident Coordinator

Introduction

Sub-national disparities are not uncommon. In Montenegro's case, the situation is somewhat similar to that in other European countries. However, some disparities are worsening and widening. Poverty, risk of poverty and economic inactivity are increasingly becoming Northern phenomena and are contributing to pushing people into more vulnerable situations. Failing to address these disparities can have a negative impact on other social indicators, human rights and broader social cohesion. Not least, these can slow Montenegro's progress to achieve the Sustainable Development Goals and ensure that no one is left behind. Montenegro adopted the 2023-2027 Regional Development Strategy in June 2023, which offers a tool to address these challenges and overcome these disparities. The key will be implementation. A context-specific approach will need to be taken which gives adequate weighting to the underlying drivers of disparities in the North. It is not one factor that causes these disparities but the combination and how they interact together. Solutions take

time and effort, and require adjustments to the approach taken by Government and partners, and require consultation with the people affected, the people of the North. This is the scale of the challenge faced to ensure that no one is truly left behind.

– **David Wright**, Economist UN Resident Coordinator's Office

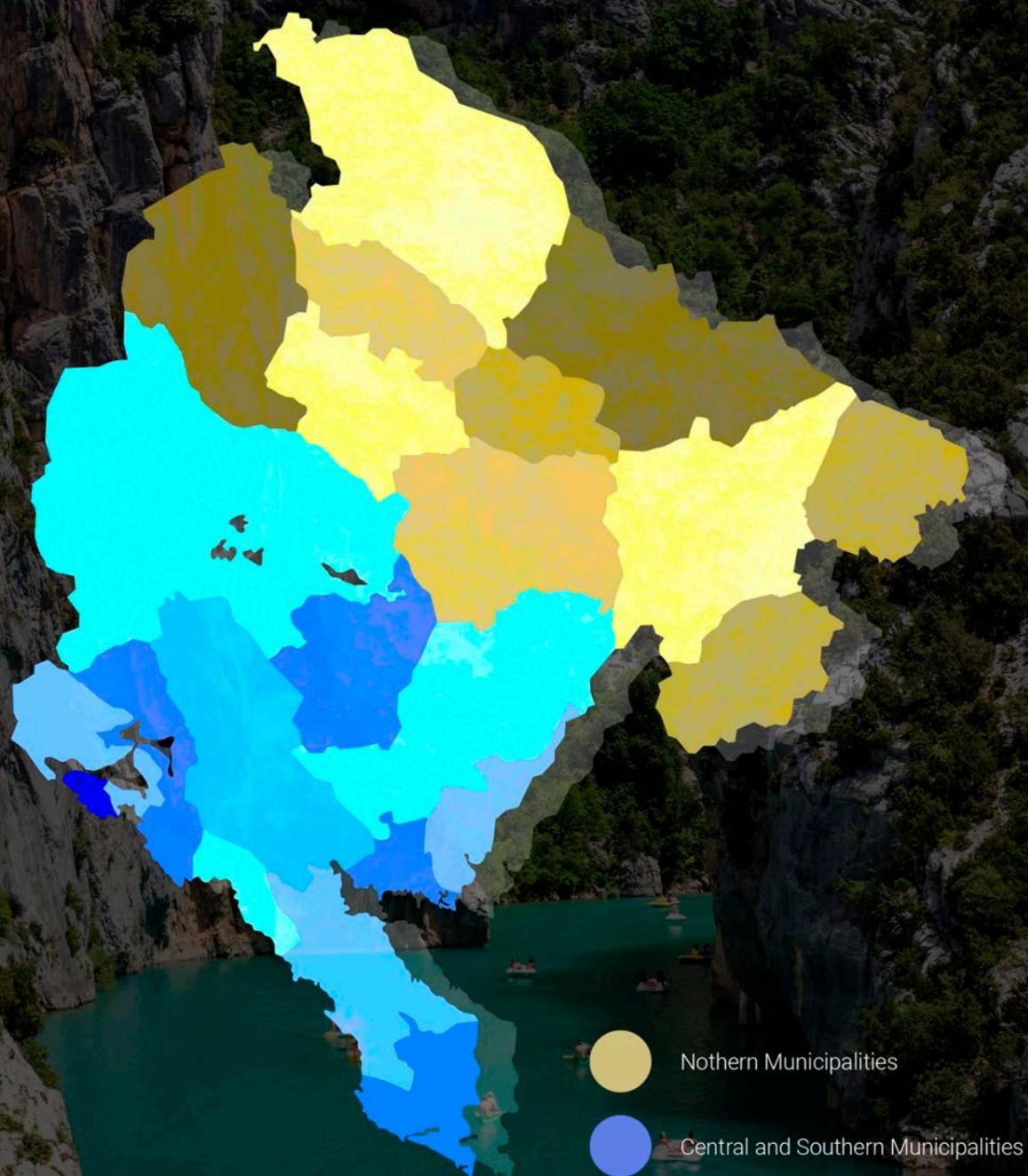
There are aspects of Leave No One Behind that do not only refer to vulnerable groups.

