

## **Interreg IPA Cross-border Cooperation Programme CROATIA – BOSNIA AND HERZEGOVINA – MONTENEGRO 2014 – 2020**

### **Annex 8 - SWOT ANALYSIS**

This document contains the final SWOT analysis for the Interreg IPA Cross-border Cooperation Programme Croatia – Bosnia and Herzegovina – Montenegro 2014-2020 as it has been discussed and agreed by the Task Force at the Task Force meetings and workshops, discussed with the stakeholders on basis of statistical data from the programme area and on public consultations held in the consultative workshops with stakeholders in Gospić and Tivat in May 2014 and in Sarajevo in August 2014 and commented by the stakeholders during online consultations from 1 August 2014 to 1 September 2014.

Eligible units in the programme area are as follows:

- on the Croatian side 12 counties:

Zagreb County, Sisak-Moslavina County, Karlovac County, Bjelovar-Bilogora County, Lika-Senj County, Požega-Slavonia County, Brod-Posavina County, Zadar County, Šibenik-Knin County, Vukovar-Srijem County, Split-Dalmatia County and Dubrovnik-Neretva County.

- on the Bosnian and Herzegovinian side Brčko District and 109 municipalities:

Brčko District and 109 municipalities: Bijeljina, Teočak, Ugljevik, Lopare, Tuzla, Lukavac, Čelić, Srebrenik, Petrovo, Gračanica, Doboj Istok, Gradačac, Pelagićevo, Donji Žabar, Orašje, Domaljevac-Šamac, Šamac, Modriča, Vukosavlje, Odžak, Bosanski Brod, Srebrenica, Bratunac, Milići, Han-Pijesak, Vlasenica, Kladanj, Šekovići, Kalesija, Osmaci, Zvornik, Banovići, Živinice, Sapna, Prnjavor, Srbac, Laktaši, Čelinac, Kotor Varoš, Kneževo, Dobretići, Šipovo, Jajce, Jezero, Mrkonjić Grad, Banja Luka, Gradiška, Kozarska Dubica, Prijedor, Oštra Luka, Sanski Most, Ključ, Ribnik, Glamoč, Bosansko Grahovo, Drvar, Istočni Drvar, Petrovac, Bosanski Petrovac, Bosanska Krupa, Krupa na Uni, Novi Grad, Kostajnica, Bužim, Velika Kladuša, Cazin, Bihać, Doboj, Derventa, Prozor/Rama, Konjic, Nevesinje, Gacko, Bileća, Trebinje, Ravno, Ljubinje, Berkovići, Mostar, Jablanica, Kupres, Kupres (RS), Tomislavgrad, Posušje, Široki Brijeg, Čitluk, Stolac, Neum, Čapljina, Ljubuški, Grude, Livno, Istočni Mostar, Doboj Jug, Kakanj, Maglaj, Tešanj, Usora, Zavidovići, Zenica, Žepče, Bugojno, Busovača, Donji Vakuf, Gornji Vakuf-Uskoplje, Novi Travnik, Travnik, Vitez, Teslić.

- on the Montenegrin side 10 municipalities:

Herceg Novi, Kotor, Tivat, Budva, Bar, Ulcinj, Cetinje, Nikšić, Podgorica, Danilovgrad.

