

TERRITORIAL AND SOCIO- ECONOMIC ANALYSIS OF THE PROGRAMME AREA

Interreg IPA Programme 2021-2027

Interreg - IPA CBC 
Croatia - Bosnia and Herzegovina - Montenegro 



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1. Executive summary

Territorial and socio-economic analysis of the programme area Croatia - Bosnia and Herzegovina - Montenegro within Interreg IPA programme was developed as an analytical basis that provides guidance and recommendations with prioritisation of policy objectives to be funded in the next programming period of Interreg IPA CBC 2021-2027. The methodological framework was developed in order to provide elaboration for the Interreg IPA CBC Programme calls for proposals by answering questions posed within the analysis related to challenges, strengths and potentials of the programme area. The spatial scope of the analysis included 12 counties in the Republic of Croatia, 109 municipalities / cities and the Brčko District in Bosnia and Herzegovina and 11 municipalities in Montenegro. The analysis was conducted for each of the specific objectives within the policy objectives of European Regional Development Fund which are: Smarter Europe, Greener Europe, Connected Europe, Social Europe, Europe closer to citizens and two additional Interreg specific objectives, Safer and more secure Europe and Better cooperation governance.

The following text summarises the relevance and feasibility for financing specific projects in each of the policy objectives mentioned above.

Within the Policy objective “Smarter Europe” in regard to research and development in the cross-border area, it is important to emphasize the significant number of universities located in the area and the prior success of projects submitted to Horizon2020, especially the number of SMEs involved in the Horizon2020. It is clear that SMEs in all three countries make up the largest significant part of total added value and total employment, while on the other hand it is clear that in all three countries the category of 'starting a business' is one of the lowest ranking as the bureaucratic administration continues to be a burden. The infrastructure for SME development is widely in place but needs further connecting and maximisation of effects. The gap between supply and demand of skilled workforce remains and the education system continues to educate a workforce that does not necessarily correspond to the needs of the economy. As a consequence, the main features of the labour market are high unemployment of people with lower and intermediate education, and high long-term and youth unemployment. Educational system, especially in vocational education and training, should keep up with the labour market demands and priorities in each sector, especially the ones which are of primary importance for further development of the economy. The state of digitisation of the society is on the rise, as digitalisation is high on the priority list in three countries. However, there is still a large gap between urban and rural areas that needs to be dealt with in order to use digital technologies to its full potential. In relation to the differences and challenges between the countries of the programme area, the big differences in the progress in the introduction of the (fast) broadband network are especially emphasized.

Within the Policy objective “Greener Europe” there is a big difference in the ratio of energy production in hydropower and thermal power plants. Croatia is far ahead of the other two countries in terms of the use of thermal power plants while Bosnia and Herzegovina and Montenegro still do not use their hydropower potential enough. The key advantages, among other things, are the

energy potential for the use of renewable energy sources in all three countries. The possibilities in using RES are numerous and very profitable in the long run, but they require a significant amount of financial means, as well as an extensive legal framework so they are mostly regulated on a national level. The rich resources of clean and drinking water that need to be preserved, work on water saving methods, prevention of source pollution and wastewater treatment mechanisms are also highlighted. A great advantage is the good geographical position of all countries with great tourist and cultural potential of natural resources, but which contain great biodiversity that needs to be preserved. Interregional co-operation is particularly important for border areas, and there is a need to develop regional water supply systems to relieve local resources and reduce the risk of them drying out.

Within the Policy objective “Connected Europe” what needs to be emphasized is poor interregional railway connections, thus a weak contribution to the development of the trans-European network. Poor road safety and high road death rates are also challenges shared among the three countries. Road traffic is by far the most developed in Croatia due to modernized roads and a relatively dense network of motorways. The key advantages of the development of the programme area are manifested through the potential for the production of alternative fuels from domestic materials already used in other sectors and suitable terrain and temperate climate as favourable conditions for the development of active walking and cycling and encouragement of sustainable mobility. However, Policy objective “Connected Europe” does not seem to be relevant enough for the programme area due to its large scopes and high cost of traffic development projects.

The data processed within the Policy objective “Social Europe” tackles the unemployment and poverty issues, brain drain and demographic trends, marginalised communities, health care and tourism and culture. The overall employment rate remains one of the lowest in the EU facing a rather low activity rate among the working-age population while poverty is more concentrated in the rural areas. The demographic trend in all three countries shows that the population is in decline due to emigration, an aging population is increasing and all this poses a danger to the pension system and economy in general. This makes a strong argument towards better development of existing services and introduction of new ones, non-institutional social welfare services since there is a low percentage of non-institutional social service especially for the elderly but also migrants that have played an important part in the social system especially in the programme area that is part of the Balkan route. The health systems are well developed but pose a question of sustainability with public investment being high. There is a clear opportunity for the development of projects that would be aimed at tackling the mismatch between labour market and education through lifelong learning programmes and VET. Tourism and culture play an important role in the economies of all countries thus it is vital to create joint offer of tourist products and services and provide new destination management tools, especially taking into consideration the potential of data driven decision making in order to ensure sustainability.

Within the Policy objective “Europe closer to citizens” all three programme countries have adopted a positive attitude towards implementing a strategic framework into their planning processes and

there is a visible shift from a short-term opportunity-based project perspective to a more strategic, long-term perspective. However, according to the policy objective legislation, in order to foster and develop the integrated territorial development approach, investments in the form of territorial tools such as integrated territorial investments ('ITI'), community-led local development ('CLLD') or any other territorial tool under policy objective "Europe closer to citizens" for investments programmed for the ERDF should be based on territorial and local development strategies which presumes that creation of common strategies is a prerequisite for the usage of funds under this objective. Since such strategies are not planned or developed, it is evident that this PO is not to be taken into account.

Within the Interreg specific objective "A better cooperation governance" and in order to ensure better local and regional governance, it is necessary to put in place an appropriate legal, institutional and regulatory framework for supervision of local authorities' activities having in mind good governance principles and wider participation methods in policy making. Countries should strive to reach a better rank with policies and implementations models regarding electoral process and pluralism, civil liberties, functioning of governance, political participation, and political culture. This would in particular mean sharing the decision-making powers, including other stakeholders such as CSO's and improving the transparency of governing structures and data transparency. While capacities of the public administration are somewhat challenging, this could be further improved by providing public services in cooperation with the civil society organisations which would imply greater financial allocation for the work of civil society organisations and their greater involvement. This specific objective is considered relevant in terms of the overall development of the area and empowerment of the dialogue and interdisciplinarity of governing approach which can have a multiplier effect on other policy areas in need of further democratization. Further democratization can provide better knowledge of the need in a specific sector, thus more efficient public policies.

Within the Interreg specific objective "A safer and more secure Europe" and in relation to the challenges and differences between the programme countries, there are differences in human capacities at the borders (in Bosnia and Herzegovina and Montenegro there is a lack of border police). There is also an issue of the increasing number of illegal immigrants in all three countries, as well as underdeveloped administration capacities to process international protection requests (especially in Bosnia and Herzegovina). The key advantage, among other things, is an important strategic position of the region, which can serve as an incentive for extra funds from the European Union. This can also encourage further cooperation with Frontex and other European border protection organizations. Developed readmission agreements represent another advantage that the programme area has. According to the analysis findings the following potentials for cross-border cooperation were highlighted: continuation of interregional cooperation of border police, assistance of Croatia and the EU to other countries in modernizing technology and infrastructure at borders and cooperation in improving the system for identification and registration of migrants.

Finally, following the analysis above, it can be concluded that in accordance with relevance and feasibility of specific objectives, the future Programme 2021.-2027. should address, or take into account the following Policy objectives and related Specific objectives:

1. SMARTER EUROPE

- a. Research and innovation
- b. SME competitiveness

2. GREENER EUROPE

- c. Energy efficiency
- d. Climate change adaption and disaster risk prevention
- e. Circular economy
- f. Nature protection and biodiversity

3. SOCIAL EUROPE

- g. Education and training infrastructure
- h. Access to health care
- i. Tourism and culture

4. BETTER COOPERATION GOVERNANCE

- j. Local and regional governance

2. Methodology

The methodological framework is developed for the needs of territorial and socio-economic analysis of the programme area for the Interreg IPA CBC programme 2021-2027, which will serve to detect priority thematic areas and enable elaboration of the Interreg IPA CBC Programme calls for proposals.

The spatial scope of the analysis includes:

12 counties in the Republic of Croatia, 109 municipalities / cities and the Brčko District in Bosnia and Herzegovina and 11 municipalities in Montenegro.

Territorial and socio-economic analysis of programme area was based on:

1. secondary research, collection and processing of statistical data and desk research of existing strategic documents as defined by the procurement documentation and Annex II of this report
2. primary research in the form of focus groups, interviews and surveys of stakeholders at the local, regional and national level
3. case studies of successful territorial and thematic concentration as examples of good practice.

The analysis of all documentation enlisted in the tender documentation, as well as other relevant strategic and programme documents is conducted following the mapping of strategic basis.

Data is collected answering the key questions set within the methodological framework following the structure of the 5 policy objectives of ERDF + 2 Interreg specific objectives. A list of desired key data is predefined, according to their availability in all countries involved.

Comparative analysis of user needs, along with the analysis of the current situation based on secondary research, is one of the key backbones of the proposed methodology and is based on the experiences of existing users of the Interreg IPA CBC programme. To ensure methodological triangulation and representation of stakeholder perspectives, the key stakeholders at the EU, national, regional and local levels were identified and 4 focus groups were organized, as well as an online survey that was filled in by 49 organisations.

For additional qualitative research, good practices in thematic and territorial concentration in cross-border cooperation programme at the European level was explored to assess the applicability of criteria to future programme. (Annex 1.)

The results of the analysis are linked to 5 ERDF policy objectives and 2 specific Interreg objectives focusing on key challenges, needs, potentials of functional areas and preliminary recommendations of thematic topics, as well as potential interactions and synergies in selecting specific combinations

of thematic topics. The analysis was based on the knowledge gained through the experience of the activities of the previous financial period, supporting the conclusions with statistical data, findings on stakeholders' attitudes and examples of good practice.

Policy objectives of the European Regional Development Fund:

1. Smarter Europe - by promoting innovative and smart economic transformation
2. Greene Europe - by promoting the transition to clean and fair energy, green and blue investments, the circular economy, climate change adaptation and risk management and prevention
3. Connected Europe - by strengthening mobility and regional connectivity of information and communication technology (ICT)
4. Social Europe - a Europe with a more prominent social component in the implementation of the European Pillar of Social Rights
5. Europe closer to citizens - by fostering sustainable and integrated development of urban, rural and coastal areas and local initiatives

Additional two Interreg specific objectives:

1. A safer and more secure Europe - measures in the areas of border crossing, mobility and migration management, and the protection of migrants
2. A better cooperation governance - support for capacity building, addressing cross-border legal and administrative challenges - support for institutional capacity to support macroregional strategies, support for trust-building, people-to-people, civil society

Research questions:

By analysing the situation in accordance with the given methodological framework, the analysis provides answers to the following key questions that will enable an understanding of the needs and potentials of the programme area for the new Interreg IPA CBC programme Croatia-Bosnia and Herzegovina – Montenegro 2021-2027.

1. What are the main themes and challenges of the programme area, considering the general view of the programme area problems in the economic, social, environmental and governance sectors, and with regard to policy objectives? What are the links between challenges and potential trends in the future?
2. What are the needs of the programme area to be addressed under cross-border cooperation, and given the identified challenges, as well as the main actors of these needs, i.e. stakeholders and end users who should benefit from the cross-border cooperation projects?
3. What are the existing potentials thanks to which the regions have the capacity to respond to the identified challenges and needs, with an emphasis on existing resources suitable for strengthening cross-border cooperation projects also in synergy with other initiatives / funds / funding sources?
4. What are the possible functional areas in the cross-border area?

5. Which policy objectives/(related) specific objectives should be the focus of the next generation of Interreg IPA CBC programme Croatia - Bosnia and Herzegovina - Montenegro?

The analysis of the current situation is structured as presented below, following the given objectives and key data sets:

1. Review of the situation on the basis of relevant statistical data
2. Qualitative analysis and interpretation of data in relation to the challenges, needs and potentials of the programme area
3. Conclusions for each of the seven policy objectives answering three questions:
 - In relation to the objective, which key challenge has been recognized in the cross-border area and what are the biggest differences in the level of development between countries?
 - In relation to the objective, which key advantage has been recognized in the cross-border area or individual country?
 - In relation to the objective, what potential has been recognized for cross-border cooperation?

3. Analysis of current state, challenges and needs with potentials for development

3.1. Analysis of geographic coverage and population

Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and Herzegovina-Montenegro 2021-2027 covers the territory of border areas between Croatia and Bosnia and Herzegovina, Croatia and Montenegro and between Montenegro and Bosnia and Herzegovina. Within programme area there is a tri-border area (Dubrovnik-Neretva County, Trebinje Municipality and Herceg Novi Municipality). The proposed programme area is identical to the one of the previous programming period 2014-2020. In other words, programme area covers 12 counties on the Croatian side, Brčko District of Bosnia and Herzegovina and 109 municipalities/cities on the side of Bosnia and Herzegovina and 11 municipalities on the side of Montenegrin border. This amounts to total of 87.453,95 km² of programme area with 5.587.836,00 inhabitants.

On the Croatian side, the programme territory covers 38.405,00 km² and includes following 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 side of Bosnia and Herzegovina, the programme territory covers 42.578,50 km² and includes Brčko District of Bosnia and Herzegovina and following 49 municipalities/cities from the Republic of Srpska and 60 municipalities/cities from Federation of Bosnia and Herzegovina: Bijeljina, Teočak, Ugljevik, Lopare, Tuzla, Lukavac, Čelić, Srebrenik, Petrovo, Gračanica, Doboj Istok, Gradačac, Pelagićevo, Donji Žabar, Orašje, Domaljevac-Šamac, Šamac, Modriča, Vukosavlje, Odžak, 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, Grahovo, Drvar, Istočni Drvar, Petrovac-Drinić, Petrovac, 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 and Teslić.

On the side of Montenegrin border, the programme territory covers 6.508 km² and includes municipalities as follows: Herceg Novi, Kotor, Tivat, Budva, Bar, Ulcinj, Cetinje, Nikšić, Podgorica, Danilovgrad, and Tuzi.

The programme area could be divided into northern part and southern part where northern part is characterized with continental climate while the southern part enjoys a more Adriatic climate with hot, dry summers and autumns and mild and wet winters.

The state border between the Republic of Croatia and Bosnia and Herzegovina is determined in an international bilateral agreement – the Treaty on State Border between the Republic of Croatia and Bosnia and Herzegovina – signed in 1999; however not ratified neither by Croatia nor Bosnia and

Herzegovina, but it has been provisionally applied (with no incidents) since its signature. There are 50 international border crossings between the two countries classified in several categories. The border predominantly follows River Sava and Una but also mountain Dinara while on the south, along with the land border, Croatia and Bosnia and Herzegovina are bordering on the Adriatic Sea as well.

The Croatian land border with Montenegro is 19.5 kilometres long. The territorial sea border (provisionally established in 2002 by the Protocol) is 14.0 nautical miles/NM (25.98 kilometres) long, plus the provisional southern lateral border of the Croatian Exclusive Economic Zone. The border of Croatia and Montenegro is small in territory in comparison to other Croatian and Montenegrin borders. The relief of the area is predominantly mountainous areas. The most specific feature of this relief is the joint Adriatic Sea and elements of its natural surrounding such as rocky and dry hinterland with Mediterranean vegetation.

The length of border between Bosnia and Herzegovina and Montenegro is 225 km and is mainly mountainous and relatively inaccessible, with economic centers located in larger towns, at some distance from the border. The rivers in the area flow into either the Adriatic Sea or the Black Sea basin. In the mountains, the rivers flow along deep canyons such as the Tara River Canyon which is the deepest canyon in Montenegro and in Europe, at 78 km in length and 1.300 meters at its deepest point. There are around forty natural and seven artificial lakes in the area.