Leave no one behind (LNOB) is the central, transformative promise of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs). It represents the commitment of all UN Member States to eradicate poverty in all its forms, end discrimination and exclusion, and reduce the inequalities and vulnerabilities that leave people behind and undermine the potential of individuals and of humanity. While the UN's work on LNOB focusses on vulnerable

Acknowledgements

This brief was developed based on analytical work conducted by Dragan Darmanovic and Bojan Paunovic, and summarised by the UN Resident Coordinator Office's Economist, David Wright.

MUNICIPALITIES OF MONTENEGRO



groups based on sexuality, gender, ethnicity, it also looks at aspects of geography.¹ The principle of LNOB² not only entails reaching the poorest of the poor, but requires identifying the root causes of and structural barriers to equality, combating discrimination and rising inequalities within and amongst countries, and addressing their root causes.

Sub-national disparities can mean some regions are at risk of or are being left behind. Many countries experience sub-national disparities where some regions or municipalities are more successful than others. These disparities, if left unaddressed, can contribute to worsening social cohesion and political polarisation, and a deteriorating human rights situation.³ In Montenegro the sub-national divide clearly appears to be between the Northern region (henceforth the North) and other regions. This divide is multi-layered and is driven by interlinked factors, which are explored in this report. This policy brief outlines some of the challenges in the North and why, the growing disparities that are present between the North and other regions in the country, requires attention.

The North of Montenegro encompasses 12 municipalities; Andrijevica, Berane, Bijelo Polje,

Kolašin, Mojkovac, Plav, Plužine, Petnjica, Pljevlja, Rožaje, Šavnik, Žabljak. It constitutes the largest region in Montenegro in terms of area and the second largest population. It is a multi-ethnic and multi-religion region with substantial populations of ethnic minorities. However, while the North covers 56 percent of Montenegro's overall territory and houses 45 percent of the overall population, it has sparsely populated areas in mostly mountainous terrain that pose challenges to physical infrastructure; such as roads (and their maintenance), and connectivity nature, related to broadband access. While efforts have been made to address access to the North such as through the Bar-Boljare Highway, which currently links Podgorica with Mateševo, access to broadband is unevenly distributed, with a digital divide between urban and rural areas, and between the North vs. the Coastal and Central Regions. Cut off from reliable (uninterrupted) and quality (high-speed) broadband access, many businesses and communities struggle to benefit from the increasing pace of digitalisation.⁴ In 2018, only 26.5 percent of households in the North were connected to broadband internet compared to 96 percent in the Coastal region.⁵

1 Leaving No One Behind: Equality and Non-Discrimination at the Heart of Sustainable Development, UN, 2017
 2 <https://unsdg.un.org/sites/default/files/2022-04/Operationalizing%20LNOB%20-%20final%20with%20Annexes%20090422.pdf>
 3 <https://www.imf.org/en/Topics/Inequality/introduction-to-inequality>
 4 Montenegro Growth and Jobs, 2018, World Bank
 5 Ibid

Context

Persistent gaps in access to education and health disadvantage vulnerable groups in the Northern and rural areas.⁶ In the North there is inferior access to infrastructure and social services.⁷ Health services are less available in the North due to the sparser populations and people must travel further to get the healthcare that they need. Sometimes patients are referred to Podgorica or overseas to access the healthcare they need. Vulnerable groups in the north thus face a bigger hurdle than those in other regions to access the care they need. Given that the World Health Organisation estimated that out-of-pocket health expenses in Montenegro are at around 39 percent of total health expenditures in 2019, these additional expenses on transportation and further distances, are likely to disproportionately impact vulnerable households further.⁸ However, since 2022 health care is provided for all Montenegrin citizens without relying on health insurance contributions, which means that this figure may have changed. It is a similar issue in terms of education, if a vulnerable group faces increased distances to travel to school, and the municipality does not provide transport (which some do), then they will face transportation costs that will disproportionately affect them more.

It is not clear how these gaps are impacting education outcomes due to limited publicly available data. The latest PISA scores for Montenegro are from 2018, meaning that comparing Montenegro's educational performance today against its regional peers is also problematic.⁹ Nationally Montenegro's rate of pre-primary or primary completion of education was 79.8 percent in 2021.¹⁰ The MICS survey in 2019 does offer some insights into the status of education in the North of Montenegro and shows some positive and negative disparities when compared to the other regions. The North had the highest completion rates and only 20 percent of children did not reach their expected level of early development when compared to the other regions.¹¹ However, children living in the north (as well as the south) had more functional difficulties¹² (11 percent and 14 percent, respectively) than their peers from the central region (3 percent).¹³ While the percentage of children attending preschool education in the North was around 16 percentage points lower than the national average – just over one-third of children in the North (37 percent) attend kindergartens, while every second child (53 percent) does so at the national level.¹⁴

⁶ MONTENEGRO Social Protection Situational Analysis, 2022, UNICEF and the World Bank

⁷ MONTENEGRO Social Protection Situational Analysis, 2022, UNICEF and the World Bank

⁸ Health Systems in Action: Montenegro, 2022, WHO

⁹ <https://www.oecd.org/pisa/publications/pisa-2018-results.htm>

¹⁰ UN DESA SDG progress

¹¹ MICS

¹² Functional difficulties are regarded as a reliable indicator of disability. A child who experiences a significant restriction in at least one functional domain is classified as a child with disabilities.