<b>THEMATIC PRIORITY 1: Employment, labour mobility, social inclusion, health and social care</b>	
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- High number of local and regional vocational and high schools in the programme area.</li> <li>- Strong university canterers in Split, Zadar, Dubrovnik, Banja Luka, Tuzla, Mostar and Podgorica.</li> <li>- Ethnic richness in the programme area.</li> <li>- Existing infrastructure in terms of hospitals and territorial distribution of hospitals, ambulances and companies and organizations responsible for providing social services.</li> </ul>	<ul style="list-style-type: none"> <li>- Health and social services in the programme area especially ineffective in managing preparation and emergency responses to disasters.</li> <li>- Need for modernization of public health and social care institutions in order to improve their accessibility and effectiveness.</li> <li>- Educational programmes not in line with market needs.</li> <li>- High rates of long-term unemployment and youth unemployment in the whole programme area.</li> <li>- Misbalance and mismatch between supply and demand on labour market.</li> <li>- Low awareness on importance of life-long learning programmes.</li> <li>- Educational programmes not in line with market needs.</li> <li>- High rates of long-term unemployment and youth unemployment in the whole programme area.</li> <li>- The seasonal jobs do not provide financial stability.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- For CBC Programmes, ERDF's support for promoting social inclusion, combating poverty and discrimination and investing in education and vocational training (Article 7, Regulation (EU) No 1299/2013).</li> <li>- Resorting to local development and social care policies to revamp cross border dialog and cooperation to deal more effectively with common challenges, especially risk prevention and emergency and disaster response.</li> <li>- Link to national and (macro) regional strategies to prioritize CBC programme interventions.</li> </ul>	<ul style="list-style-type: none"> <li>- Limited new employment possibilities due to recession and difficult economic situation.</li> <li>- Frequent changes of legislative framework in the area of education and employment policy.</li> <li>- Lack of effective measures for the promotion of self-employment and entrepreneurship.</li> <li>- High unemployment and raising costs of living increase the share of population living at risk of poverty or social exclusion.</li> <li>- Health and social care systems in all three countries do not respond to the needs of users.</li> </ul>

<b>THEMATIC PRIORITY 2: Environment, biodiversity, risk prevention, sustainable energy and energy efficiency</b>	
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Landscape and biodiversity richness (with many species and habitats) and richness of natural resources in general in all programme area.</li> <li>- Water richness in the programme area (rivers, lakes and sea).</li> <li>- Protected areas preserved and well managed.</li> <li>- A large part of the programme area is covered by forests.</li> <li>- Programme area has a potential for increasing production of renewable energy – especially from agricultural waste and forest residues (biomass), geothermal, solar and wind energy (Mediterranean, Dinaric and Pannonia basin areas).</li> <li>- Existing wind farms in Croatian and Montenegrin part of the programme area.</li> <li>- Montenegrin significant potential in generating energy from renewable energy resources (up to 33,4% of total primary energy generation).</li> <li>- Energy efficiency awareness is rising among public and relevant stakeholders in the programme area.</li> <li>- High % of the population is covered by an organized system of collection and disposal of municipal waste.</li> </ul>	<ul style="list-style-type: none"> <li>- Programme area is not fully aligned with European standards in waste-water and waste treatment with somewhat better situation in Croatia as a Member State.</li> <li>- Management of environmental “hot-spots” in need for improvement in all three countries possibly through cross border approaches.</li> <li>- Existing mine-suspected areas in the programme area.</li> <li>- Protection and connectivity of high-value ecosystems needs to be increasingly addressed at trans-national level.</li> <li>- Need to improve response to natural disasters by approaching the problem across the borders for areas with common characteristics (e.g.: water basins).</li> <li>- Need to increase investment in solid waste sector, and to devise sustainable management models across the borders to protect common environment.</li> <li>- Need to improve effectiveness, efficiency, and coverage of water and waste-water networks.</li> <li>- Lack of systematic monitoring of biodiversity data in the programme area.</li> <li>- Highly energy inefficient public infrastructures.</li> <li>- Participating countries face a lack of sufficient and reliable energy supply which threatens to create a regional energy crisis.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- ERDF's support for promoting climate change adaptation, risk prevention and ERDF's support to management (Article 7, Regulation (EU) No 1299/2013 recalling art. 5, Regulation (EU) No 1301/2013).</li> <li>- Increased awareness demand for management and prevention of natural disasters as floods, fires and droughts.</li> <li>- Relevant national strategic documents require increase of energy efficiency of the public buildings.</li> <li>- Energy efficiency (EE) is the most cost-effective clean means that can be tapped to reduce current energy supply demands which are expected to further grow in the future. Energy efficiency is also one of the lowest-cost means of reducing carbon dioxide (CO2) emissions—a major contributor to climate change.</li> </ul>	<ul style="list-style-type: none"> <li>- Increasing frequency of floods, droughts, fire and other natural disasters due to climate change.</li> <li>- Administrative burden for introducing new plans in renewable energy sector.</li> <li>- Sea and water pollution (sea accidents, ballast water from vessels).</li> </ul>