The number of population in the programme area exceeds 5.5 million, 36.9 % of which lives in Croatia, 52.05% in Bosnia and Herzegovina and 7.9% in Montenegro. The population density is 63.89 inhabitants/km². When looking into specific numbers of 12 Croatian counties, there is a difference in numbers where only 5 counties are close to the average, while Zagreb County has significantly higher number than rest of territories. Lika-Senj County is significantly below the average with 9,5 inhabitant/km².

Table 1. Population and density in the programme area according to data from the latest censuses (Croatia 2011., Bosnia and Herzegovina 2013., and Montenegro 2011.)

NUTS 3	No. of inhabitants	Surface area, km ²	Density, inhabitant/km ²
Croatian programme area	2.062.523	38.405	53,7
Zagreb County	317.606	3.060	103,8
Sisak - Moslavina County	172.439	4.468	38,6
Karlovac County	128.899	3.626	35,5
Bjelovar - Bilogora County	119.764	2.640	45,4
Lika - Senj County	50.927	5.353	9,5
Požega - Slavonia County	78.034	1.823	42,8
Brod - Posavina County	158.575	2.030	78,1
Zadar County	170.017	3.646	46,6
Šibenik - Knin County	109.375	2.984	36,7
Vukovar - Srijem County	179.521	2.454	73,2
Split - Dalmatia County	454.798	4.540	100,2
Dubrovnik - Neretva County	122.568	1.781	68,8

TOTAL CROATIA	4.284.889	56.594	75,7
Bosnian and Herzegovinian programme area	2.863.109	42.578.50	81,2
Bijeljina	107.715	733,85	146,8
Teočak	7.424	29	256
Ugljevik	15.710	165,17	95,1
Lopare	15.357	292,55	52,5
Tuzla	110.979	294	377,48
Lukavac	44.520	337	132,11
Čelić	10.502	140	75,01
Brčko District of BiH	83.516	402	207,75
Srebrenik	39.678	248	159,99
Petrovo	6.474	143,9	44,99
Gračanica	45.220	216	209,35
Doboj Istok	10.248	41	249,95
Gradačac	39.340	218	180,46
Pelagićevo	5.220	122,49	42,62
Donji Žabar	3.809	46,76	81,46
Orašje	19.861	121,8	163,06
Domaljevac-Šamac	4.771	44,4	107,45
Šamac	17.273	177,54	97,29
Modriča	25.720	319,8	80,43
Vukosavlje	4.667	94,9	49,18
Odžak	18.821	158,4	118,82
Srebrenica	13.409	526,83	25,45
Bratunac	20.340	293,49	69,3
Milići	11.441	279,13	40,99
Han-Pijesak	3.530	322,9	10,93
Vlasenica	11.467	225,32	50,89
Kladanj	12.348	331	37,31
Šekovići	6.761	2372	28,5
Kalesija	33.053	201	164,44
Osmaci	6.016	78,1	77,03
Zvornik	58.856	376,14	156,47
Banovići	22.773	185	123,1
Živinice	57.765	291	198,51
Sapna	11.178	118	94,73
Prnjavor	35.956	629,95	57,08
Srbac	17.587	452,51	38,87
Laktaši	34.966	388,37	90,03
Čelinac	15.548	361,81	42,97

Kotor Varoš	19.710	564,26	34,93
Kneževo	9.793	332,9	29,42
Dobretići	1.629	59	27,61
Šipovo	10.293	553,41	18,6
Jajce	27.258	339	80,41
Jezero	1.144	55,6	20,58
Mrkonjić Grad	16.671	677,43	24,61
Banja Luka	185.042	1.238,91	149,36
Gradiška	51.727	761,74	67,91
Kozarska Dubica	21.524	499,01	43,13
Prijedor	89.397	834,06	107,18
Oštra Luka	2.786	204,91	13,6
Sanski Most	41.475	781	53,1
Ključ	16.744	358	46,77
Ribnik	6.048	511,1	11,83
Glamoč	3.860	1.033,60	3,73
Grahovo	2.449	780	3,14
Drvar	7.036	589,3	11,94
Istočni Drvar	79	75,3	1,05
Petrovac-Drinić	361	154,9	2,33
Petrovac	7.328	709	10,34
Krupa	25.545	561	45,53
Krupa na Uni	1.597	84,33	18,94
Novi Grad	27.115	472,72	57,36
Kostajnica	5.977	85,12	70,22
Bužim	19.340	129	149,92
Velika Kladuša	40.419	331	122,11
Cazin	66.149	356	185,81
Bihać	56.261	900	62,51
Doboj	71.441	772,09	92,53
Derventa	27.404	516,84	53,02
Prozor/Rama	14.280	477	29,94
Konjic	25.148	1169	21,51
Nevesinje	12.961	877,08	14,78
Gacko	8.990	735,88	12,22
Bileća	10.807	632,33	17,09
Trebinje	29.198	854,5	34,17
Ravno	3.219	286	11,26
Ljubinje	3.511	319,07	11
Berkovići	2.114	24969	8,47
Mostar	105.797	1.175	90,04

Jablanica	10.111	301	33,59
Kupres	5.057	569,8	8,88
Kupres (RS)	300	47,8	6,28
Tomislavgrad	31.592	967,4	32,66
Posušje	20.477	461,1	44,41
Široki Brijeg	28.929	387,6	74,64
Čitluk	18.140	181	100,22
Stolac	14.502	331	43,81
Neum	4.653	225	20,68
Čapljina	26.157	256	102,18
Ljubuški	28.184	292,7	96,29
Grude	17.308	220,8	78,39
Livno	34.133	994	34,34
Istočni Mostar	257	85,24	3,02
Doboj Jug	4.137	10,2	405,59
Kakanj	37.441	377	99,31
Maglaj	23.146	290	79,81
Tešanj	43.063	155,9	276,22
Usora	6.603	49,8	132,59
Zavidovići	35.988	556	60,97
Zenica	110.663	558,5	198,14
Žepče	30.219	282	107,16
Bugojno	31.470	361	87,17
Busovača	1.791	158	113,35
Donji Vakuf	13.985	320	43,7
Gornji Vakuf-Uskoplje	20.933	402	52,07
Novi Travnik	23.832	242	98,48
Travnik	53.482	529	101,1
Vitez	25.836	159	162,49
Teslić	38.536	837,97	45,99
TOTAL BOSNIA AND HERZEGOVINA	3.531.159	51.222,4	68,9
Montenegrin programme area	442.192	6.508	67,95
Herceg Novi	30.864	235	131,34
Kotor	22.601	335	67,47
Tivat	14.031	46	305,02
Budva	19.218	122	157,52
Bar	42.048	598	70,31
Ulcinj	19.921	255	78,12
Cetinje	16.657	910	18,3
Nikšić	72.443	2.065	35,08

Podgorica	185.937	1.441	129,03
Danilovgrad	18.472	501	36,87
TOTAL MONTENEGRO	620.029	13.812	44,89
TOTAL PROGRAMME AREA	5.587.836	87.453.95	63,89

Source: ¹

The Croatian part of the programme area has 73 towns and 237 municipalities. Main urban areas are cities of Split (178.102 inhabitants), Zadar (75.062 inhabitants), Velika Gorica (63.517), Slavonski Brod (59.141 inhabitants), Karlovac (55.705 inhabitants), Sisak (47.768 inhabitants), Šibenik (46.332 inhabitants) and Dubrovnik (42.615 inhabitants). Bosnian and Herzegovinian part of the programme area has 109 municipalities and Brčko District of Bosnia and Herzegovina. Main urban areas are Banja Luka (185.042 inhabitants), Tuzla (110.979 inhabitants), Zenica (110.663 inhabitants), Mostar (105.797 inhabitants) and Bihać (56.261 inhabitants). Montenegrin part of the programme area has 11 towns (municipalities) with Podgorica, Bar and Herceg Novi as main urban areas (185.937 inhabitants, 42.048 inhabitants and 30.864 inhabitants respectively).

Population change in the programme area is significant in last 30 years. There is a decrease in number of inhabitants in Croatia and Bosnia and Herzegovina, while Montenegro has increase in population. In Bosnia and Herzegovina, data are available for census 1991 and census 2013 for the whole country. In 1991, total population was 4.377.033 while according to the results of census 2013, total population was 3.351.159.²

One of the favourable conditions of the programme area is large number of different ethnicities living in cohabitation and enriching public cultural and lingual life of the cross- border territory. The biggest minority in Croatian part of the programme area is the Serbian minority. The Bosniaks as a minority group is rather small (in Croatia) but most of them live in the programme area. In Bosnia and Herzegovina, Bosniaks, Croats and Serbs are constituent people. The biggest national minority in Bosnia and Herzegovina is the Roma minority. In terms of ethnic belonging on Croatian and Montenegrin cross-border area, there is a difference in both countries. While in Croatian counties high degree of ethnic homogeneity is visible, in Montenegrin municipalities heterogeneity is present. In Croatian part of the programme area, the main ethnic minorities are Serbs and Bosniaks and in Montenegrin part these are Serbs (28,77%), Bosniaks (8,65%), Albanians (4,91%), Croats (0,97%) and Moslems (3,31%).

Shown below are the data of official population estimates for 2019. Population estimates show continuing negative demographic trends in Croatia and Bosnia and Herzegovina. In Croatia (4,29 mil. in 2011 and 4.07 mil. inhabitants in 2019) and Bosnia and Herzegovina (3.53 mil. in 2013 and 3,50 mil. inhabitants in 2018.) the population is declining, while Montenegro (620.079 inhabitants in 2011 and 622.137 inhabitants in 2019) records a slight increase in population.

¹ Source: Croatia: Central Bureau of Statistics, Census 2011; Montenegro: Statistical Office of Montenegro, Census 2011; Bosnia and Herzegovina: Agency for Statistics of Bosnia and Herzegovina, Census 2013

² Agency for Statistics of BiH, www.statistika.ba

Table 2. Population estimate 2019

Area	Population estimate 2019
Croatian programme area	
Zagreb County	309.169
Sisak - Moslavina County	145.904
Karlovac County	115.484
Bjelovar - Bilogora County	106.258
Lika - Senj County	44.625
Požega - Slavonia County	66.256
Brod - Posavina County	137.487
Zadar County	168.213
Šibenik - Knin County	99.210
Vukovar - Srijem County	150.985
Split - Dalmatia County	447.747
Dubrovnik - Neretva County	121.816
Bosnia and Herzegovina (a part of programme area)	
Federation of BiH (Total)	2.190.098
Una-Sana Canton	267.874
Posavina Canton	41.346
Tuzla Canton	438.811
Zenica-Doboj Canton	358.292
Central Bosnia Canton	249.879
Herzegovina-Neretva Canton	216.970
West Herzegovina Canton	93.385
Canton 10	80.004
Republic of Srpska	1.142.495
Brčko District	83.159
Montenegrin programme area	
Herceg Novi	30.597
Kotor	22.753
Tivat	15.069

Budva	22.061
Bar	44.028
Ulcinj	20.191
Cetinje	15.181
Nikšić	69.203
Podgorica	189.260
Tuzi	12.371
Danilovgrad	18.284

Source: ³

GDP is the most important indicator when measuring the size of an economy. GDP rate shows economic growth and GDP per capita says a lot about the country's living standards. In the period from 2015 to 2019, all three countries recorded a significant increase in GDP per capita. Croatia's GDP is by far the highest of all three countries (14.936,10 pp in 2019), followed by Montenegro (8.908,90), placing Bosnia and Herzegovina at the bottom whose GDP (6.108,50) amounts to less than half of that of Croatia. On the list of 189 countries in the world included in the measurement of GDP pp in 2019, Croatia took 59th place, Montenegro 75th and Bosnia and Herzegovina 96th.

Table 3. GDP per capita (in USD) in the programme participating countries

	2015	2016	2017	2018	2019
Croatia	11.782,90	12.360,47	13.412,34	14.909,69	14.936,10
Bosnia and Herzegovina	4.727,28	4.994,68	5.394,59	6.065,67	6.108,50
Montenegro	6.514,27	7.028,94	7.784,07	8.844,24	8.908,90

Source: ⁴

HDI index measures human development across the world and is divided into three categories: life expectancy, education and income. The countries of the programme are lined up in the same way when it comes to HDI (Human Development Index) as in terms of GDP. Croatia has the highest HDI (0,851) and was ranked 43/189 in 2019. Montenegro, with its score of 0,829 was placed 48th and Bosnia and Herzegovina with 0,780 took 73rd place. This places Croatia and Montenegro in the

³ Population estimate of Republic of Croatia, 2019; Monstat: www.monstat.org;

This is Republika Srpska, 2020, www.rzs.rs.ba/front/category/308 Demographic statistics of the Federation of Bosnia and Herzegovina 2019

⁴ World Bank Open Data, data.worldbank.org

category of “Very high human development” and Bosnia and Herzegovina in the category below, “High human development”. Out of all three countries, Bosnia and Herzegovina recorded the biggest improvement, jumping from 0,761 in 2015 to 0,780 in 2019.

Table 4: HDI (Human Development Index) through the years in the programme participating countries

	2015	2016	2017	2018	2019
Croatia	0,840	0,841	0,845	0,848	0,851
Bosnia and Herzegovina	0,761	0,772	0,774	0,777	0,780
Montenegro	0,816	0,818	0,822	0,826	0,829

Source: ⁵

Life expectancy at birth in Croatia was the highest in 2019 (78,5 years), followed by Bosnia and Herzegovina at 77,4 and Montenegro at 76,9 years. Croatia also scored the highest in the other two categories (education and income) with 15.2 expected years of schooling and 11.4 mean years of schooling. GNI (gross national income) per capita in Croatia was 28, 070 USD in 2019. Montenegro took the second place among the three countries, with 15 expected and 11.6 mean years of schooling and 21,399 USD of GNI. Bosnia recorded 13.8 expected and 9.8 mean years of schooling and the GNI amounted to 14,872 USD.

⁵ United Nations Development Programme: Human Development Reports, hdr.undp.org

3.2. Smarter Europe

3.2.1. Description of current state in key analysis areas

The smarter Europe specific objective of the new period is mainly focused on innovative and smart economic transformation. It will therefore be aimed at enhancing research and innovation capacities and the uptake of advanced technologies in different industries. It is intended to reap the benefits of digitisation for citizens, companies and governments and firstly enhance the growth and competitiveness of SMEs in focus. In order to achieve these goals it will be necessary to develop skills for smart specialisation, industrial transition and entrepreneurship. The possible investments are those connected with infrastructure, access to advanced business and public services, productive investments in SMEs and their equipment, software and intangible assets. Investments will be possible for information, communication, networking, cooperation, exchange of experience and activities involving clusters and technical assistance. In addition, funding will be provided for training, life-long learning and education activities. Based on these, the analysis was made in relevant fields.

3.2.1.1. Research and innovation

Using the European Innovation Success Scale European Innovation Scoreboard (EIS) as a tool for comparative evaluation of research and innovation results in EU countries, the Republic of Croatia is classified as 'moderate innovator'. In parallel with other countries in the group of 'moderate innovators', Croatia ranks last in this category. Over time, performance has increased relative to that of the EU in 2011. Innovators and Firm investments are the strongest innovation dimensions. Croatia scores well on Non-R&D innovation expenditures, SMEs with marketing or organizational innovations, Innovative SMEs collaborating with others, and Enterprises providing ICT training. Intellectual assets, Sales impacts and Finance and support are the weakest innovation dimensions. Croatia's lowest indicator scores are for Exports of knowledge-intensive services, Design applications, Venture capital expenditures, and Lifelong learning. Croatia shows the highest positive difference to the EU in Enterprise births, Average annual change in GDP and Total Entrepreneurial Activity, and the biggest negative difference in Top R&D spending enterprises, Employment share high and medium high-tech manufacturing and GDP per capita.⁶

R&D investments in the Republic of Croatia have grown significantly, from 0.86% of GDP in 2017 to 0.97% of GDP in 2018, primarily thanks to European structural and investment funds (ESIF). However, Croatia still lags significantly with regards to the objectives set out in the National Reform Programme and the EU-27 by average. In the category of employees in high-tech manufacturing and knowledge of intensive service sectors (as a % of total employment), there was a shift from 33.3% in 2010 to 38.2% in 2018 (EU-27: 45.8%). Furthermore, the R&D staff category recorded stagnation, and only 0.65% of employees actively work in R&D, in parallel with the continuously growing EU-27

⁶ European Commission, Innovation Scoreboard 2020, https://ec.europa.eu/growth/industry/policy/innovation/scoreboards_en

average of 1.3% in 2018. In the intellectual property segment, Croatia delivered some of the weakest results in the European Union, with just 4.8 patents reported to the European Patent Office, compared to the European average of 106.8 patents per million inhabitants.⁷

Croatia continues to be active and successful in Horizon 2020, having competitively already received EUR 121 million with 717 organisations involved and a success rate of applications of 14,13%, above the overall Horizon 2020 success rate of 12%. SME's participation in Horizon is 13,81% of country total.