¹³ MICS

¹⁴ Ibid



Similarly, it is not clear how these gaps are impacting health outcomes due to limited publicly available data. The MICS data from 2019 provide some insights, suggesting some positive and negative disparities with other regions. In the North, only 15 per cent of mothers of children under the age of five had at some point refused to vaccinate their children, doing so for various reasons – mainly because the children were ill at the time, but also because of doubts about the vaccines. This percentage was 12 percentage points lower than the national average (27 percent).¹⁵ The North also featured the highest breastfeeding rate – 39 per cent of new-borns were breastfed during the first hour after birth in the North of Montenegro, which was 15 percentage points more than the national average (24 percent).¹⁶ However, the data do not provide a comprehensive understanding of the complexities and challenges of social sector delivery in the North.

The North of Montenegro lags the other two regions of Montenegro on many key development indicators. Poverty and risk of poverty are increasingly becoming Northern phenomena. Montenegro's overall risk of poverty has been on a downward trend. By 2020, Montenegro's risk of poverty rate had fallen to 21.2 percent from 25.2 percent in 2012. However, there is a contrast of risk of poverty rates across Montenegro's regions. The risk of poverty rate in the North has averaged above 40 percent since 2012 (see Chart 1), while in the Coastal and Central the risk of poverty was on a downward trend from near 20 percent in both regions in 2012 to below 15 percent in 2020. The World Bank estimate that it is a similar story with Montenegro's middle-income poverty rate of \$6.85 per day at 2017 PPP, where it is higher in the North than in the other two regions. This evidence suggests that the disparity and inequalities between the Central and Coastal regions, and the North are widening and worsening, as the Coastal and Central regions reap the benefits of economic growth, driven by tourism, unlike the North, which lags and diverges in economic indicators.

¹⁵ MICS
¹⁶ Ibid

Montenegro has experienced substantial outward migration from the North both overseas and to other Montenegrin regions.

The Western Balkans region is characterised by declining populations driven by low birth rates, ageing populations, and ongoing migration. Montenegro faces both internal and external migration flows. Internal migration is primarily from the North towards the central and southern parts of the country (predominantly from rural to urban areas), causing depopulation of some of the municipalities in the North and shifting towards an ageing demographic profile. Evidence suggests that the North's population has declined by around 50,000 people in the last 30 years, while the overall population of Montenegro has grown.¹⁷ The emigration of Montenegrin citizens is mainly to EU countries. There are no comprehensive official records of outward migration in Montenegro. There is evidence that Montenegro is increasingly becoming urbanised which suggests that people are not just moving overseas, but are also leaving the more rural North to move to Podgorica and the coast where some of the main cities are. Brain drain concerns are not only relevant for specific high-skilled occupations such as medical doctors. Emigration has been skewed towards people with low and medium levels of education. The main pull factor is the higher salaries on offer in EU countries compared with what is available for similar work in Montenegro.

¹⁷ 2023-2027 Draft Regional Development Strategy of Montenegro

¹⁸ <https://frontex.europa.eu/media-centre/news/news-release/detections-in-central-mediterranean-at-record-level-xSzOka>

¹⁹ Ibid

²⁰ <https://www.unhcr.org/countries/montenegro>

²¹ <https://frontex.europa.eu/media-centre/news/news-release/detections-in-central-mediterranean-at-record-level-xSzOka>

The North is also an important nexus on the Balkan migration route to the European Union. According to Frontex, the European Border and Coast Guard agency, the Balkan Route is currently the second most active migration route to the EU after the Central Mediterranean.¹⁸ Some of this migration occurs through the North, although it is not clear to what extent. Between January and April of this year, Frontex detected more than 22,000 irregular border crossings along the Balkan route, down 21 percent from a year earlier.¹⁹ In 2021, UNHCR data showed that most migrants were from Afghanistan, Morocco, and Iran.²⁰ The data show that there is variance in the number of migrants crossing from year to year. Frontex data show that between January and April 2023 there were 21 percent fewer detected irregular border crossings into the EU from Balkan states than in January and April of the previous year.²¹ Many migrants travel through the North of Montenegro en route to the European Union, often crossing the border from Montenegro into both Bosnia and Herzegovina as well as Croatia.