THEMATIC PRIORITY 3: Sustainable transport and public infrastructures	
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>- Programme area can be connected to some major European transport corridors.</li> <li>- High number of regional airports and (sea &amp; inland) ports which have potential for further development – especially for low-cost airlines and cargo transportation.</li> </ul>	<ul style="list-style-type: none"> <li>- The roads are at some parts of the programme area in a poor condition, roads are primarily used for internal connections and almost all have bad transport-technical elements.</li> <li>- Railway transport system and infrastructure in whole programme area is mainly in a poor condition.</li> <li>- Underused capacities of ports, waterways and airports.</li> <li>- Lack of investments in transport infrastructure in the areas of railways and inland waterways infrastructure.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>- River Sava and inland waters in general have potential to be used in combination with railway transport as an alternative to the currently dominant road transport network.</li> <li>- Great potential in developing multimodal transport centers with appropriate level of investment in infrastructure.</li> <li>- Construction of Adriatic – Ionian corridor which would open road communication between south-eastern Europe and middle Europe and connect south-west and south-eastern Europe.</li> </ul>	<ul style="list-style-type: none"> <li>- Croatia's entry to Schengen regime might have negative impact on cross-border propulsion.</li> <li>- Insufficient investment into transport networks restrains economic development.</li> <li>- Environmentally vulnerable territory may cause damages and disruptions to transport system in the programme area.</li> </ul>

<b>THEMATIC PRIORITY 4: Tourism and cultural and natural heritage</b>	
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Wide range of cultural, natural and historical attractions in the programme area.</li> <li>- Rich endowment of cultural heritage and natural resources exploitable for touristic purposes.</li> <li>- High number of UNESCO World Heritage and nature protected sites.</li> <li>- Favourable geostrategic position in terms of accessibility.</li> <li>- Historical links between population of the cross-border region and long-standing tradition of cooperation and joint cultural space of the programme area.</li> <li>- Long lasting tradition of tourism in the programme area.</li> <li>- Constant increase in touristic flows in the programme area.</li> <li>- Long coastal area in the southern part of the programme area.</li> <li>- Existing tourism potential for wide range of tourism niches.</li> <li>- Coastal and marine tourism is well developed.</li> <li>- Programme area natural environment is ecologically clean.</li> <li>- Potential for promoting new touristic products (agro-tourism linked to geographical products, cultural tourism, cycle-tourism, memorial tourism, active tourism, city breaks, rural tourism, eco-tourism, gastronomy tourism, religious tourism, hunting, bird watching, adventure, wine, winter tourism).</li> <li>- Under-utilized potential for tourism in some parts of the programme area (e.g. old towns and historically important sites in Bosnia and Herzegovina, Adriatic hinterland, etc.) as well as continental tourism in general in northern and eastern Croatia and continental tourism in Montenegro.</li> </ul>	<ul style="list-style-type: none"> <li>- Insufficient number of globally branded destination.</li> <li>- Short touristic summer season.</li> <li>- Lack of financing for tourism in some parts of the programme area.</li> <li>- Excessive pressure on public infrastructure in tourist areas during the summer season.</li> <li>- Under-utilised capacity of public institutions managing protected areas.</li> <li>- Need to improve quality standards of services for tourists.</li> <li>- Lack of standardisation in tourism service sector.</li> <li>- Tourist infrastructure in need for improvement (lack of different types of accommodation and services, insufficient road and railway connections to some areas, lack of tourist info points and other related facilities).</li> <li>- Insufficient capacity and resources for protection and preservation of natural resources.</li> <li>- Lack of cooperation between different tourism stakeholders but also between different tourism niches (e.g. agricultural, health, culture sectors, etc.) in order to provide integral touristic offer.</li> <li>- Lack of entrepreneurial spirit and skills for tourism in some parts of the programme area leading to decreased quality of tourist offer.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- ERDF and other EU and IFI financing for sustainable tourism and environmental protection</li> <li>- Opportunities to develop joint integrated touristic packages involving coastal, continental and rural tourism across the borders in the programme area.</li> </ul>	<ul style="list-style-type: none"> <li>- Potential distortion of natural heritage due to fast growth of tourism sector without sustainable strategy.</li> <li>- Barriers to cross-border free movement of service providers may hamper exploitation of opportunities for tourism development.</li> </ul>