Croatia attained the best results in innovation outside of the research and development, precisely, with SMEs with marketing and organizational innovations, innovative SMEs in collaboration, start-ups and overall entrepreneurial activity. The weakest dimensions of innovation impact are intellectual property, export through intensive services knowledge and venture capital investment. The innovation system is characterised by modest research and innovative results, in scientific and economic terms, poor results come from the commercialisation of innovation, low sales effects of innovation and low talent-attracting capacity.⁸

Concerning the European Commission's recommendations on how to increase research and innovation capacities and ensure the adoption of advanced technologies, with the ultimate objective of innovative and smart industrial transformation, suggestions for the Republic of Croatia focus on the following activities:

- strengthen innovation performance and boost productivity growth by identifying areas of smart specialisation based on national and regional needs and potential;
- increase the number of innovative companies in the areas of smart specialisation with the most significant growth potential;
- improve the ability of universities and research organisations to deliver more relevant research projects to the market, to build critical research crowd and attract talent in strategic areas of smart specialisation;
- support cooperation between universities and businesses, enabling technology transfer and commercialisation of research results; support interregional, transnational and interregional projects.

The country report of the European Commission for Bosnia and Herzegovina in 2020 shows that there was no progress in developing the action plan for implementation of the 2017-2022 revised strategy for scientific development. The country's estimated total allocations for research remain low at 0.3% of GDP. No progress was made to ensure reliable and comprehensive statistics on research and innovation. The country's research capacities remain very limited, while the trend of a brain drain continues, most notably in the health, medical, and IT sector, with no systematic measures having been introduced so far to address the issue. Initial activities on the development of a smart specialisation strategy for Bosnia and Herzegovina have been undertaken, but the strategy remains to be developed and adopted.

Bosnia and Herzegovina continues to be active and successful in Horizon 2020, having competitively already received EUR 8 million, more than double the amount of the previous 7th framework

⁷ Eurostat, <https://ec.europa.eu/eurostat/web/science-technology-innovation/data/database>

⁸ European Commission, <https://rio.jrc.ec.europa.eu/country-analysis/Croatia>

programme FP7, and it is important to note the success rate of applications from Bosnian entities is at 12,62%. SMEs participation in Horizon is 12,39% of the country total. There is also a significant increase in the innovation activity, with 67 patents per 1000 researchers.⁹

Bosnia and Herzegovina is still not included in the European innovation scoreboard as not all the indicators necessary to participate are available but according to Global Innovation Index released by the World Intellectual Property Organisation (WIPO) for the year 2020, Bosnia and Herzegovina has been listed as 74th out of 129, which is an increase from 2019 (76th). For comparison, Croatia ranks 43rd and Montenegro 49th.

Concerning the European Commission's recommendations on how to increase research and innovation capacities and ensure the adoption of advanced technologies, with the ultimate objective of innovative and smart industrial transformation, suggestions for Bosnia and Herzegovina focus on the following activities:

- adopt the action plan for the implementation of the 2017-2022 revised strategy for scientific development;
- develop and adopt a smart specialisation strategy;
- prepare and adopt the roadmap for research infrastructure.

Using the European Innovation Success Scale European Innovation Scoreboard (EIS), Montenegro is classified as 'modest innovator', those being states that show a performance level below 50% of the EU average. Over time, performance has increased relative to that of the EU in 2012. Innovators, Innovation-friendly environment and Employment impacts are the strongest innovation dimensions. Montenegro performs well on SMEs with product or process innovations, Foreign doctorate students, Enterprises providing ICT training, and Innovative SMEs collaborating with others. Sales impacts, Intellectual assets and Finance and support are the weakest innovation dimensions. Montenegro's lowest indicator scores are on New doctorate graduates, Design applications, Medium and high-tech product exports, and R&D expenditures in the business sector.

In June 2019, Montenegro was the first non-EU country in the region to adopt a smart specialisation strategy (S3), covering the period 2019-2024 and prioritising the areas of agriculture, energy, health, tourism and ICT. The country report of the European Commission for Montenegro in 2020 shows that Montenegro has a growing scientific base and the level of funding has been rising since 2017. R&I funding access has improved through training support to access international funding. Research and development (R&D) funding increased to 0.50% of GDP in 2018 (up from 0.37% in 2017). Positive steps were also taken towards 'open access' by adopting the revised national research infrastructure roadmap as well as a national Programme for implementation of open science principles.

The Innovation and Smart Specialisation Council was established in August 2019 while its secretariat started operations in March 2020. A new Law on innovation activities was adopted which provides for the establishment of an Innovation Fund to act as a separate agency focused specifically on S3 implementation. A Law on incentives for R&I development was also adopted, an

⁹European Commission, Bosnia and Herzegovina - country report 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bosnia_and_herzegovina_report_2020.pdf

online platform was launched (www.s3.me) to enable communication and visibility of S3 related activities.

The country's participation in Horizon 2020 has improved for 2019, receiving EUR 4.12 million, reaching a success rate of 13,79%. SME participation is 1,72% of the country total which is significantly lower compared to Croatia and Bosnia and Herzegovina.¹⁰

Concerning the European Commission's recommendations on how to increase research and innovation capacities and ensure the adoption of advanced technologies, with the ultimate objective of innovative and smart industrial transformation, suggestions for Montenegro focus on the following activities:

- continue to implement the Smart Specialisation Strategy;
- intensify investment in research and innovation and continue to increase participation in Horizon 2020.

In the cross-border area, there are 4 universities from Croatia (University of Dubrovnik, Zadar, Split and Slavonski Brod) and 3 private universities (IUC - Inter-University Center Dubrovnik (independent center for advanced studies, established and supported by an international network of partner universities), IT - Rochester Institute of Technology, and DIU LIBERTAS International University), 4 universities in Montenegro (University of Montenegro, state institution of higher education, University of the Mediterranean, private institution of higher education, University of Donja Gorica, private institution of Higher Education, and Adriatic University, private institution of higher education), and 6 universities from Bosnia and Herzegovina (University of Tuzla, University of Mostar, University "Džemal Bijedić" in Mostar, University of Bihać, University of Zenica, and University of Banja Luka).

The Innovation Scoreboard also gives information on the NUTS 2 region about the innovation and research field, marking significant trends. Although the NUTS 2 regions are different from the programme area, it is nevertheless the best data in this aspect and can be used for the programme area. Unfortunately, these are not available also for Bosnia and Herzegovina and Montenegro but it is important to emphasize that in Croatia, the two NUTS 2 regions differentiate according to European Innovation Scoreboard where Kontinentalna Hrvatska (HR04 – Osijek-Baranja, Međimurje, Vukovar-Srijem, Brod-Posavina, Požega-Slavonia, Bjelovar-Bilogora, Sisak-Moslavina, Zagreb, Karlovac, Varaždin, Krapina-Zagorje, Virovitica-Podravina, Koprivnica-Križevci county) is a Moderate Innovator and Jadranska Hrvatska (HR03 – Istra, Primorje-Gorski Kotar, Lika-Senj, Zadar, Šibenik-Knin, Split-Dalmatia, Dubrovnik-Neretva county) is a Modest Innovator. The amendment to the NUTS 2 region was proposed and accepted by the European Commission (Eurostat). The new division was published in the Official Journal of the EU in October 2019, and it applies from 1 January 2021. According to the new division, the four NUTS 2 regions in the Republic of Croatia are: Pannonian Croatia, which includes Bjelovar-Bilogora, Virovitica-Podravina, Požega-Slavonia, Brod-Posavina, Osijek-Baranja, Vukovar-Srijem, Karlovac and Sisak-Moslavina counties; Adriatic Croatia which includes Primorje-Gorski Kotar, Lika-Senj, Zadar, Šibenik-Knin, Split-Dalmatia, Istria and

¹⁰European Commission, Montenegro Horizon 2020 Country Profile
<https://webgate.ec.europa.eu/dashboard/extensions/CountryProfile/CountryProfile.html?Country=Montenegro>

Dubrovnik-Neretva counties; Northern Croatia which includes Međimurje, Varaždin, Koprivnica-Križevci, Krapina-Zagorje, and Zagreb counties, and as a separate region City of Zagreb. New NUTS 2 division will enable the greatest possible degree of advantage in terms of regional aid rules, better conditions for the use of Cohesion Policy funds for a larger area of the Republic of Croatia, formation of more homogeneous regions in terms of degree of development and other important features.

3.2.1.2. Digitisation of society

While looking at the state of digital literacy of the society, the increase is visible, as digital technologies become a vital part of everyday life, even though it varies greatly between three countries. Digitalisation of society is present in both the private and public sector.

In Croatia, the last survey results showed that the share of households equipped with ICT slightly increased compared to 2019. The share of households with personal computer increased by 3% and the share of households with internet access by 4%. Although the share of households with mobile broadband internet access increased by 1% compared to 2019, the share of households with fixed broadband internet access decreased slightly, so at the total level, there are no significant changes. The youngest population still maintained the lead in computer usage and the number of users was decreasing proportionally with age. A similar trend was noticed in the employment status structure, where pupils and students, as the youngest group, were the most frequent computer users. Usage of online e-government services is higher than the last year's level (an increase of 9% compared to 2019)¹¹

Looking at the entrepreneurship sector, the usage of information and communication technologies is an extremely important part of their business conduct. The survey showed that 94% of enterprises used computers with internet access in their daily work. The internet became a necessity for efficient business conduct, so 69% of enterprises had their own website. Usage of broadband internet access prevailed; 94% of enterprises used some type of fixed broadband internet connection and 86% of enterprises used mobile broadband internet access. The usage of the internet caused changes in the way business is conducted by enabling the integration of business processes at a higher level. The internet connection speed is becoming an important factor in business conduct. The increasing availability of broadband internet boosts data transfer speed. Data transfer speed of up to 100 Mbps is used by 86% of enterprises. Internet sales covered only 15% of the total sales of goods and services. Cloud computing internet service as a new technology is used by 39% of enterprises.¹²

¹¹ Croatian Bureau of Statistics, Usage of ICT in households and individuals 2020 - https://www.dzs.hr/Hrv_Eng/publication/2020/02-03-02_01_2020.htm

¹² Croatian Bureau of Statistics, USAGE OF ICT IN ENTERPRISES, 2020 - https://www.dzs.hr/Hrv_Eng/publication/2020/02-03-01_01_2020.htm

The upgrade to a functional e-government has been one of the priorities in Croatia. In June 2014, the Central State Portal was introduced, giving citizens a central website for easy access to all public administration information, and can now search for public service information and / or monitor political activities in one place. Over 350 pieces of information are available with the number constantly growing. The central "e-Citizens" project ultimately represents the construction of elements of the information society in the Republic of Croatia and the involvement of the Republic of Croatia in the construction of a European and global information society. The Government of the Republic of Croatia has launched the e-Citizens project in order to modernize, simplify and speed up communication between citizens and public administration and increase the transparency of the public sector thus creating the preconditions for the operation of the "paperless state".

The usage of the portal e-gradani (e-citizens) has steadily increased over the years, with the total usage amounting to over 25% of all citizens - the total number of different users traced as different personal identification numbers (OIB) that have registered at least once for any of the e-services via NIAS in the programming counties is 457.072, which makes 38,53 % of total users in Croatia. The usage is thus high in the programme area, the highest in Zagreb and Split-Dalmatia county and lowest in Lika-Senj county.

Table 5. Usage of e-services per county, 2015.

County	Number	Percentage in total users
Vukovar-Srijem	33.785	1,23%
Požega-Slavonia	14.696	2,68%
Brod-Posavina	24.486	2,41%
Bjelovar-Bilogora	23.255	1,95%
Sisak-Moslavina	36.419	3,05%
Karlovac	27.550	2,31%
Lika-Senj	9.740	0,82%
Zagreb	85.620	7,18%
Zadar	41.251	3,46%
Šibenik-Knin	21.432	1.80%
Split-Dalmatia	109.270	9,16%
Dubrovnik-Neretva	29.568	2,48%

Source: <https://data.gov.hr/dataset/e-gradjani-statistika>

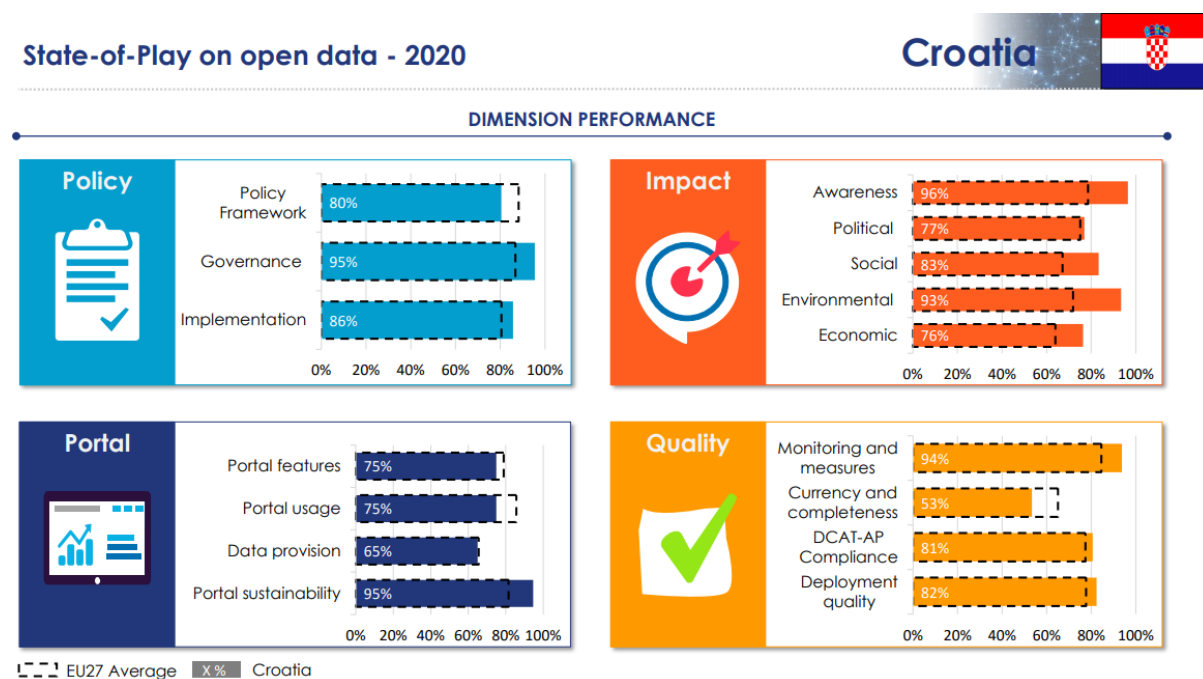
Looking at the most frequent e-services, the ones regarding the private sphere are predominant, and the usage of e-passes in the pandemic being one of the latest proofs of the system usage:

Table 6. Most frequently used e-services

E-service	Application	Users
e-Matice	1.732.607	480.792
e-services Ministry of the interior	1.308.033	407.578
e-Services Tax Administration	3.469.663	405.554
Pension report	1.730.091	392.611
e-passes	2.576.719	365.925

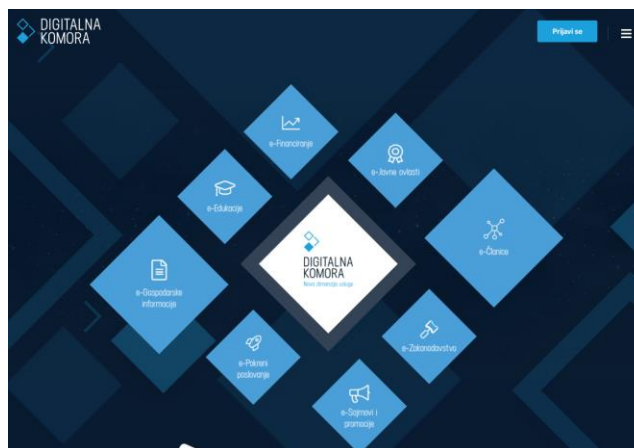
Source: <https://data.gov.hr/dataset/e-gradjani-statistika>

Regarding open data, the national open data portal of Croatia provides a designated area for open data use cases to provide further insight and inspiration into how open data can be used to create services, applications, and products. Currently, the page shows 21 applications that have been developed using open data. The latest application on this page, however, stems from 2017.