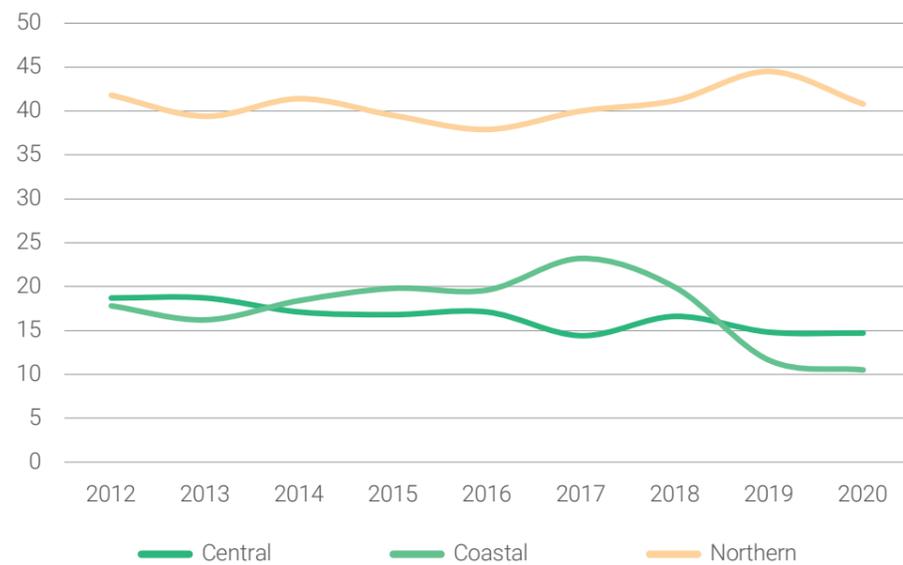


Chart 1: At Risk of Poverty Rate (percent)²²

The North's employment, unemployment and activity data also consistently lag those in the Coastal and Central regions. Employment data from the Labour Force Survey shows how the North's employment rate has not increased above 35 percent in 5 years. Despite the launch of the minimum wage-tax policy programme in January 2022, overall employment in the North has not shown a marked increase, in stark contrast to both the Central and Coastal regions (see Chart 2). In both the Central and Coastal regions employment has recovered

strongly following the end of the pandemic lockdowns and the launch of the Evropa Sad programme.²³ However, the lack of employment growth in the North of Montenegro now means that the employment rate is diverging from that in the other two regions. The Labour Force Survey data do not discern informal and formal employment so the lack of declaration of either type means that it is a proxy of overall employment.

²² Monstat Statistics of Income and Living Conditions
²³ Although the impact of the programme is unclear and requires econometric study

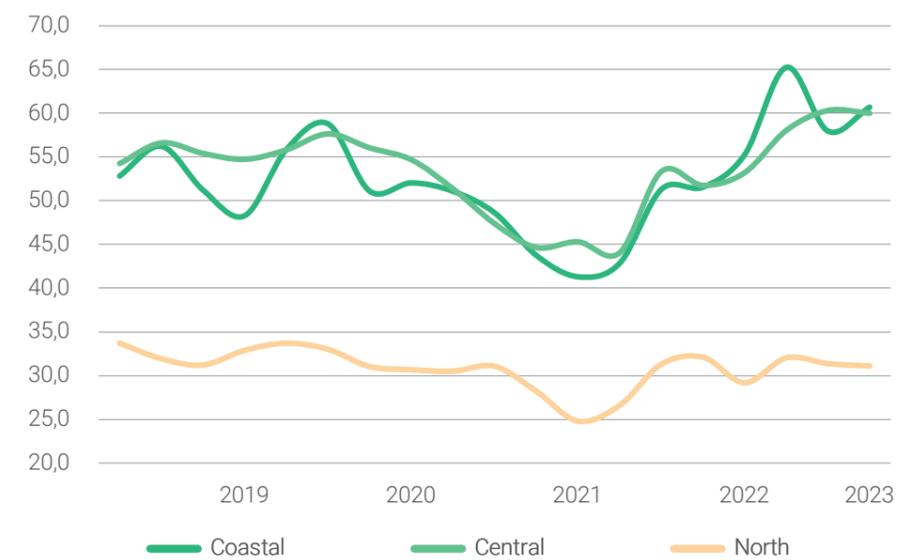


Chart 2: Employment by region (percent)²⁴

Around 55 percent of unemployment is in the North.²⁵ To compound this unemployment in the North is only slowly declining and has been at a slower rate than the other regions. Data suggest that during the height of the COVID-19 pandemic, between 2020 and 2021, the rate of unemployment rose more sharply in the North than in the other regions of Montenegro, despite the decline in employment not being at the same pace. Since the end of the lockdown periods, the North has seen a steady decline in unemployment, keeping pace with the rate of decline in the other two regions and slightly

converging, but the gap, like with employment remains wide and pronounced. Furthermore, based on Labour Force Survey data, more people in the North were declaring themselves as unemployed (32.9 percent) than employed (31.6 percent) in the second quarter of 2023. The fact that unemployment is declining but employment does not appear to be increasing suggests that there is persistent outward migration from the North to other regions of Montenegro and overseas or that people are just not declaring themselves as active in the labour market.