<b>THEMATIC PRIORITY 5: Youth and education</b>	
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Life-long learning programmes available in the programme area.</li> <li>- Programme area has strong University centres that could be used for mobility and networking initiatives.</li> <li>- Increase in number of highly educated persons completing their studies each year.</li> <li>- Relatively high rates of persons with completed secondary level education in the programme area.</li> </ul>	<ul style="list-style-type: none"> <li>- Vocational education is not in line with the labour market needs.</li> <li>- Lack of initiative among individuals for further education and life-long learning.</li> <li>- Low percentage of persons (when compared to total number) having completed higher education.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- ERDF financing for education and youth policies.</li> <li>- Opportunity to increase employability by matching labour demand and supply across the borders in programme area.</li> <li>- Potential of life-long learning programmes for building human resources in the tourism sector, innovation, R&amp;D.</li> <li>- Increased need for entrepreneurial skills among young people as a potential for self-employment.</li> <li>- Need among youth for different exchange programmes and networking.</li> </ul>	<ul style="list-style-type: none"> <li>- Mismatch of programmes for life-long learning and prequalification with labour market needs might lead to increase of disparities between labour market supply and demand</li> <li>- Lack of employment opportunities .results in emigration of youth.</li> <li>- Continued emigration of youth and increase of brain drain from the programme area.</li> </ul>

<b>THEMATIC PRIORITY 6: Local and regional governance, planning and administrative capacity building</b>	
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Existing cooperation established through IPA CBC programmes 2007 – 2013.</li> <li>- Best practice models available in the programme area.</li> <li>- Lessons learned from previous IPA CBC programme to be built in new initiatives through 2014 – 2020 programme in the field of tourism, cultural exchange, SME development, strengthening of education, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- The delivery of public services is not in full compliance with the needs of the users in the programme area.</li> <li>- Lack of joint strategic planning for development in the programme area.</li> <li>- Difficult coordination between local and regional stakeholders due to the fragmentation of the programme area.</li> <li>- Lack of dissemination of good practice examples in inter-municipality and inter-county/districts relations.</li> <li>- Lack of a professional human resource management system for civil servants in local and regional governments (recruitment process, competency system for given jobs, methodology for validation of competence of civil servants, the system of assessment and monitoring of civil servants).</li> <li>- Recognized need for increase of capacities among civil servants in the programme area in building competencies for delivering qualitative and effective public services.</li> <li>- Need for stronger links between local/regional authorities and citizens that can contribute to delivery of qualitative and effective public services.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Financing of capacity and institution building under CBC and Regional Programmes (SEE, Adriatic Ionian, etc.)</li> <li>- Regional and EU drive toward public administration reform and anti-corruption awareness raising campaigns.</li> </ul>	<ul style="list-style-type: none"> <li>- Slow progress in fight against corruption.</li> <li>- Possible changes in the accession processes are putting additional pressure for reforms and actions on local and regional level.</li> <li>- Continuation of financial crisis/economic stagnation in the programme area can lead to further cuts in public sectors affecting capacities at local and regional level of governance.</li> </ul>