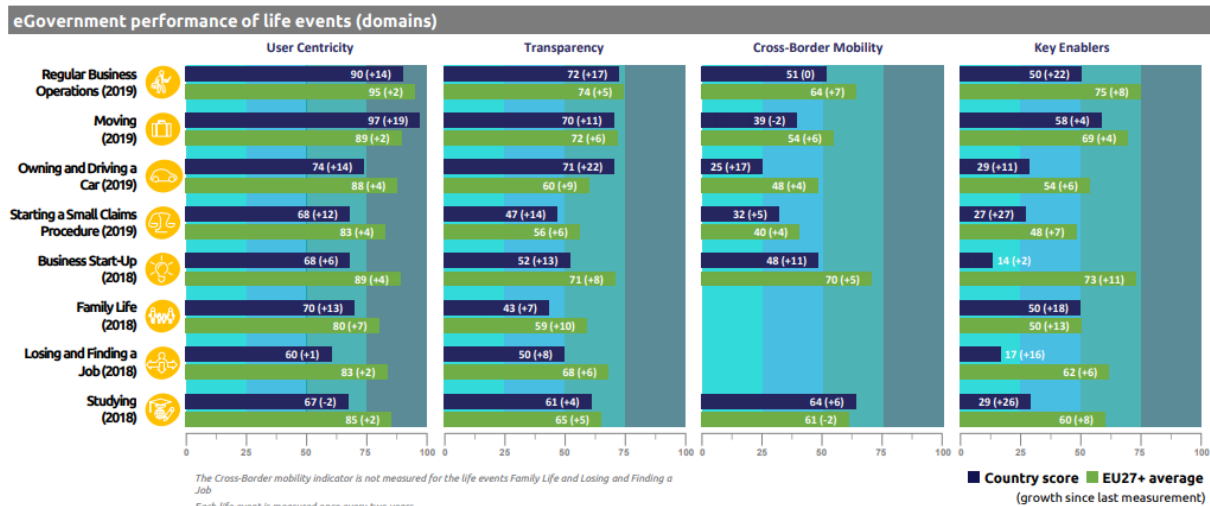
One of the best-case examples in Croatia regarding digitisation of public services is the portal Digital Chamber of the Croatian Chamber of Commerce. The implementation of the project marks the

digital transformation of the Chamber's business through the formation of a unique communication platform for e-services that will be available to members of the Croatian Chamber of Commerce and the business community and public administration and citizens.



Nevertheless, when comparing with other countries in the EU, Croatia is still scoring low. The eGovernment Benchmark shows Croatia is characterised by a low level of Digitisation and level of Penetration slightly below the European average. Croatia is included in the Non-Consolidated eGov scenario, a scenario where countries are not fully exploiting ICT opportunities. Nevertheless, Croatia's level of Penetration is the highest one of Non-Consolidated eGov countries, even though it decreased in 2019. Regarding Digitisation instead, the improvements occurred in the last years are still not sufficient to get close to the European average. Croatia's relative indicators show a country with almost all environmental characteristics (User characteristics, Government characteristics and Digital context characteristics) in line with the European average. The only two indicators where Croatia scored a low percentage are Quality that measure the quality of governments' action perceived by citizens, and Connectivity that measure the deployment of the broadband and its quality. To conclude, Croatia is Underperforming in Digitisation, with a performance lower than expected, showing that the level of the back-office and the front-office digitisation in the country is still relatively low.¹³

¹³ European Commission, eGovernment Benchmark, 2020 - https://ec.europa.eu/newsroom/dae/document.cfm?doc_id=62368



Cities included in digital readiness research in 2020¹⁴ were Karlovac, Split, Dubrovnik, Zagreb, Zadar, Bjelovar, Slavonski Brod, Sisak, Šibenik, Vinkovci, Velika Gorica and Samobor. The highest level of digitalisation has Zagreb and Karlovac while Vukovar and Vinkovci scored the lowest level. The City of Karlovac stood out with the large number of available administrative procedures on its website, rich WebGIS browser and extremely fast response of the administration to citizens' inquiries, which showed how much they are available to their citizens. Dubrovnik has very high-quality services for visitors (City Card, Dubrovnik Visitors platform), is active on social networks and develops innovative application solutions. The City of Bjelovar has introduced the possibility of insight into consumption, i.e. all accounts of the City online, and the possibility of searching for them by keywords, which is certainly the first such example in the Republic of Croatia. Overall, Bjelovar has made great progress with its comprehensive approach to digitalisation of administration and the development of new services for citizens. Sisak is very proactive in terms of budget transparency and the possibility of involving citizens in its adoption.

Bosnia and Herzegovina remains the only country in the region that does not have a broadband strategy, even though it introduced the 4G network in 2019, but with no visible upscale in nearly all categories.

The main findings of the study of digitalisation indicate that 64.8% households in Bosnia and Herzegovina own a computer which is a small increase of 1% compared to 2018. Representation of computers in households varies depending on the territorial unit: in urban areas it is 69.6%, while in other areas it drops to 61.0% which has also slightly increased compared to 2018. The gap in household access to computers is visible by monthly income. Access to computer is dominant in households with monthly income of over 760 EUR (92.6%), while the share of households with incomes up to 250 EUR is only 37.6%

¹⁴Apsolon d.o.o, <https://apsolon.com/publikacije/analiza-digitalne-spremnosti-hrvatskih-gradova-2020/>

In total, 72% of households have an Internet connection, an increase of 3,2% compared to 2018. The share of internet connection varies, thus in urban areas it's 76,9% while in others it drops to 68,3%. Most common reason for a household with no internet access at home is that there is no need for the internet (51,4%) and lack of skills (29,1%). Out of those who use internet for private purposes, 25,3% of respondents used electronic government services. Internet users, 20,9% of them, state that they obtain information from the public institution's website, while only 14,0% used Internet forms of the public administration, aged mostly 35-44 years.

In Bosnia and Herzegovina, 99,4% of companies have an internet connection. Regarding the way of accessing the Internet, 99,6% of companies have a broadband internet connection. The website is owned by 63,4% of companies, which is a decrease of 2,4% compared to 2018. 88,7% of large companies own a website, for medium companies it is 81,2% and for small businesses 57,8%. Cloud services are used by 11,3% of enterprises, which is an increase of 2,9% compared to 2018.¹⁵

Policy for Development of the Information Society 2017-2021 remains in place, but Bosnia and Herzegovina made no progress in adopting a countrywide strategy and an associated action plan. A law on electronic identity and trust services for electronic transactions needs to be adopted and interoperability of the electronic signature system has to be ensured throughout the country.¹⁶

Overall, Bosnia and Herzegovina is still a long way from the EU average in terms of digitisation and penetration of digital technologies in life situations, lagging behind in terms of key enablers of digital transformation.

Montenegro is moderately prepared for information society. The largest number of electronic services in Montenegro are on the e-Government portal. In the second quarter of 2019, no new e-services have been created on the e-government portal, and 6 services have expired and have been withdrawn. In the first two quarters of 2019, citizens and businesses have submitted 734 requests for services on the e-government portal, which is 90% of the total number of submitted requests for the whole of 2018.¹⁷

80,3% households in Montenegro have an Internet connection, an increase of 6% compared to 2019. Representation of internet connection varies depending on the territorial unit while each territory has an increase: north (69,5%), centre (80,3%) and south (88,5%). Internet connection in urban areas is 84,9% while in other areas is 70,9%. The gap in household internet connection is visible in households categorized by monthly income. Access to the internet is mostly dominant in

¹⁵ ["Use of information and communication technologies in Bosnia and Herzegovina 2019"](http://www.bhas.gov.ba/data/Publikacije/Bilteni/2020/IKT_00_2019_TB_0_BS.pdf), http://www.bhas.gov.ba/data/Publikacije/Bilteni/2020/IKT_00_2019_TB_0_BS.pdf

¹⁶ European Commission, Bosnia and Herzegovina - country report 2020 , https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bosnia_and_herzegovina_report_2020.pdf

¹⁷ Analysis of the state of electronic services with a proposal of measures for their improvement, 2019., https://www.gov.me/ResourceManager/FileDownload.aspx?rid=409934&rType=2&file=3_182_16_07_2020.pdf

households with monthly income of over 600 EUR (98%) while the share of households with incomes up to 300 EUR is 46,2%. The most frequently stated reason for a household without internet at home is that the equipment is too expensive (39,1%), that there was no need for it (30,4%) while 27% of households stated that Internet access is very scarce.

A survey conducted by IPSOS for UNDP Montenegro in 2018 on the current and potential impact of ICT on the development of Montenegro, shows that in general, electronic services such as banking, shopping etc. are scarcely used by citizens (28%) while only 5% of citizens use public administration e-services. It is interesting to note that 47% of citizens who use the Internet have never used e-services of public administration, although they are aware of it, key reason (45%) stated is that they prefer to direct contact.¹⁸

In Montenegro, 99,5% of companies have an internet connection. The website is owned by 84,5% of companies, which is an increase of 0,9% compared to 2019.¹⁹ The UNDP Montenegro research 2018 shows that 59% of companies use e-services of public administration, and those not using it state it is because of complicated procedures, data security, but also legal obligations that require submitting documents in physical form. On the other hand, most companies state that they use only those e-services that are required by law.

Overall, Montenegro is still a long way from EU average in terms of digitisation and penetration of digital technologies in life situations.

3.2.1.3. SME competitiveness

SMEs in Croatia account for 59,4% of value added and 68,9% of employment in Croatia's 'non-financial business economy', exceeding the EU average of 56,4% and 66,6% for employment. In the period 2014-2018, SME value added in the 'non-financial business economy' increased by 28,1%, outperforming the 16,6% value added growth of large firms. The forecast for overall SME value added in 2018-2020 is a rise of 7,2%, marking a slowdown.²⁰ In Croatia, according to Financial agency FINA share of companies owned exclusively by women in the total number of companies in 2019 was 22,08% while the share of companies with mixed ownership in 2019 was 9,43%. In the period from 2017 to 2019, the number of women founders was almost unchanged.²¹

¹⁸ IPSOS Public Affairs & UNDP Montenegro, ICT as a driver of further development of Montenegro, https://www.me.undp.org/content/dam/montenegro/docs/publications/NHDR/NHDR2018/ICT%20and%20development_ENG.pdf

¹⁹ Monstat, USE OF INFORMATION AND COMMUNICATION TECHNOLOGIES IN MONTENEGRO / COMPANIES, 2020., <http://monstat.org/uploads/files/ICT/ICT%20USAGE%20IN%20ENTERPRISES%20IN%202020.pdf>

²⁰ European Commission, 2019 SBA Fact Sheet CROATIA, <https://ec.europa.eu/docsroom/documents/38662/attachments/5/translations/en/renditions/native>

²¹ Cepor, [Report on small and medium enterprises in Croatia - 2020](http://www.cepor.hr/wp-content/uploads/2021/01/Izvjescje-2020-HR-web.pdf), <http://www.cepor.hr/wp-content/uploads/2021/01/Izvjescje-2020-HR-web.pdf>

The SBA (Small business act for Europe) profile of Croatia continues to be relatively weak. It scores below the EU average in entrepreneurship, ‘second chance’, access to finance, single market and skills & innovation, while for ‘responsive administration’ Croatia has the lowest performance in the EU. On the other hand, Croatia posted the third-best score for internationalisation and scores above the EU average for environment. However, more needs to be done for Croatia to become an SME friendly business environment - in particular for services market liberalisation and reduction of the administrative burden. There is a strong need for a more stable regulatory system. At the same time, financial sources necessary for SMEs’ scaling up have to be more diversified. According to study Doing Business 2020 by the World Bank Group, Croatia ranked 51/190.

Rankings on Doing Business topics - Croatia



The Republic of Croatia is best ranked in the areas of Trading across border (1st place) while it lags behinds in the areas of Starting a business (114th place) and Dealing with construction permits (150th place).

In 2016, SMEs in Bosnia and Herzegovina generated 66,3 % of total value added and 71,9 % of employment in the ‘nonfinancial business economy’. SMEs in Bosnia and Herzegovina employed more people than the EU average, wholesale and retail trade being dominant with a share of 32,9 %, and a share of 30,9 % in total SME employment. The manufacturing sector was the second most important sector for SMEs in Bosnia and Herzegovina, share of 26,3 % in total SME value added and 28,6 % in total SME employment. In the period 2014-2016, SME value added in the ‘non-financial business economy’ of Bosnia and Herzegovina increased by 14,4 %, which is twice as fast as the EU SME growth rate in the same period (7.4 %). At the same time, SME value added fell in both information and communication and real estate activities, by 5,5 % and 11,6 %.

The SBA profile of Bosnia and Herzegovina shows that the country performs well below the EU average for Entrepreneurship. The established business ownership rate, entrepreneurial intentions, media attention given to entrepreneurship and high job creation expectation rate are lagging

significantly behind. Entrepreneurship, ‘responsive administration’ and internationalisation perform well below the EU average. SME strategy was force up to 2020. There are strategies and legislation at entity level and partially at the cantonal level.

Competence for dealing with SMEs in the Federation of BiH entity is shared with cantons. The Republika Srpska entity has an agency for implementing SME policies. There is no countrywide framework for SME policy.²²

According to study Doing Business 2020 by World Bank Group, Bosnia and Herzegovina ranked 90/190.

Rankings on Doing Business topics (1-190) - Bosnia and Herzegovina



Bosnia and Herzegovina is best ranked in the areas of Trading across Borders (27th place) while it lags behinds largely in the areas of Starting a business (184th place) and Dealing with construction permits (173rd place).

More needs to be done for Bosnia and Herzegovina to become an SME friendly business environment in particular in regards to the institutional and regulatory barriers and lack of a single economic space by harmonising business-related legislation better coordination between different levels of government.