²⁴ Monstat Labour Force Survey
²⁵ Monstat, Labour Force Survey Quarter 2 2023



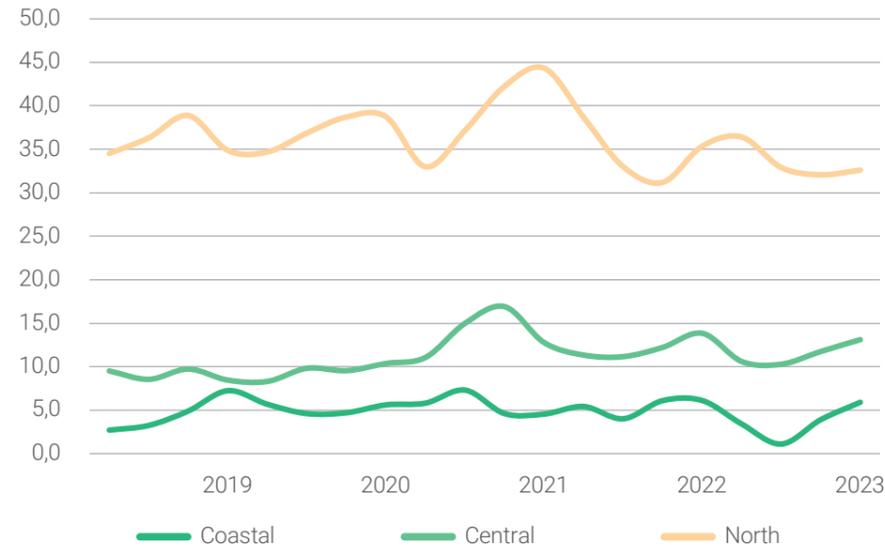


Chart 3: Unemployment by region (percent)²⁶

The North's activity rate remains low. The activity rate in the North also shows that the North is not recovering at the same rate as the other regions (see Chart 4). The activity rates of the coastal and central region are diverging

from the North following the peak of the pandemic. The North's activity rate appears to have been on a downward trend towards the COVID-19 pandemic with only a slight upward increase since the end of the pandemic.

²⁶ Ibid

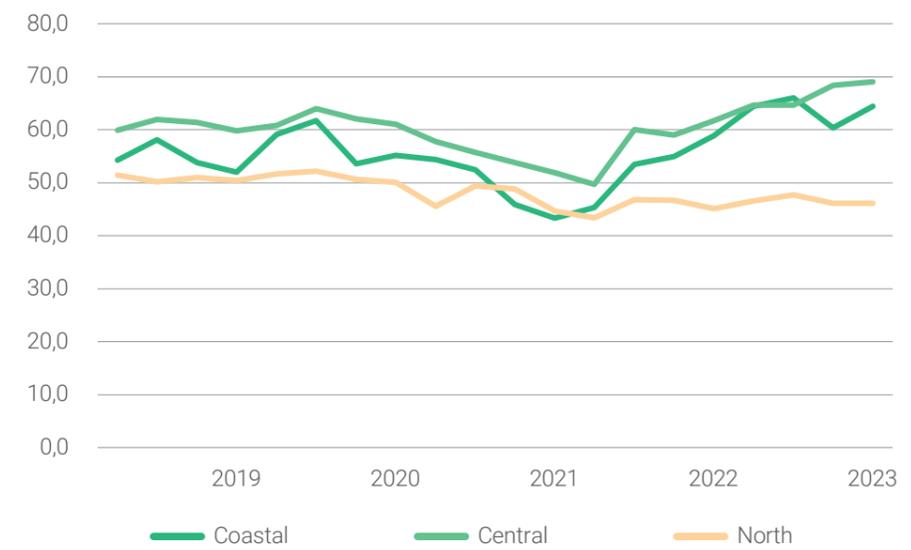


Chart 4: Activity rate by region (percent)²⁷

It is not clear how wages are structured between the regions. There are no official statistics that show the average nominal or real wage by sub-region in Montenegro. However, the wage structures based on industrial sectors suggest that average salaries are lower in the North than in the Coastal and Central regions. Due to existing primary resources in the North, employment has largely been in agriculture and forestry, with the probability of fewer people in formal employment and more in informal, there are fewer people benefiting from the minimum

wage.²⁸ Some of the industry that was present during the Yugoslav era is now defunct, including leather and furniture industries. Now the North is increasingly reliant on agriculture, tourism, and remittances. Data on tourism shows increasing numbers of tourists travelling to Northern municipalities. However, these numbers are still dwarfed by those of tourists staying in Coastal municipalities.²⁹ The lower earning potential in the North is seen as a push factor to the other regions of Montenegro.³⁰