<b>THEMATIC PRIORITY 7: Competitiveness and business environment development</b>	
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- SMEs in the programme area are a sizeable sector in terms of: employment (largest share on total workforce), export (share on total).</li> <li>- SMEs in tourism sector well developed in the coastal area.</li> <li>- Existing business support infrastructure (business zones, centres for technological development, business incubators) in the programme area.</li> <li>- Existing cooperatives in agriculture sector.</li> <li>- Existing and potential transport system and services (e.g. airports and sea/river ports) can create opportunity for SMEs development.</li> <li>- Good potential for organic/eco production due to low pollution level and quality of soil and growing trend in organic/eco agriculture in all 3 countries.</li> <li>- Significant potential for cross border SMEs clustering in programme area to reach the critical mass to penetrate wider markets.</li> <li>- Existing business support institutions have great potential to increase their impact on SME/economy development through increasing quality of their service.</li> </ul>	<ul style="list-style-type: none"> <li>- Lessons learned from previous IPA CBC programme to be built in new initiatives through 2014 – 2020 programme in the field of tourism, cultural exchange, SME development, strengthening of education, etc.</li> <li>- Lack of local products branding.</li> <li>- Lack of access of local SMEs in the regional and international markets.</li> <li>- Programme area is significantly lagging behind EU in terms of economic performance.</li> <li>- Lack of R&amp;D and innovation in SMEs in the programme area.</li> <li>- Low entrepreneurial skills and spirit levels.</li> <li>- Lack of foreign direct investments in the programme area.</li> <li>- Lack of capacity of entrepreneurs.</li> <li>- Business support institutions do not respond completely to needs of entrepreneurs.</li> <li>- Recognized need for further capacity building in SMEs in dealing with business barriers; using different sources of financing, using services of existing business support institutions, etc.</li> <li>- Lack of diversified financing for SME sector has negative impact on entrepreneurship.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Strong policy drive at national, regional and EU wide level toward development of SMEs and SMEs networks.</li> <li>- Opportunity of introduction of innovative finance and financial engineering tools from widened role of EU institutions and other IFI (EBRD, IBRD; etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Inability to satisfy market request in terms of quality and quantity of products.</li> <li>- Frequent changes of legislative framework which influences ability to plan in the long-term.</li> <li>- Existing customs regime between the countries.</li> <li>- Possible restrictions in movement of persons and goods with partner countries once Croatia joins the Schengen Area.</li> <li>- Brain drain caused by poor economic performance of the programme area territories.</li> </ul>



<b>THEMATIC PRIORITY 8: Research, technological development, innovation and ICT</b>	
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Existing infrastructure (business zones, centres for technological development, business incubators) in the programme area.</li> <li>- University centres able to provide ad hoc research services for SMEs in the programme area.</li> <li>- Set of competitiveness clusters based on triple helix principle already established in food and processing industry, wood industry, pharmaceutical and health industry, shipbuilding and energy.</li> </ul>	<ul style="list-style-type: none"> <li>- Spending of GDP on R&amp;D in all three countries is significantly below EU average.</li> <li>- Most of the R&amp;D spending comes from public funding whilst there is lack of R&amp;D investment in private sector.</li> <li>- The three countries are lacking specialization strategies for development of smart industries.</li> <li>- Collaborations between the private and public sector and R&amp;D actors are few and insufficient.</li> <li>- The private sector is technologically weak, resulting mainly from the low volume and low investments into R&amp;D of the private businesses.</li> <li>- The three countries are lacking commercialization of R&amp;D innovative products.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Programme area has number of business support institutions and universities that have potential for more active role in promotion of R&amp;D and innovation.</li> <li>- Potential for implementation of innovation strategies.</li> <li>- The potential of ICT in the rural and remote areas of the programme area.</li> <li>- Growing need for commercialisation in the innovative products in the programme area and share of best practice.</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of incentives to cooperation between public and private sector in advanced research and technologies.</li> <li>- Trend of decrease in the number of total researchers (brain drain).</li> <li>- Global market and strong competitive world players leaving behind countries with low level of investment in R&amp;D and innovation sector.</li> </ul>