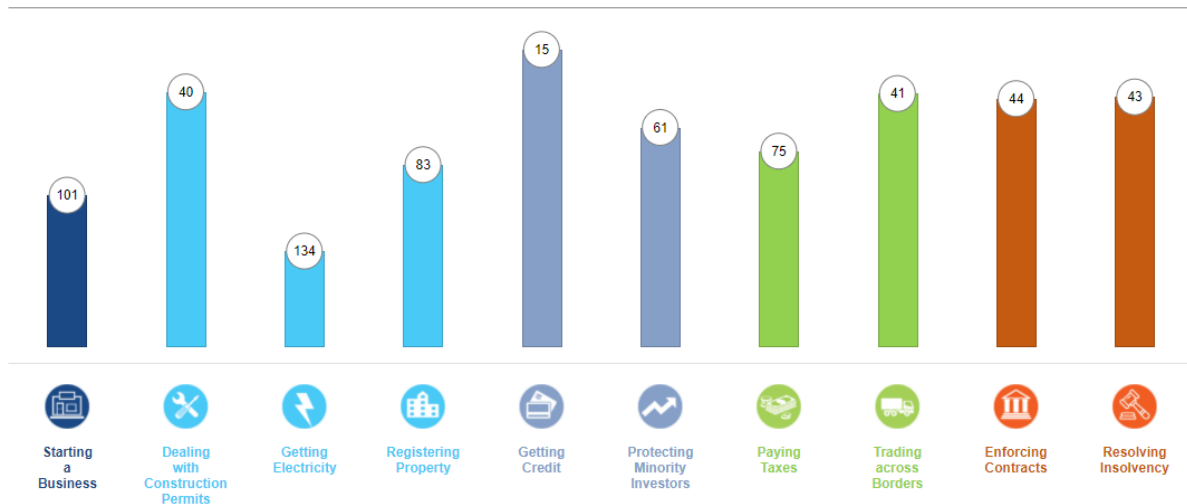
SMEs in the Montenegro have a more significant role than the EU average. In 2017 SMEs accounted for 80,1 % of total employment and generated 69,5 % of total value added. In the period 2013-2017, SMEs in the Montenegrin ‘non-financial business economy’ achieved solid growth. In the period 2016-2017, SME value added increased by 15,5 %, far above EU SME growth of 1,7 %.

²² European Commission, [2019 SBA Fact Sheet BOSNIA AND HERZEGOVINA](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019_bosniaandherzegovina.pdf), https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019_bosniaandherzegovina.pdf

The country performs above the EU average in the SBA principle on ‘second chance’. Internationalisation and environment are aligned with the EU average, while ‘responsive administration’ achieved below EU-average.

According to study Doing Business 2020 by World Bank Group, Montenegro ranked 50/190.

Rankings on Doing Business topics (1-190) - Montenegro



According to study Doing Business 2020 by World Bank Group, Montenegro is best ranked in the areas of Getting Credit (15th place) while it lags behinds in the areas of Getting Electricity (134th place) and Starting a Business (101st place).

Continuous improvements are needed in Montenegro particularly in regards to customer-oriented approach, government responsiveness to SMEs and compliance with administrative deadlines in different procedures and inclusion of SME voices in the public consultations.

In regards to best practice examples for SMEs support, the Sisak-Moslavina County Development Agency SI-MO-RA, Innovation and Entrepreneurship Center Tehnopolis and INTERA Technology Park in July 2020 began implementing the CROWN project (Interreg HR-BA-ME 2014-2020) where existing services, which project partners offer to their customers through a business incubator, will be expanded by establishing business centers equipped with modern equipment that will be available for use to start-up companies, with a series of trainings, networking with potential investors in Sisak, and a contest for best business ideas. The owners of the selected ideas will visit some of the world's most famous business conferences and have the opportunity to prepare their ideas for crowdfunding campaigns.

The project "Center for Development and Education", the holder of the project is the Municipality of Poličnik, while the project partners are Zadar County and the Institution for the Development of Competences, Innovations and Specializations of Zadar County - INNOVATION. Zadar, Zadar County

Chamber of Trades and Crafts, Zadar County Rural Development Agency - AGRRRA, Stanko Ožanić School of Agriculture, Food and Veterinary Medicine and the Faculty of Food Technology and Biotechnology in Zagreb. The aim of the project is to establish the Center for Development and Education as a modern entrepreneurial and business infrastructure of local and wider regional significance, which will serve as a basis for improving the business of pharmaceutical, food and cosmetic industries that use bee products as raw materials: wax, propolis, bee venom, pollen, royal jelly and primarily honey. The implementation of the project will directly contribute to the establishment and development of small and medium enterprises, the creation of new products and raising the quality of products and services of these industries. Emerging companies will receive support for the development of their own capacities and activities in order to increase their competitiveness for growth and development in the market.

Since 2011, INTERA Technology Park has been working to strengthen the economy in Mostar and Herzegovina, and three years after its establishment, a business incubator was launched, through which the work of more than 40 start-up companies was supported. By establishing an entrepreneurial center, INTERA Technology Park improves its own capacities and improves the quality of service with an emphasis on support in the field of crowdfunding campaign development and technology transfer and intellectual property protection.

The Technopolis Innovation and Entrepreneurship Center in Montenegro was established with the aim of advancing the development of entrepreneurship, founding new companies, creating jobs and developing companies based on new, innovative ideas and technology. The newly established Entrepreneurship Department will represent the Office for Technology Transfer.

As part of the business incubator for the gaming industry PISMO in Sisak-Moslavina county, an entrepreneurship center will be established with the aim of encouraging local development, with an emphasis on the development of the economy and entrepreneurship.

There are currently 8 local, two cantonal and four regional development agencies in the FBiH. Among the most active, at the local level, are Tešanj development agency-TRA, then ZEDA from Zenica, Development agency RAŽ Žepče, Agency for economic development "Prvi korak" from Konjic and some others whose activities significantly facilitate business for local entrepreneurs. Regional development agencies (SERDA, NERDA, REZ and REDAH), and cantonal agencies (RAUSK and HERAG) also facilitate the implementation of their policies related to the SME sector.

There are currently 14 incubators in FBiH, and some of the examples are ICT incubator in BIT Center Tuzla, incubator in Zenica BIZ, incubator within INTERA Technology Park in Mostar, incubator in RPC "Lipnica", business incubator within Linnovate Technology Park in Livno, and the newly established Innovative Business Startup Center at SERDA. In FBiH, 5 technology parks have been established in Zenica, Mostar, Tuzla, Posušje and Livno. While in some parts of FBiH the activity of clusters is decreasing, there are three clusters in Herzegovina: Wood Cluster of Herzegovina, Cluster of Metals and Plastics and Cluster of Stone Herzegovina.

Some of other entrepreneurial support institutions in the programme area are:

- Entrepreneurial Centre Pleternica Ltd.
- Local Development Agency – Business Center Garešnica
- Institution for development of competence, innovation and specialization
- Development agency City of Benkovac
- BIC entrepreneurship centar Vukovar
- Entrepreneurship incubator Vinkovci
- Technology park Vinkovci
- Entrepreneurship incubator Otok
- Center for entrepreneurship Županja
- Center for entrepreneurship Dubrovnik
- Unist Technology Park d.o.o.,
- ☒ Business incubator Klis d.o.o.,
- ☒ Entrepreneurial Center Vrgorac d.o.o.,
- ☒ Entrepreneurship Center Aktiva j.d.o.o.,
- ☒ IRI CENTER d.o.o.,
- ☒ Interligo d.o.o.,
- ☒ Entrepreneurial Center Zovnica Imota d.o.o.,
- ☒ Ksenija Kovačić Consulting j.d.o.o. (Entrepreneurship Center Omis),
- ☒ Entrepreneurship Center Sinj,
- ☒ Business incubator Šestanovac d.o.o.,
- ☒ Public institution Makarska, development agency - MARA,
- ☒ Biotechnicon Entrepreneurial Center d.o.o.,
- ☒ Entrepreneurial center Proložac d.o.o.
- Science Technology Park Montenegro
- Business Incubator -Circle Hub Prijedor
- RPC Tuzla – Incubator LipnicaBusiness Incubator Zenica – BIZ
- ICT Business Incubator - BIT Center
- Innovation Center Banja Luka – ICBL
- University Entrepreneurial Center of the University of Banja Luka
- Business Women's Association, Sarajevo
- ☒ Development Agency of the City of Slavonski Brod d.o.o.
- ☒ Industrial park Nova Gradiška d.o.o.
- ☒ Mali Tehnopolis Samobor
- ☒ Innovative Zadar d.o.o.,
- ☒ Business Incubator Biograd na Moru d.o.o.
- ☒ Center for Development and Education Poličnik
- ☒ RAG VRBOVEC
- ☒ Development agency IGRA d.o.o.
- ☒ VE-GO-RA
- ☒ VG enterpreneurial center d.o.o.
- ☒ Chambers of commerce within each of the countries

- ☒ Agency for rural development of Zadar County
- ☒ Municipality of Gračac Development Agency

3.2.1.4. Skills for smart specialisation

To start with, Smart Specialisation is an innovation policy concept that aims to boost regional innovation, contributing to growth and prosperity by helping and enabling regions to focus on their strengths. Smart Specialisation is based on partnerships between businesses, public entities and knowledge institutions. Therefore, it is necessary to look at different policies in place for smart specialisation, and after that focus on the education capacities for the production of skills needed.

In Croatia, based on reports and data, there is a clear need for smart specialisation, industrial transition, entrepreneurship and the acquisition of critical digital skills in order to foster the economy. The identified needs are addressed by the Smart Specialisation Strategy and strategic projects in the innovation system. The main goal of the strategy is to increase the competitiveness and transformation of the Croatian economy, concentrating knowledge resources and linking them to a limited number of priorities. Given the size of Croatia, which can be compared to the size of regions in large member states, the concept of smart specialization was applied at the national and not regional level. In the preparation phase, the strategy required an integrated and territorially based approach to programming in order to create conditions for the development of the Republic of Croatia as a whole, thus avoiding the possibility of unequal development of regions and respect for regional diversity.²³ Croatia has chosen five thematic priority areas as its main focus for S3: Health and quality of life, Energy and sustainable environment, Transport and mobility, Safety and finally, Food and the bioeconomy. In addition, it has chosen two horizontal themes (key development technologies; information and communications technologies) which can contribute to increased added value to Croatian manufacturing and foster new economic activities, productivity and employment growth. As a result of the project 'Supporting the establishment of the Innovation Network for industry and the development of thematic innovation platforms', thematic Innovation Councils were formed for each of the smart specialisation dimensions. Thematic innovation councils address the structural challenges of the innovation system fragmentation by connecting representatives of the business community (70% of members), research organisations (20% of members) and public administration (10% of members).

On the basis of the chosen thematic priorities, so far 13 competitiveness clusters (CCCs) have been established nationwide in the following domains of economic activity: automotive, wood-processing, food-processing industry, defence, chemical, electro and production machinery and technologies, ICT, maritime, construction, textile, health, personalized medicine, creative and cultural industries. Members of CCCs are companies from business sector, business clusters, professional organisations, and science and regional/local government.²⁴

²³ REFST - Repository of Economics faculty in Split, <https://repositorij.efst.unist.hr/islandora/object/efst%3A2469/datastream/PDF/view>

²⁴ Ivan-Damir Anić, Katarina Bačić, Zoran Aralica, COMPETITIVENESS CLUSTERS IN CROATIA, https://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=307206

Croatian competitiveness clusters represent the Triple Helix principle of networking of the private sector, state institutions in charge of creating economic policy and academic and scientific research institutions. The purpose of the cluster is to improve Croatian industrial production by connecting all stakeholders, sharing knowledge and experience, developing new projects and promoting Croatian products and services on national and international markets. The analysis of the competitiveness of the cluster program as a research based on members' perceptions, shows that in order to strengthen existing clusters, changes in the national system are needed, while clusters need to have more resources available to achieve goals.

Bosnia and Herzegovina has not yet developed Smart Specialisation Strategy while the strategic framework relevant for smart specialisation skills refers to²⁵:

- Strategy of Science Development in Bosnia and Herzegovina (2017-2022) - aims at mobilising resources for the development of S&T, enhancing Science and Technology (S&T) infrastructure, strengthening the societal and economic relevance of S&T, supporting innovative start-ups, and promoting internationalisation and inclusion of the scientific diaspora.
- Priorities for Higher Education Development in Bosnia and Herzegovina (2016-2026) - defined areas of reform in higher education aiming, the fit between educational outcomes and labour-market needs.

In this regard, Bosnia and Herzegovina should actively proceed with the smart specialisation strategy process of development and adoption and ensure that its priorities follow the strategic framework related to skills.

Montenegro is the first non-EU country to have adopted a Smart Specialisation Strategy. The main goal of the S3 is to modernise and increase the competitiveness of the Montenegrin economy by concentrating available research, natural and economic resources on a limited number of priority areas being: sustainable agriculture and food value chain, energy and sustainable environment, sustainable and health tourism and information and communication technologies.

²⁵ European Commission, [Smart Specialisation and the Wider Innovation Policy Context in the Western Balkans, 2019](https://ec.europa.eu/jrc/en/publication/smart-specialisation-and-wider-innovation-policy-context-western-balkans), <https://ec.europa.eu/jrc/en/publication/smart-specialisation-and-wider-innovation-policy-context-western-balkans>

The strategic framework relevant for smart specialisation skills refers to²⁶:

- Industrial Policy of Montenegro (by 2020) - The Policy states seven sectors with perceived growth potential: the manufacturing industry (agri-food, wood processing, metal and pharmaceuticals), energy, tourism, transport, ICT and creative industries, business services, and construction.
- Strategy of Innovation Activity (2016-2020) - The document identifies ten research and innovation priority areas with seven industries included: Energy, ICT, health, new materials, tourism, agriculture and food, and transport.

a. Educating for skills

The Smart Specialisation approach has been part of EU regional innovation policy since 2010 and yet the role of skills and vocational education and training in implementing Smart Specialisation Strategies has only recently attracted attention. In the proposals for Cohesion Policy post 2020, education and skills for innovation are important priorities.²⁷ In this context, a special accent has been placed on the role of Vocational Education and Training in Smart Specialisation Strategies. VET has been recognized as relevant to supporting innovation with respect to: technological and process innovations; skills and work organization practices; and innovation in low-tech sectors which account for the large share of employment in Europe. Policymakers are urged to “integrate the VET offer into comprehensive skills and knowledge-based economic development strategies, particularly at regional and local level in order to attract investments, to clusters, innovation, Smart Specialisation strategies and sustainable growth strategies.”²⁸ Educational institutions should improve the balance between labour market supply and demand. This requires labour market intelligence and sustained links with local businesses, communities and authorities. Work-based learning and entrepreneurship programmes can promote links between SMEs and education as well as giving students the appropriate skills to start their own business.

A general context of the education system is outlined, with special emphasis on the programme area educational statistics and the system of VET.

Croatian education system provides education services at pre-school, primary school, high-school and higher education levels, as well as for adult education, so as to enable every user to develop his/her potential optimally, aiming at their personal development and entry into the labour market, including their preparedness for lifelong learning.

²⁶ European Commission, Smart Specialisation and the Wider Innovation Policy Context in the Western Balkans, 2019, <https://ec.europa.eu/jrc/en/publication/smart-specialisation-and-wider-innovation-policy-context-western-balkans>

²⁷ European Commission, Skills and Smart Specialisation The role of Vocational Education and Training in Smart specialisation Strategies (European Commission 2019), <https://s3platform.jrc.ec.europa.eu/-/skills-and-smart-specialisation-the-role-of-vocational-education-and-training-in-smart-specialisation-strategies>

²⁸ European Commission, Strengthening Innovation in Europe's Regions: Towards resilient, inclusive and sustainable growth at territorial level (European Commission 2017), https://ec.europa.eu/regional_policy/en/information/publications/communications/2017/strengthening-innovation-in-europe-s-regions-strategies-for-resilient-inclusive-and-sustainable-growth

Croatian education system is centrally managed by the Ministry of Science and Education. Besides MSES, other national public bodies involved in the regulation, development and quality control of the educational sector in Croatia are Education and Teacher Training Agency, Agency for Vocational Education and Training, Agency for Science and Higher Education, Agency for Mobility and EU Programmes and National Center for External Evaluation of Education.

Early education and childcare are financed and managed by local authorities, while MSES provides central guidance, accreditation and control over the educational programmes which are implemented in organizations providing early education and childcare. Elementary education includes primary and lower secondary levels organised as a single structure system, beginning at the age of 6 and consisting of eight years of compulsory schooling.

High school education is not compulsory in Croatia but almost all students do enrol into the general or vocational upper secondary courses upon completing elementary school. High schools, depending on their programme, are grammar schools, vocational schools or art schools. High school education enables students to acquire knowledge and competences for work and for continuation of education.