²⁷ Ibid
²⁸ Monstat Labour Force Survey
²⁹ Monstat tourism data
³⁰ MONTENEGRO Social Protection Situational Analysis, 2022, UNICEF and the World Bank



It is also evident that the disparity between men and women is pronounced compared to other regions. The gap between male and female activity, employment, and unemployment rates in the Norths is more pronounced than in the Coastal and Central regions. There is a four-percentage point difference between female and male unemployment in the North compared with a less than 2 percentage point in the other regions. Furthermore, the unemployment rate is lower than the employment rate for men in the North, but is higher for women in the North. This is mainly driven by the types of employment in the North compared the Coastal and regions. The female employment rate in the North in the first quarter of 2023 stood at just 24.1 percent.³¹ Of those employed, over 20 percent were involved in agriculture and 72.6 percent were in services, which is a marked contrast to the other regions where employment in agriculture is close to zero and most of the female employment rate is in the services or industrial sector.³²

It is not only employment indicators which sees women disadvantaged when compared to men. In terms of property ownership, women in the North show lower levels than that of men, compared to some of the municipalities in the Central and Coastal regions. The Coastal region has the highest levels of women-owned, -purchased, or -inherited real estate. Women-owned real estate are the lowest in the municipalities of Petnjica (10 percent), Tuzi³³ (12 percent) and Gusinje (15 percent), while they are the highest in the coastal municipalities of Budva (45 percent), Herceg Novi (44 percent) and Bar/Tivat. (40 percent).³⁴ Despite the economic situation being worse for women, there is little data or evidence that suggest gender-based violence is better or worse in the North.

31 Ibid

32 Ibid

33 Tuzi is in the Central region.

34 <https://www.osce.org/mission-to-montenegro/547841>

Coupled with the social and economic disparities in the North, there are environmental disparities that affect the North. The thermal power plant (TPP), which is one of Montenegro's main sources of electricity is in the Northern municipality of Pljevlja. While the TPP is a generator of power as well as employment, it has also had negative environmental impacts on the surrounding region, especially on Pljevlja town itself. Firstly, the air pollution in Pljevlja is worse than in other municipalities. Secondly, there are by-products of the TPP such as ash and slag. Thirdly, residents in the local area are provided coal for heating their homes and water. All three factors impact on individuals' health and have significant environmental impact. However, the municipality of Pljevlja is not alone. The other Northern municipalities are more reliant on wood for heating homes as during the winter the North is on average colder than the Central and Coastal regions due to the higher altitude. Also, the lake in Plav is receding and there are concerns that it could entirely disappear within several decades affecting local water catchment areas.

35 <https://whc.unesco.org/en/soc/4154/&mode=doc>

36 Environment and Security Initiative (ENVSEC) and UNEP (2012).

There are other environmental implications for the North. There have been considerable improvements since independence. The Northern municipality of Mojkovac has already cleaned up its wastewater tailing ponds. However, there are still solid waste dropped next to the river at certain locations on the Tara river that runs through the municipality. Waste management is potentially more problematic than in the other regions, due to the sparse, rural population and mountainous terrain. The treatment, disposal and recycling of waste is, therefore, more difficult. The construction of the Bar-Boljare highway from Podgorica to Matesevo has also had implications for the local environment near Matesevo, with environmental civil society organisations highlighting the damage done to the Tara river canyon, a UNESCO World Heritage Site.³⁵ Finally, water is an important resource, but deforestation threatens Montenegro's water catchment areas. In the North the excessive cutting of trees in mountainous areas is among the causes of increased erosion and flooding.³⁶

There are still a lot of unknowns regarding the North. What is presented above is based on the data and evidence that are available. However, there are limited data on social, economic and environmental issues, that would allow for a more complete picture of the challenges that the North faces. Better data and evidence would support improved targeting of support to the North.



There are legacy issues related to the North's economy. The evidence suggests that economic growth and income growth appears to benefit the other regions of Montenegro and not the North. This could be related to the **structure of the economy** which is related to the legacy of the former Yugoslav economy. Following the breakup of the former Yugoslavia, Montenegro's economy became increasingly reliant on tourism, which became an even more important engine of growth as some of Montenegro's Yugoslav-era industries shut down. Many of the industries were unsustainable following the transition to a market economy and due to the weaker competitiveness of the Montenegrin economy. The lack of economic opportunity feeds the sense of adversarial mentality and that the North has been overlooked.

Before the dissolution of the former Yugoslavia there was woodworking and paper manufacturing, and other types of manufacturing sectors that were much more prominent. Now the North's industrial sector is mostly related to timber export, which has concessions for wood exports, amounting to 3.5 percent of total exports in 2021³⁷, and the TPP. The North is increasingly reliant on agriculture rather than services for its income and employment than the other regions of Montenegro. The North only constituted 4 percent of total tourism arrivals in 2022 (an increase from 3.6 percent in 2021). Most tourist arrivals were focused on Podgorica and the Coastal region. However, tourism is becoming more important with more tourists going to northern municipalities year on year. The number of tourist arrivals to the North grew by 46 percent between 2021 and 2022, despite it only increasing its share of total

tourism in Montenegro by 0.4 percentage points.³⁸

Also related to the social and economic exclusion is the relative **level of public and private investment** in the North versus that in the Coastal and Central regions. The economic logic of the past has been that investments should go to where the economic returns are the greatest. In Montenegro, that meant that investments should go to maximise the potential revenues from the tourism sector. This has resulted in the high levels of construction at the coast and real estate investment, which is shown in Foreign Direct Investment data. This approach does not factor in the distributional benefits and how much inequality and exclusion can worsen other economic and social factors and one's ability to enjoy their rights. The EU structural funds are also an effort to counter some of these effects by channelling investment to regions where the GDP is below 75 percent of the EU average. The Bar-Boljare highway has gone some way to offset this economic model of investing at the coast and there has been increased construction and real estate purchases which the highway has enabled.

There are complicating factors, such as the cost of infrastructure that is related to **North's mountainous topography**, which also makes construction more complicated. The first phase of the Bar-Boljare highway between Podgorica and Kolašin is estimated to have cost nearly €1 billion, which, at over €20 million per kilometre, makes it one of the most expensive roads per kilometre to be built in Europe. The entire highway, when complete, will link the port of Bar with Belgrade, and with building costs rising will likely require increasing levels of

³⁷ Observatory of Economic Complexity

³⁸ Monstat

Drivers of disparity

The evidence presented above suggests nevertheless that the North is at risk of being left behind. The Coastal and Central regions are developing at a faster pace. Certainly, in economic and social issues, the indicators show that the North is diverging from the other regions in terms of labour market indicators and in terms of social sector delivery. Coupled with this, the North faces other unique challenges that the other regions do not, including related to the environment. These factors, highlighted in the preceding section, suggest that there are underlying reasons for these widening disparities. There are interrelated and cross-cutting factors that are driving these trends. These drivers constrain the pace of convergence of the North with the Central and Coastal regions.

The first factor is **social and economic inclusion/exclusion**. However, this factor is not only synonymous with the North. Some of the effects are more pronounced in the North. The social exclusion in some municipalities has helped to drive divisions between communities and a sense of an adversarial mentality. This mentality, coupled with the other factors listed below has reinforced itself and led to further issues for social cohesion.

finance, over initial expectations, to continue its construction. However, the complicated topography means that many of the road networks in the mountains are single lane, leading to longer journey times and increasing the risk of accidents. Furthermore the mountainous terrain and sparser populations drives up the cost of other infrastructure such as broadband. The uneven distribution of the population increases the costs of private broadband deployment and discourages broadband investments in less-populated areas.³⁹

The underinvestment is not only prevalent in infrastructure but also in municipalities and their ability to raise or access funds from taxes or central sources. Municipalities often cite that they lack adequate funds to deliver public services. Municipalities can raise funds to use for their own expenditures and are autonomous in executing their budgets. There are mechanisms for redistributing funds across municipalities, such as the equalisation fund. The list of municipality-owned revenues includes real estate tax, local communal and administrative charges, construction fees, fees for the use of roads and environmental protection, and revenues from concessions.⁴⁰ In addition, municipalities are allowed to introduce a surtax of up to 13 percent on personal income tax. This percentage can go up to 15 percent in the case of Podgorica or Cetinje.⁴¹ However, some municipalities are more successful at raising these revenues than others. Real estate tax and construction fees will be higher in coastal municipalities where real estate revenues are higher from the construction of properties and hotels.

It is not each single factor, but the combination of them, and this interaction, that drives the divergence and disparities. For example, the capacity and financial constraints, coupled with the challenges of topography in the North, compound the issues of constructing infrastructure that would improve the North's connectivity with other regions and other countries. The dependence on agriculture and the topography also creates challenges in making Northern agriculture competitive as farmers struggle to maintain profit margins on their goods. These types of interactions strengthen the disparities and mean that solving one factor is not enough to enable the North to converge.

Recommendations

If the situation continues, the North is in danger of continuing to lag the other regions of Montenegro not only in economic terms but also in terms of service delivery and human capital outcomes. The Strategy for Regional Development and its implementation could change this pathway. Some of these disparities could widen further and slow Montenegro's overall progress on the SDGs. Such widening inequality of income, wealth, and opportunity, which is related to access to services and enjoyment of human rights, is likely to put a strain on broader social cohesion and can lead to dissatisfaction. The orthodox economic model of allowing investment to flow to where it has the highest rate of return needs to be adjusted to incorporate social and distributional returns, and human rights considerations.

Overall, if Montenegro wants to ensure the North is not left behind, it needs to adjust its approach, as, ceteris paribus, some disparities are widening, even if some are narrowing at the national level. The standard economic model has been to invest in where the economic returns are greatest. This has meant that Podgorica and the Coastal region have reaped the benefits from economic development and this economic model, and without appropriate redistributive policies and mechanisms, widens disparities and leaves regions, like Montenegro's North region, behind. Such a renewed approach should be designed with full involvement of the people of the north, individual and group representative of those who live in the north, particularly those who come from groups that are more affected by the disparities than others.