The higher education system is twofold and comprises university and professional study programmes of different duration.

Education in vocational schools lasts from one to five years, and the duration depends on the type of education programme for a particular profession, i.e. the vocational curriculum for obtaining a qualification. After graduating from a vocational school, it is possible to enter the labour market or, subject to certain conditions, continue education at secondary or higher education institutions. Vocational education provides the competences (knowledge and skills) required at the labour market with the aim of recognising qualifications that also provide opportunities for advancement in further education.

In the context of VET education, Croatia has developed a network of regional competence centres in priority sectors, i.e. 25 vocational schools were selected for this role in 2018 and have since then been eligible for EU funds. The selection criteria were: quality of VET provision, number of students in particular sectors, regional distribution of schools, and balanced geographical representation of future centres. Centres of competence will serve as hubs of excellence in VET with particular focus on work-based learning. Established with the support of ESI funds, the centres of competence will offer VET programmes to students, as well as professional guidance and continuous professional development and training to professionals. The following regional centres of competence have been chosen: Zabok High School (tourism), Split Tourism and Catering School (tourism), Osijek Catering and Tourism School (tourism), Opatija Catering School (tourism), Pula School of Tourism, Catering and Trade (tourism), Dubrovnik Tourism and Catering School (tourism), Čakovec Technical School (mechanical engineering), Slavonski Brod Technical School (mechanical engineering),

Vocational School Vice Vlatkovića Zadar (mechanical engineering), Secondary Vocational School Velika Gorica (mechanical engineering), Mechanical Technical School Faust Vrančić Zagreb (mechanical engineering), Industrial and Craft School Šibenik (mechanical engineering), Technical School Karlovac (mechanical, electrical engineering, computing) Electrical and Traffic School Osijek (electrical engineering, computing), Technical School Ruđera Boškovića Zagreb (electrical engineering, computing), Technical School Sisak (electrical engineering, computing), Craft School Koprivnica (electrical engineering, computing), Craft Technical School Split (electrical engineering, computing), Agricultural and Food School Požega (agriculture), High School "Arboretum Opeka" Marčan (agriculture), Agricultural and Forestry School Vinkovci (agriculture), Medical School Varaždin (health), Medical School Ante Kuzmanića Zadar (health), School for Nurses Mlinarska (health) and Medical School Bjelovar (health).

In relation to the European Qualifications Framework (EQF), Croatia has developed its own national qualifications framework (HKO) which defines ten full qualifications levels (1; 2; 3; 4.1; 4.2; 5; 6; 7; 8.1; 8.2) and six partial qualifications levels (2; 3; 4; 5; 6; 7). When defining full qualifications levels, Level 1 refers to elementary education which requires at least 480 HROO points, while Level 8.2. represents the most advanced level, the postgraduate level of education or PhD studies. HKO is used to connect qualifications acquired after completing a certain level of education with EQF, that is with qualifications in other European countries.

The education system in Bosnia and Herzegovina includes: pre-school education, nine-year primary education which is compulsory and free for all children, secondary education which is optional and higher education. Public schools are supervised by local authorities. There are 10 public higher education institutions in Bosnia and Herzegovina (of which 8 are public universities) and 22 private higher education institutions, which offer a total of about 500 study programmes. Out of the aforementioned education institutions, 22 accredited high education institutions are located in the programme area. The education system lacks common standards for the different levels of education, as well as in teacher training and performance evaluation.

Due to demographic changes, the number of students enrolled at all levels of education is gradually decreasing. In early childhood education and care (ECEC), the enrolment remains very low but the trend is positive and it is now around 12%. As for 3-6 year-olds preschool enrolment Bosnia and Herzegovina has the lowest enrolment figure in Europe with 25%, which includes only 3% for Roma children.

In 2018, for the first time, Bosnia and Herzegovina participated in the OECD Programme for International Student Assessment (PISA) and ranked 62nd out of 79 countries, with the lowest results being recorded in natural sciences. The PISA results showed that 15-year-olds are on average about 3 school years behind their peers in OECD countries. The minimum level of functional literacy (i.e. above Level 2) is not attained by 58% of students in mathematics, 54 % in reading and 57% in science. (OECD averages are 24%, 23 % and 22% respectively).

Although there are youth strategies at some levels of government, Bosnia and Herzegovina should work on a youth strategy that would ensure them not leaving the country. Participation in Erasmus+ fosters young people's non-formal learning at international and national levels to enhance their competences, skills and employability.²⁹

The legislative framework for vocational education and training (VET) has yet to be completed at the cantonal level and need to be scaled-up in order to make vocational education and training more relevant for employment.

Further development of the qualification framework (QF) for Bosnia and Herzegovina is still on hold and needs better coordination and harmonisation.

The education system of Montenegro includes pre-school upbringing and education, primary education and upbringing, secondary general education (gymnasium), secondary vocational education, adult education and higher education. Primary education and upbringing is compulsory and free for all children aged 6 to 15. General secondary education lasts four years. There are 30 secondary schools (6 gymnasiums, 4 mixed secondary schools and 20 vocational schools), 63 primary schools and 11 preschools.

Vocational education is realized as two-year lower vocational education, three-year and four-year secondary vocational education and two-year higher vocational education. In Montenegro, higher education is acquired at one state university (University of Montenegro), three private universities, four independent private faculties and one independent state faculty.

Implementation of the numerous education strategies continued while the latest figures (2018) show spending on education at 4% of GDP. In May 2019, the government signed the first (3-year) financing agreement with the University of Montenegro (UoM) based on quality assurance, enrolment policy and improvement of study programmes. Transition to the reformed 3+2+3 study model is underway.

Montenegro is currently preparing a draft lifelong entrepreneurial learning strategy (2020-2024). Implementation of the national qualifications framework is referenced to the European qualifications framework in 2014) showing persistence in skills mismatch with labour market needs. It is also committed to implementing and monitoring the 2015 Riga Conclusions on Vocational Education and Training (VET), as reflected in the revised VET strategy (2020-2024), adopted in January 2020.³⁰

²⁹ European Commission, Bosnia and Herzegovina - 2020 report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bosnia_and_herzegovina_report_2020.pdf

³⁰ European Commission, Montenegro - 2020 report, https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/montenegro_report_2020.pdf

The PISA 2018 results (international student assessment in mathematics, science and reading) showed limited improvement from 2015 and remain below the OECD average.

The Centre for Vocational Education and Training is a developmental, advisory and research institution founded in 2003 by social partners within the process of education system decentralization, and development of vocational and adult education. The main area of the VET Centre's work is the development and strengthening of the vocational and adult education system, emphasizing the adjustment of education to market economy, technological progress and information technologies. The VET Centre is one of the key implementers of vocational education reform in Montenegro. Law on Vocational Education and Training stipulates that the budget of the Ministry of Education, Science, Culture and Sports ensures funds for the salaries of students of the first and second grade in the dual education system.

3.2.1.5. Digital connectivity

Digital connectivity is a key element of all modern societies of the 21st century and is achieved through the introduction of high-speed broadband in places where it does not yet exist and the development of existing infrastructures. During the development of the concept of digital connectivity, the concept of cybersecurity is emphasized as a set of processes, measures and standards that guarantee a certain level of reliability in the use of products and services in cyberspace. Digital connectivity is one of the foundations for the successful functioning of the economy, as most communication takes place in a virtual way. The usage and importance of digital technology during COVID-19 pandemic should not be overlooked. As one of the fundamental elements of the digital transition, digital connectivity brings opportunities not only to modernize the technology needed in the program area but also to create new jobs in the ICT sector.

According to the Economic and Social Digitization Index (DESI) for 2020, Croatia ranks 20th among the 28 EU member states. Data from 2019 show that 77% of the population uses the Internet, and 18% of people have never used the Internet. Compared to 2018, the coverage of the fixed network with a very large capacity has significantly improved. In this category, the result improved from 23% in 2018 to 43% in 2019. However, the relatively high prices of fixed and combined service packages affect the result in the category of broadband access price index. When it comes to usage of the broadband Internet with speeds of over 100 Mbps, with a score of 6%, Croatia still lags significantly behind the EU average of 26%. Croatia does not yet have a special comprehensive strategy for the introduction of the 5G network, which is a precondition for future allocation procedures. Numerous counties have prepared broadband network development projects which are planned to be achieved by the end of 2023.

Table 12. The percentage of population actively using the Internet and the percentage of population which has never used the Internet (2019)

	Population actively using the Internet	Population which has never used the Internet
Croatia	77%	18%
Bosnia and Herzegovina	70%	26%
Montenegro	76%	20%

Source:

Bosnia and Herzegovina is at an early stage of preparation in the field of information and communication technologies and it is still the only country in the region that does not have a broadband strategy, although in 2019 it introduced the 4G network. Regulations and a strategic framework for ICT do not exist and are not in line with the EU acquis. In 2019, 70% of the population used the Internet, and the percentage of the population who have never used the Internet was 26.1%. Reasons for that could be found in the fact that younger population is emigrating from Croatia and while the share of elderly population is increasing.

Montenegro is moderately prepared in the field of information and communication technologies. Mapping for the broadband network is underway, and further work is underway to reduce infrastructure costs for the network. In 2019, about 76% of the population used the Internet, and the share of the population who have never used the Internet was 20,4%.

The Croatian authorities are preparing a national plan for the development of broadband access for the period 2021-2027, which should be in line with the goals of the gigabit society. Although the implementation of two national programmes for new generation networks, co-financed by the EU, is still late, in 2019 Croatia made progress in the field of broadband infrastructure. Two of the three selection phases under the national broadband infrastructure development program in areas where there is no commercial interest have been completed. In 2018, the project was launched in response to the rise of cybersecurity threats and it emphasizes the importance of cross-border cooperation in combating them. The project continued in 2019, it will last for two years and will continue to strengthen cooperation in the field of cybersecurity.

In April 2019, Bosnia and Herzegovina signed a Regional Roaming Agreement in Belgrade, which will provide access to the "roam like at home" service from July 2021 and lead to a further reduction in prices for roaming services. In 2019, Montenegro adopted an action plan for the development of the information society, which relies on the European Digital Agenda, given that Montenegro seeks to meet the standards required for accession to the European Union. The goals are comprehensive access to broadband, cybersecurity, digital entrepreneurship and the introduction of e-services in

health and education. Like Bosnia and Herzegovina, Montenegro signed the Regional Roaming Agreement in April 2019 and should abolish roaming prices by July 2021.

In the programme area, the problem of weak information and communication infrastructure, poor network connectivity, especially in rural areas and insufficient broadband coverage. Therefore, the introduction of a few public Wi-Fi zones can have a positive effect on attracting tourists. The share of Internet users is similar in all three countries and, although slightly below the European average, it is at a satisfactory level, but there is still a large number of those who have never used the Internet. Of all three countries, Croatia is the most advanced in broadband coverage and it is currently working on expanding its high-speed network. Montenegro is still in the mapping phase, while Bosnia and Herzegovina does not yet have a developed strategy, therefore lagging far behind the rest of the region and Europe. The development of ICT infrastructure for the implementation of high-speed broadband is a prerequisite for the digital future of the programme area, as well as reducing roaming charges, developing digital skills and enhancing cybersecurity.

3.2.2. Conclusion and recommendations

In the context of research and development in the cross-border area, it is important to emphasize that Bosnia and Herzegovina is significantly weaker than Croatia and Montenegro in accordance with the mentioned ranks, which confirms the percentage of spending on research and development at the national level and lack of smart specialisation strategy in Bosnia and Herzegovina. The key advantage of the programme area is the large number of universities located in the area and the success of projects submitted to Horizon2020, especially the number of SMEs involved in the programme, especially in Croatia.

The state of digitisation of the society is on the rise, as digitalisation is high on the priority list in three countries. However, compared to other EU countries there still remains a lot of work to be done in the context of transparency and usage of digital technologies for the public by the government. A lot of work has to be done in terms of interoperability, strategic and regulatory framework. People are more and more likely to use the digital services, with higher percentages of computer and internet usage across three countries. However, there is still a large gap between urban and rural areas that needs to be dealt with in order to use digital technologies to its full potential.

It is clear that SMEs in all three countries and thus in the programme area make up the largest significant part of total added value and total employment, while on the other hand it is clear that in all three countries the category of 'starting a business' is one of the lowest ranking as the bureaucratic administration continues to be a burden. The infrastructure for SME development is widely in place but needs further connecting and maximisation of effects. In the programme area, there is a significant number of support institutions for entrepreneurs with the potential of developing cooperation on a cross-border basis. As marked in previous sections, the focus has to be on S3 SME development, further digitisation and digital transformation of SME business processes.

The gap between supply and demand of skilled workforce remains and the education system continues to educate a workforce that does not necessarily correspond to the needs of the economy. As a consequence, the main features of the labour market are high unemployment of people with lower and intermediate education, and high long-term and youth unemployment. Educational system, especially in vocational education and training, should keep up with the labour market demands and priorities in each sector, especially the ones which are of primary importance for further development of the economy. Special effort should be put in development of VET qualifications and curricula on the basis of labour market research and analysis. A key segment in the prosperity of the region is to develop and better connect the education sector and the labour market in order to have young people that will be able to get a well-paid job after finishing school and have skilled workers that can develop the business sector and be trained for real work needs. In this context a dual education model with ties to the industry has to be further developed with clear links and practices.

Given the horizontality of the specific objective related to tourism, it is important to highlight the potential of tourism in this Policy objective, primarily in the context of SME competitiveness and digitisation of public and business services, having in mind the importance of tourism in the economies of all three countries. An example of such a project is the digitisation of processes in tourism with new public e-services that provide additional benefits to service providers and tourists. With the help of advanced technologies, tourism sector can be improved in terms of communication between service providers and public administration in tourism, enabling data-driven decision making. With the aim of faster, better and simpler business of stakeholders in tourism and public administration, these types of projects could connect the procedures of multiple bodies public administrations in the integrated state information system such as system for registration and deregistration of guests, internet platform for tourists and e-services provided by both private and public sector.

3.3. Greener Europe

Reducing energy consumption and waste is getting more and more important on the level of the European Union. EU leaders have set a goal in 2007 to reduce yearly energy consumption by 20% by 2020 in the whole EU. Under the headline “Clean energy for all Europeans” in 2018 a new goal has been set to reduce energy consumption by at least 32,5% by 2030. At the Vienna summit in 2015, six Western Balkan countries, among which are Bosnia and Herzegovina and Montenegro, have committed to implement “soft” measures as a prerequisite for regional energy market development. Croatia, Bosnia and Herzegovina and Montenegro have all developed strategic documents with the goal of controlled energy development and environment protection: Energy development strategy of the Republic of Croatia by 2030 with a view to 2050, Framework energy strategy of Bosnia and Herzegovina by 2035 and Energy development strategy of Montenegro by 2030. Since the strategic documents come from different time periods, yearly data isn’t completely comparable, but they enable a general overview of the area.

3.3.1. Description of current state in key analysis areas

3.3.1.1. Energy efficiency

Energy efficiency basically represents the reduction of energy waste and the most efficient way of achieving sustainable development which offers numerous benefits: reduction of greenhouse gasses, reducing demand for energy imports, as well as reduction of costs in households and the economy. Increasing resource demands, their varying prices and increasing environmental concerns have put energy efficiency in focus as one of the key priorities for all the world countries.³¹ Energy efficiency is a prerequisite for a low-cost decarbonization which all the countries interested in environmental protection strive for. Considering increasing energy demands and increasingly limited resources, the development of energy saving and energy efficiency enhancement methods needs to be a priority, not only for the programme area, but also for the rest of the world.

Energy policy and strategy of the Republic of Croatia is directed towards the EU goals of reducing greenhouse gas emissions, increasing renewable energy sources (RES), energy efficiency and safety and quality of supply, as well as the development of energy market, energy infrastructure and competitiveness of the economy and energy sector. The transition to low-carbon production and consumption of energy will impact the structure of overall costs of production and supply of energy directly. Therefore, Croatia is directed towards energy efficiency methods such as renovation of buildings, electromobility, developing potential for usage of liquified natural gas in transport and production. Energy efficiency includes the usage of renewable energy sources which leads to reduction of fossil fuels consumption and enables affordable energy prices.³²

³¹ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

³² Energy development strategy of the Republic of Croatia by 2030 with a view to 2050, 33., narodne-novine.nn.hr/clanci/sluzbeni/2020_03_25_602.html

Energy indicators in Croatia imply the lack of available resources and production capacities, especially with the rising consumption of energy. The data from 2019 shows hydro power plants as primary sources of energy in Croatia (the two largest in the Croatian part of programme area are HE Zakučac and HE Senj), followed by thermal power plants (TE-TO Sisak as a prominent one in the programme area) with slightly smaller volume of production. In average, more than half of electric energy is produced in hydro power plants, meaning that the production of electric energy in Croatia highly depends on hydrological conditions.³³ Production from other RES is increasing, mostly in wind farms. Croatian needs are not met by domestic production, therefore the imported electric energy amounts to about 30% of total consumption, as a result of prices on the international electric energy market and open electric energy market in Croatia.³⁴ Total energy consumption in the Republic of Croatia in the period 2012 - 2017 had been in increase with a yearly average of 0,4%, as the structure of energy sources changed. Liquid fuels and natural gas have the biggest shares in the total consumption. Electric energy consumption has remained on mostly the same level in the last few years, but its share in total consumption is in slight increase. The biggest consumers of electric energy in Croatia in 2017 and 2018 have been households with a share of 40%, followed by the trading sector and public services. The share of energy produced from RES in total consumption is also increasing. In 2018, 16,21 PJ of energy was produced from RES, which is an increase of 0,7% compared to 2017 and 16% compared to 2013.

Long-term energy vision in Bosnia and Herzegovina implies the development of a competitive and sustainable energy system, keeping the aspect of the security of supply in mind. Coal is currently a dominant natural resource in the production of electric energy. The data from 2020 shows thermal power plants as a primary energy source (60,7%), followed by hydro power plants (35,28%). Coal is a primary resource, but natural gas is also important, as it is used mostly in industry and the energy sector.³⁵ In the period 2010 - 2019, in Bosnia and Herzegovina coal-fired power plants' share in the total production of electric energy was around 60%. Hydro power plants' share varied, depending on hydrological conditions, from 32% to 49%, while the average amounted to 38%. The biggest production had EP BiH with 6,6 TWh - 7,6 TWh, followed by Electric power industry of Republic of Srpska with 5,1 TWh - 6,4 TWh. The least share in the production of electric energy in the analysed period had EP HZBH with 1,2 TWh - 2,6 TWh.

Energy sector is of great significance for the economic and long-term development of Montenegro which, although it has access to significant coal reserves, as well as big hydro potential and wind potential (and other RES), suffers the consequences of the payment deficit caused by energy

³³ Publication: Croatia in Numbers 2020, 22., www.dzs.hr/Hrv_Eng/CroInFig/croinfig_2020.pdf

³⁴ Energy development strategy of the Republic of Croatia by 2030 with a view to 2050, 15., narodne-novine.nn.hr/clanci/sluzbeni/2020_03_25_602.html

³⁵ Publication Bosnia and Herzegovina in numbers 2020., 110., www.bhas.gov.ba/data/Publikacije/Bilteni/2021/NUM_00_2020_TB_1_BS.pdf

imports.³⁶ Coal has been a primary resource in the last 20 years, along with hydro energy. Brown coal and lignite are used the most, while the production of hydro power plants varies depending on the hydrological conditions. Wood fuels are also an important resource. The biggest consumer is the industry sector, followed by the service sector and small producers.

Shown below is energy production (GWh) in hydro power plants and thermal power plants in 2017 in all three programme participating countries. It is clear that Croatia produces the most energy in hydro power plants, while Bosnia and Herzegovina and Montenegro produce most of its energy in thermal power plants.

Table 7. Energy production (GWh) in hydro power plants and thermal power plants in 2017³⁷

Country	Hydro power plants (GWh)	Thermal power plants (GWh)
Croatia	5.427	4.864
Bosnia and Herzegovina	3.987	12.019
Montenegro	976	1.265

Source: ³⁸, ³⁹, ⁴⁰

A common problem in all three countries is non-diversity of used energy resources and insufficient usage of RES. Modernization of ICT and increasing innovations are key to achieving energy efficiency and, ultimately, decarbonization.⁴¹ In the area of innovations and research, universities can have a great role, as places with highly qualified experts and new potentials necessary for sustainable society. In the programme area, there are numerous universities which focus their research on the development of new energy efficiency technologies, such as the faculty programme Energy efficiency and renewable energy sources in Šibenik, as a part of University of Zagreb. In the Croatian part of the programme area there are 4 universities, in Bosnia and Herzegovina there are 6 and in the Montenegrin part there are 4 universities. Other universities also have branch offices in the programme area which makes the total potential of the young, educated population even bigger. Apart from universities, polytechnics and colleges within programme area also provide relevant knowledge for this topic.

One of the most important topics in the area of energy efficiency is energy renovation of buildings, both private and public, which opens a space for testing new energy saving possibilities.⁴² An

³⁶Energy development strategy of Montenegro by 2030.,

www.mek.gov.me/ResourceManager/FileDownload.aspx?rid=199663&rType=2&file=Strategija%20razvoja%20energetike%20CG%20do%202030.%20godine.pdf

³⁷ Data are variable from year to year

³⁸Publication: Croatia in numbers 2020, 22., www.dzs.hr/Hrv_Eng/CroInFig/croinfig_2020.pdf

³⁹ Publication: Bosnia and Herzegovina in numbers 2019, 110.,

www.bhas.gov.ba/data/Publikacije/Bilteni/2020/NUM_00_2019_TB_0_BS.pdf

⁴⁰ www.epcg.com

⁴¹ Guidelines for the Implementation of the Green Agenda for the Western Balkans, 4.

⁴² Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

example of good practice in this area is project Smart Schools which was completed in 2019. It was implemented as part of Interreg HR-BA-ME 2014-2020. At the moment, Smart Schools 2 project is ongoing which also aims to enhance energy savings in public facilities and encourages the population (students especially) to use sustainable energy solutions. EU member states have committed from January 1st of 2014 by the Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency to restore 3% of the total area of heated and / or cooled buildings owned and used by the central government. In Croatia, emphasis is on the renovation of all buildings following the nZEB standard (almost zero energy buildings), which includes higher usages of RES (photovoltaic systems, thermal solar collectors, biomass boilers, heat pumps). By December 31st of 2019 a regulatory transition towards almost zero energy buildings had been completed, meaning all new buildings in Croatia built after that date have to be almost zero energy.⁴³ Also, in the Energy development strategy by 2030, building of infrastructure for the usage of alternative energy sources in transport is planned, as well as the development of intermodal and integrated transport.

Framework strategy of Bosnia and Herzegovina by 2035 also emphasises the renovation of public buildings, as well as introducing the concept of energy management to public buildings and industrial plants. Since the industry sector is a very big pollutant, the main focus is on controlling the consumption of energy in large companies and on developing energy management mechanisms in SMEs. It is also planned to achieve energy efficiency by upgrading public transport, for example replacing old vehicles and with infrastructure for road transport improvement (such as more roundabouts, upgrading traffic signal systems and so on). In Brčko District of Bosnia and Herzegovina in 2015, Action plan for sustainable development was introduced, with reduction of energy consumption as one of its main goals, especially in the building and transport sector, as well as public lighting. The biggest consumption of energy is in the building sector (electric energy and coal) and transport (oil and petroleum products).

In the Energy development strategy of Montenegro by 2030, one of the main goals is to increase energy efficiency by sectors (households, public sector, commercial services/industry, transport). One of the energy efficiency goals in the public sector is also the renovation of public buildings. Energy recovery of public buildings and transport, increasing the usage of hydro power plants and other RES are some of the imperatives for all three countries in the upcoming years. Cross-border initiatives are a good start, but they need to be connected to the strengthening of the legal framework, raising awareness and ultimately, increasing energy efficiency.

Increasing energy efficiency will bring environmental benefits, reduce greenhouse gas emissions, enhance energy security, reduce the costs of energy and energy poverty. This will lead to competitiveness, create jobs and increase economic activities, which will result in improvement in the quality of life of the citizens.

⁴³ EIHP, Energetics in Croatia 2019., www.eihp.hr/wp-content/uploads/2020/12/1_Energija_u_Hrvatskoj_2019-compressed-1.pdf

3.3.1.2. Renewable energy

Renewable energy sources (RES) are hydro energy, solar energy, wind energy, biomass energy, geothermal energy and wave energy / tides. The usage of RES has become in the 21st century an essential step towards sustainable development, environment protection and combating climate change. RES already has a significant share in the total production of energy in some parts of the programme area, but the main source is hydro energy, while the use of other renewable sources (such as wind and solar energy) hasn't yet become as frequent.⁴⁴ The possibilities in using RES are numerous and very profitable in the long run, but they require a significant amount of financial means, as well as an extensive legal framework so they are mostly regulated on a national level.⁴⁵

The Republic of Croatia, as a member of the EU, has committed to the adoption of the European climate and energy package, which includes Directive 2009/28/EZ on the promotion of the use of energy from renewable sources. Therefore, Croatia has committed to increase the use of energy from RES and to make the share of energy from RES in total energy consumption at least 20% by 2020. Croatia has risen above the EU average in 2019 in the production of energy from RES (28% in the total production, while the EU average is 18%)⁴⁶, achieving the set goal successfully. In Croatia, hydro energy is a dominant renewable source. Significant investments have been made in the production of electric energy in wind farms and in the upcoming years the rise of the use of solar energy is expected. The research by the Energy Institute Hrvoje Požar from 2018, it is predicted that Croatia's shares of RES in the total consumption of energy will reach 32% by 2030 and 56,3% by 2050.

⁴⁴ Guidelines for the Implementation of the Green Agenda for the Western Balkans, 4.

⁴⁵ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

⁴⁶ec.europa.eu

Table 8. Electricity generation from RES in Croatia in 2019

Type of renewable energy source	Electricity generation (MW)
Solar	83,1
Wind	1.467,3
Biomass	477,1
Biogas	401,0
Small hydro	115,0
Geothermal	91,9
Total	2.635,4

Source: ⁴⁷

In 2019, the production of energy from RES was 20,7% of the total production, not including large hydro power plants.⁴⁸ In the last few years the instalment of capacities for the production of energy from RES has been increasing, mostly from wind energy. Considering that the coastal area is more appropriate for the use of wind energy than the continental, wind farms are being built in 5 municipalities in the programme area: Dubrovnik - Neretva County, Split - Dalmatia County, Šibenik - Knin County, Lika - Senj and Zadar County. It is important to mention that Croatia has access to sufficient potential in RES in the form of hydro, wind and solar energy, geothermal energy and biomass which can satisfy its electric energy needs, while at the same time using resources sustainably and protecting the environment. RES potentials are also large enough to partially satisfy the need in heating and transport.

When it comes to electric energy, Bosnia and Herzegovina has a significant share of RES in gross final consumption in relation to EU member states. The reason for that are hydro potentials in the segment of electric energy. According to the 2017 report „Cost – competitive renewable power generation: Potential across South East Europe“ by IRENA (International renewable energy agency), in Bosnia and Herzegovina there is a significant technical potential for RSE: for example, solar potential amounts to 2.963,7 MW, wind potential is 13.141,1 MW and hydro potential is 6.110 MW. Other than for hydro power plants, whose cost-competitive potential amounts to 2.510 MW, Bosnia and Herzegovina has a large cost-competitive solar and wind potential. In 2016 the said wind potential ranged from 2.556,2 MW to 5.861,3 MW, while solar potential amounted to 993,5 MW.

⁴⁷ EIHP, Energetics in Croatia 2019, www.eihp.hr/wp-content/uploads/2020/12/1_Energija_u_Hrvatskoj_2019-compressed-1.pdf

⁴⁸ EIHP, Energetics in Croatia 2019, www.eihp.hr/wp-content/uploads/2020/12/1_Energija_u_Hrvatskoj_2019-compressed-1.pdf

Table 9. Potential for renewable-based electricity in Croatia, Bosnia and Herzegovina and Montenegro

	Technologies	2005	2015	2020 (NREAP ⁴⁹)	Technical potential
		MW	MW	MW	MW
Croatia	Solar PV	6,0	44,0	52,0	3.217,6
	Wind	0,0	422,7	400,0	14.807,4
	Hydro	2.082,7	2.195,0	2.456,0	3.316,0
	Biomass	2,0	51,0	125,0	930,0
	Geothermal el.	0,0	0,0	10,0	64,0
	Total	2.090,7	2.712,7	3.043,0	22.335,0
Bosnia and Herzegovina	Solar PV	0,0	8,2	16,2	2.963,7
	Wind	0,0	0,3	330,0	13.141,1
	Hydro	2.006,0	2.150,0	2.700	6.110,0
	Biomass	0,3	0,0	35,7	983,0
	Geothermal el.	0,0	0,0	0,0	7,1
	Total	2.006,3	2.159,5	3.081,9	23.204,9
Montenegro	Solar PV	0,0	0,0	10,0	722,5
	Wind	0,0	0,0	151,2	2.936,0
	Hydro	635,7	668,0	826,0	2.040,0
	Biomass	0,0	0,0	29,3	198,0

⁴⁹ National Renewable Energy Action Plan

	Geothermal el.	0,0	0,0	0,0	1,4
	Total	635,7	668,0	1.016,5	5.897,9

Source:⁵⁰

In Bosnia and Herzegovina, 16 potential locations for wind farms have been identified, but there is also potential in geothermal energy sources which are already being used for medicinal and recreational purposes, as well as tourism (Teslić-Vrućica, Srebrenica-Guber, Laktaši and so on). Although there is large potential for the production of hydro energy, Bosnia and Herzegovina relies primarily on coal. Compared to the rest of the country, Republic of Srpska uses RES the most (mostly in hydro power plants) with the share of RES in the total production of electric energy in 2019 amounting to 60,9%.⁵¹ Other than expanding the use of RES which are already being used (in hydro power plants), Framework energy strategy of Bosnia and Herzegovina by 2035 emphasises the use of new energy sources, such as wind and solar energy. For the Federation of Bosnia and Herzegovina, it is planned to make the share of RES in the total energy sources 41% by 2035 and for the Republic of Srpska 48%. Currently, RES make up about a third of total energy sources nationwide.

In Montenegro, the biggest potential lies in hydro energy and wind energy. Great potential lies in biomass, more specifically wood mass which is being used more and more. The estimated growth of wood mass usage is between 850.000 m³ and 1.060.000 m³. In Montenegro, energy potential for wood waste amounts to 400 MW. There is wind energy potential on the mountain Rumija, between Bar and Skadar lake, where the average wind speed is 6-7 m/s, as well as on the mountains behind Petrovac and between Herceg Novi and Orahovac. A solar potential for the production of electric energy has also been identified (coastal regions get more than 2.500 sunny hours yearly), as well as for the use of hybrid energy systems which combine conventional and alternative energy sources.