Montenegro needs to focus on people and places when it considers supporting the most vulnerable. However, sub-national divides are not easily overcome. In many countries around the world such disparities exist and much has been done to narrow them without much impact. In fact, the OECD estimate that since 2000, in-country disparities have increased in half of OECD countries.⁴² There are some things that can be done to equalise the pace of inclusive development and ensure that there is sub-national convergence and shared prosperity for all. A stronger focus is needed to:

- 1. Create jobs** – needed to address economic disparities – but jobs that are decent;
- 2. Strengthen municipal/local government capacities** – needed to provide better services and support, greater decentralised power; increased investments in social sectors and
- 3. Foster improved relations between communities** – needed to address concerns on social cohesion though the facilitation of participation and fiscal transparency.

Specifically there are some steps that can be taken to support these efforts:

A) Better evidence and disaggregated data are required to fully gauge where the North stands in comparison to the other regions in Montenegro. Data and evidence are not always available at the granular level necessary to make appropriate and informed decisions and policies that concern the North. Some of these areas are highlighted above. However, some critical ones would concern social

³⁹ Montenegro Growth and Jobs, 2018, World Bank

⁴⁰ World Bank 2019 PEFA

⁴¹ Ibid

⁴² OECD Regions and Cities at a Glance 2020

inclusion and human capital indicators, which would support service delivery in Northern municipalities. The MICS data are the latest that are available that relate to the North of Montenegro. Disaggregated data which show the disparities of the various regions would support policymaking, and targeting of social protection and public services.

B) Support local municipalities to raise funds and to improve service delivery. Countries which have been able to narrow disparities have often done so through decentralisation and providing stronger capacities to local governments. While mechanisms are already in place to support municipalities with a more equitable distribution of funds, the Northern municipalities could still benefit from more support to raise revenues for local services and capacity building that enable them to enhance the public services that they implement.

C) Improve connectivity between the North and the other regions of Montenegro, and to Serbia, Bosnia and Herzegovina, Albania, and Kosovo.⁴³ It is not simply the connectivity within Montenegro that needs to improve. The North could benefit from more regional trade and connectivity within the Western Balkans region as some major population centres in other countries are closer than Podgorica in terms of distance and time of travel. However, another type of connectivity – digital connectivity – could be a means to support the North, not only economically, but also with the provision of e-services.

D) Invest in the North. This could take either an export-oriented (producing goods for export) or import substitution (replacing imported goods for the domestic market) approach. Sub-regional markets or the EU could offer an opportunity to some Montenegrin goods. The North's agricultural potential could focus on the production of niche agricultural products for export to the EU or products for sale in sub-regional markets. The alternative approach would be to link Montenegrin industry to substitute for food imports needed either for the tourism industry. Montenegro could also look to revive its wood-working industry with the development of high-quality furniture and other such products, again which could be sold to the tourism industry. Both these potential interventions were highlighted by the World Bank in their Country Economic Memorandum.⁴⁴ However, there is the potential with the growth of tourism to the Northern municipalities of Montenegro itself to develop both the summer season for tourists in the mountains and the winter season for skiing at Kolašin and the surrounding region.

⁴³ All references to Kosovo are understood in reference to UN Security Council Resolution 1244
⁴⁴ World Bank Country Economic Memorandum: Towards a Sustainable Growth Strategy, June 2023



There are potentially agglomeration benefits from further urbanisation, as migrants from the North if moving domestically will move to either Podgorica or the coast. This increased density of people can have benefits for productivity. By situating firms and people near to each other, there can be savings from reduced transportation costs, but also multiplier effects as firms in the same value chain can create stronger production lines. Montenegro, with its topography and infrastructure costs could benefit from bringing industry closer together to reduce costs and potentially improve productivity. Evidence suggests that there are also possible productivity gains from agglomerating.

E) Support Human capital development. The North's current state of industrial development limits the attractiveness of employment opportunities which can be a driving factor in migration from the North. With the opportunities limited mostly to agriculture and tourism, with limited ICT companies, young Northern Montenegrins see their future elsewhere. While investing in Northern industries might not mean that all young Montenegrins want to remain, it might offer some incentives for some to remain and would make the North more competitive offering the possibility to increase trade with the neighbouring countries of the region.

Plus, even if the young Montenegrins want to leave, human capital development should also be a priority. Investments are needed in the healthcare system so that Montenegrins do not have to travel long distances to get the healthcare they require. Likewise, investing in education and focussing on the quality of education, and ensuring the right level of educational infrastructure in the North, will set young Northern Montenegrins up with better opportunities.





UN agencies are already implementing projects to support the North of Montenegro.
More information on these can be found using the following code