Considering the large amount of still unexplored RES potential in Montenegro, one of the main goals by 2030 is exploring potential locations for building wind farms, photovoltaic power plants, as well as the use of biomass. Construction projects for small hydro power plants are also planned, in order to use the large hydro potential that Montenegro has, as well as construction projects for hydro power plants on rivers Morača and Komarnica and construction of wind farms.⁵²

⁵⁰ Cost – competitive renewable power generation: Potential across South East Europe 2017

⁵¹ Izvještaj o radu Regulatorne komisije za energetiku Republike Srpske za 2019., https://reers.ba/wp-content/uploads/2020/09/Izvjestaj_RERS_2019_LAT_2_dio_FINAL-Z.pdf

⁵² Energy development strategy of Montenegro by 2030., www.mek.gov.me/ResourceManager/FileDownload.aspx?rid=199663&rType=2&file=Strategija%20razvoja%20energetike%20CG%20do%202030.%20godine.pdf

The three countries have different approaches to the use of RES and the planning of their use in the future, considering specific natural potentials that each of them has. Croatia has already started to gradually lower the range of energy production in hydro power plants in favour of using other renewable sources, while Bosnia and Herzegovina and Montenegro plan to renew and expand their hydro power plants, since they have not been exploiting their hydro potential much until recently. The strengthening of existing capacities, as well as construction of new ones and the diversification of RES used are necessary for the improvement of energy efficiency, reduction of pollution created by overusing fossil fuels in transport and heating, and for the environmental protection in general.⁵³

3.3.1.3. Smart energy systems

Smart energy systems are discussed in the context of local and regional integration when it comes to energy sources, as well as associated infrastructure, production and consumption of energy and integration of the environmental sector with others, such as transport. Smart energy systems use clean technologies and renewable sources to produce energy, which contributes to energy efficiency. The idea is to create coordinated interregional platforms all over Europe with a common approach to smart energy systems. Smart energy systems are completely renewable, they use a sustainable level of bioenergy and they are not more expensive than other energy systems which use conventional sources.⁵⁴

In Croatia, the spread of smart energy systems was slowed by the lack of financial means, as well as underdevelopment and lack of knowledge and experience in the area. However, in the past few years, mostly with the EU initiative, the concept is spreading. For example, energy transition of Croatian island is currently happening and its focus is to replace conventional energy sources with renewable ones.

Within the European strategy for the energy transition of the islands, there are three islands in the programme area - Hvar, Brač and Korčula. Given the geography and climate of these areas, all three islands are primarily focused on harnessing solar energy to power their smart energy systems. On the island of Hvar, three locations are planned for the construction of solar power plants, on Korčula as many as 13, and the integration of solar panels into private and public buildings. The transport sector is also an essential part of the energy transition, so Hvar plans to introduce an e-bike system, increase the number of charging stations for electric cars, introduce electric catamarans and ferries powered by LNG (natural gas). An example of good practice of the energy transition in transport can be found in Zagreb County's installation of charging stations for electric cars in every town and municipality through e-mobility programme in 2017 and 2018.

⁵³ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

⁵⁴ Smart Energy Systems ERA - Net, www.eranet-smartenergysystems.eu

In the programme area of Bosnia and Herzegovina, the goal is to increase the use of renewable energy sources and reduce the reliance on fossil fuels which are still very present in BiH. That being said, the objectives also include the increase of the energy efficiency of public buildings and the number of "green projects" in the economy.

In recent years, Montenegro has become increasingly committed to energy transition and finding smart and sustainable ways to produce and use energy. The near future's primary goals are constructing a large solar power plant Briska gora and increasing the use of renewable energy sources in households and transport. One example is the introduction of a smart sensor meter system. The Western Balkans country's electricity distribution company Crnogorski elektrodistributivni system (CEDIS), plans to procure 60.000 devices for smart metering, which will mean that over 85 per cent of consumers will benefit from these modern devices. The investment will make Montenegro, which is a candidate to join the European Union, the first EBRD country of operations to meet the EU target of smart meter coverage for at least 80 per cent of the population by 2020. The modernisation and smart meter installation programme is expected to result in over 86.000 tonnes of CO2 savings per year.

The aim is to bring the concept of RES closer to the citizens and make them producers and consumers of energy at the same time. In terms of traffic, it is planned to open charging stations for electric vehicles, increase biofuels' use, and electrify public transport.

Smart energy systems are a relatively new and unexplored concept in the programme area that has only recently begun to be actively used. Significant progress is visible in Croatia and Montenegro, where an increasing number of cities is involved in developing smart energy strategies, while in Bosnia and Herzegovina the smart energy systems are still being developed at the level of individual projects, which mainly includes switching to renewable energy heating systems. A significant part of the overall projects is the use of solar energy, which is understandable because the programme area largely includes coastal areas with lots of sunny days a year. In the future, it will undoubtedly be necessary to focus more attention on other renewable sources to make smart energy systems as diverse and rich as possible.

3.3.1.4. Climate change adaptation

Europe is committed to becoming the first climate-neutral continent by 2050. The programme area is one of the most vulnerable areas in Europe where the serious effects of climate change are already being felt (by 2050, temperatures are projected to rise by 1.7-5 degrees). That being said, the adaptation to climate change is a burning need of the three countries⁵⁵. Challenges and encounters with natural disasters such as fires, floods, landslides and, more recently, earthquakes have become more frequent in the observed area. The readiness of the entire region for such dangers and their

⁵⁵ Guidelines for the Implementation of the Green Agenda for the Western Balkans

remediation and minimization of damage is very weak therefore, a stronger cooperation between countries participating in programme is needed.⁵⁶

In terms of adaptation to climate change, Croatia, as one of the countries that have ratified the Kyoto Protocol, is obliged to reduce greenhouse gas emissions. Energy consumption from non-renewable sources is the biggest polluter, as well as sectors such as transport, agriculture, and households. In the Disaster Risk Assessment for the Republic of Croatia in 2019, risks assessed as unacceptable (floods caused by spills of inland water bodies, earthquakes, open fires, droughts) are a national priority. It is necessary to adopt plans for the implementation of public policies, in order to reduce and manage risks in the areas covered by the scenarios, but also in the entire Republic of Croatia. When we talk about protection against natural disasters, flood protection mechanisms are lacking in Croatia, which should not be the case given that the Danube and Sava are subject to spills and floods in these areas. Therefore, more frequent controls of river embankments in such area are needed, as well as oversight of new river embankments and dams in construction. Wildfires are a big problem during the summer months, which are becoming more frequent due to rising temperatures. Moreover, the year 2020 was marked by a series of earthquakes with catastrophic consequences, of which it is especially important to emphasise the 2020 Petrinja earthquake (6.2 on the Richter scale) which struck the Sisak-Moslavina County on 29 December 2020 resulting in severe damage that was reported even in neighbouring counties and cross-border area of Bosnia and Herzegovina.

Disasters facing Bosnia and Herzegovina include floods, landslides, forest fires, mines and unexploded ordnance, environmental / chemical contamination, earthquakes, extreme cold and snowfall, and climate change. Bosnia and Herzegovina is also facing the problem of rising temperatures and floods. Hazardous areas include areas around the rivers Vrbas, Bosna, Krivaja, Sana, Neretva and Sava.

Montenegro ratified the Paris Agreement in 2017, committing itself to reducing greenhouse gas emissions by 30% by 2030. Between 1991 and 2015, Montenegro halved its greenhouse gas emissions⁵⁷. Montenegro faces the risk of earthquakes. As much as 40% of the territory is in the endangered area, which covers about 60% of the population. Amongst the meteorological hazards, the most prominent ones are floods and droughts. As in other two countries, the temperature is expected to rise from 0.6 to 1.3 degrees by 2030. Given the susceptibility to natural disasters, Montenegro has a developed legal framework and several institutions to deal with crises.

The data on CO2 emissions in all three countries from 1990 to 2017 are presented below. In Croatia, a significant decrease was visible in the period from 2005 to 2011, which was not the case in the other two countries (there was a substantial increase in emissions), which can be attributed to

⁵⁶ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

⁵⁷www.klimatskepromjene.me

Croatia's ratification of the Kyoto Protocol and preparations for EU accession. The trend of reducing harmful gas emissions in Croatia has continued, as shown by the data from 2017. In Montenegro, CO2 emissions decreased significantly in 2017 compared to 2011, and the reduction is expected to continue with regard to the signing of the Paris Agreement.

Table 10. CO2 Emissions Per Capita

	1990	2005	2011	2017
Croatia	4,89 t	5,34 t	4,80 t	4,47 t
Bosnia and Herzegovina	4,36 t	4,26 t	6,49 t	6,50 t
Montenegro	3,12 t	2,84 t	3,85 t	3,23 t

Source: ⁵⁸

All three countries face similar problems whose roots can be found in global warming, melting snow and ice, temperature extremes and other consequences of climate change whose further spread needs to be prevented. In addition to preventing future consequences, the emphasis is on adapting to those that have already occurred. This includes improving flood defense systems, strengthening firefighting, which is underdeveloped in many programme areas, and renovating buildings (also mentioned in the context of energy efficiency) to be more resistant to ground vibrations. Therefore, it will be necessary to involve the private sector in investment and reconstruction to increase resilience and develop mechanisms to transfer the risks of natural disasters⁵⁹. Strengthening efforts on climate protection, resilience building, prevention of preparedness in the region is therefore crucial. Also, additional efforts are needed to develop an early warning system, but also to develop awareness among the population about potential risks. As the only EU member of the three countries in the programme area, Croatia has pledged to reduce greenhouse gas emissions and contribute to the 55% emission reduction target by 2030, which is the latest target⁶⁰, while Montenegro has also pledged to do so by ratifying the Paris Agreement. On the other hand, Bosnia and Herzegovina is working on its own initiative to reduce greenhouse gas emissions, but these efforts need to be stepped up in the coming period.

3.3.1.5. Sustainable water

Given the growing need of the world for water, and the declining supply of drinking and clean water, water management in a rational and sustainable way is becoming increasingly important. The programme area is one of the most favourable in the world in terms of water supply, but to maintain such a state it is necessary to properly dispose of water resources, as well as ensuring a clean water

⁵⁸ Our World in Data, ourworldindata.org

⁵⁹ Guidelines for the Implementation of the Green Agenda for the Western Balkans, 3.

⁶⁰ Guidelines for the Implementation of the Green Agenda for the Western Balkans, 2.

supply for all residents. Wastewater treatment is still a relatively underdeveloped concept, but it will become increasingly needed in the future. Wastewater discharges to rivers, which are recipients, has cross-border impact, especially in border areas. An example in this area of cross-border cooperation is joint Regional Drainage System Komarna - Neum - Mljet between Croatia and Bosnia and Herzegovina. In addition, it is important to protect groundwater from pesticides and nitrates from the soil. In this process, the implementation of water regulations is important, as well as investment in infrastructure for monitoring and management of surface and groundwater⁶¹. Water pollution should be under the supervision of relevant government institutions. In order to tackle the water pollution, strict measures against polluters should be applied.

As an EU member, Croatia is obliged by the legal framework to address water pollution sources, ensure high standards for all water bodies and include the anticipated effects of climate change in water resources management planning (e.g. flood protection). The most significant pressure on surface water bodies in Croatia comes from pollution from diffuse sources from agriculture (57% of surface water bodies) and discharges that are not connected to the sewerage network (54%). The most significant pressure on groundwater bodies also comes from pollution from diffuse sources from agriculture (6%). Croatia lags behind the EU directive on the need for water monitoring programmes - only 10% of surface water bodies are covered by operational monitoring and 6% by monitoring⁶². The total amount of water delivered from the public water supply in 2019 amounted to 307.102.000 m³, which is 1.4% more than in 2018. The total amount of water sold in 2019 compared to 2018 remained at approximately the same level. The largest consumers were households, which in 2019 consumed 170.979.000 m³ or 71.1%. In the public water supply, water losses in 2019 amounted to 197.590.000 m³ or 64,3% of the total amount of delivered water. The number of settlements covered by the public water supply network in 2019 was 5.375, which is an increase of 0.7% compared to 2018. The total length of the water supply network was 45.843 km. The number of water supply connections increased by 1.5% and amounted to 1.276.129.⁶³

Bosnia and Herzegovina's water policy aims to ensure that by 2035, 90% of its population has access to drinking water from public and sanitary waterworks. For the remaining 10% of the population in rural areas, there is a plan to supply drinking water from individual water pipelines. At the same time, there is a plan to reduce the average water losses in BiH below 20%. In addition, for the period 2015-2021, 10 projects are planned in the programme area for the construction of sewers and wastewater treatment plants (Tešanj, Jajce, Bihać, Cazin, Bosanski Petrovac, Doboj Jug, Usora, Velika Kladuša, Lukavac, Orašje)⁶⁴. Furthermore, the increase in percentage of population connected to public water supply, upgrade and reconstruction of water purification system,

⁶¹ Guidelines for the Implementation of the Green Agenda for the Western Balkans

⁶² Publication of the European Commission: Overview of activities in the field of environment for Croatia 2019, ec.europa.eu/environment/eir/pdf/report_hr_en.pdf

⁶³ Central Bureau of Statistics: Water collection, treatment and distribution in 2019, www.dzs.hr/Hrv_Eng/publication/2020/06-01-02_01_2020.htm

⁶⁴ Water management plan for the Sava River Basin in the Federation of BiH, 119., www.voda.ba/nacrt-plana-upravljanja-vodama-zavodno-podrucje-save-i-prateci-dokumenti

protective measures and regulation for drinking water sources are just some of the measures which will be implemented.

Of the total population of Montenegro, over 63% live in urban areas, and public water supply covers 99% of the urban population. Overall, according to the 2013 census, 78% of the population was covered by public water supply, but since then, another 35 rural water supply systems have been put into circulation⁶⁵. Given the depletion of local water sources, there is a need to develop regional systems and transfer water over increasing distances. The development of new technologies for sustainable water management is also emphasized, which seeks to reduce consumption, but also to increase the share of water reuse⁶⁶.

In the border area between Croatia and Bosnia and Herzegovina, there are small villages, some of which have an adequate water supply system, while others do not. It is necessary to connect the deprived areas with the existing infrastructure, which is possible only through cross-border cooperation and agreement of the two countries in order to improve the quality of life of the locals⁶⁷. The situation in Bosnia and Herzegovina especially requires investments and additional efforts in the development of water infrastructure in order to provide clean water to the locals and preserve their health. Interregional co-operation is particularly important for border areas, and there is a need to develop regional water supply systems to relieve local resources and reduce the risk of them drying out.

3.3.1.6. Circular economy

Circular economy is a form of economy that prolongs the life of resources and products as much as possible, which means minimizing the use of resources, using clean technologies in production, reusing products when possible, recycling waste materials that can no longer be used and proper waste management. The transition to a circular economy is necessary if greenhouse gas emissions are to be completely reduced, as half of the emissions come from resource extraction and processing. Given the EU's goal of making Europe a climate-neutral, zero-emission continent by 2050, the plan is to move completely to a circular economy by then. The countries of the programme area play a significant role in meeting this objective.

Croatia sees its contribution to the circular economy through the bioeconomy, the production of renewable biological resources and the conversion of these resources, together with waste streams, into value-added products such as food, feed, biological products and bioenergy. Of great importance is biomass as the main raw material that will enable the decarbonisation of the entire production chain - from the field to the table. There is also a strong emphasis on sustainable waste management, which includes primarily household recycling systems (where raw materials are

⁶⁵ Draft water management strategy

⁶⁶ Draft water management strategy

⁶⁷ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

created for reuse), while the rest is taken to waste management centers for further processing⁶⁸. The total amount of municipal waste produced in 2015 was 1.653.918 tons, or 386 kilograms per capita⁶⁹. Improving the recycling process and increasing the rate of reused waste are key items. Data from 2015 show that only 15,5% of total waste was reused in 12 counties in the Croatian programme area⁷⁰. In 2017, the slight trend of increasing the amount of municipal waste continues. A total of 1.716.005 tons were produced, which corresponds to a value of 400 kg per capita⁷¹. Further expansion of recycling yards and mobile recycling yards through programme area would bolster those results by enlarging the number of households participating in recycling.

Although there are several examples of good practice (BLUEfasma, INTERREG MEDITERAN) at the company level regarding the introduction of CE principles in production process, Croatia is facing significant barriers especially regarding the waste management.

Efficiency of material resources, circular economy and supply of raw materials is still not a sufficiently highlighted priority in Bosnia and Herzegovina⁷². Activities mainly focus on topics such as waste management, energy use and energy efficiency issues. From 2012 to 2017, the amount of municipal waste per capita increased from 340 kg per capita to 355 kg per capita in 2017. Waste recycling has only recently come to life in Bosnia and Herzegovina. Thus, in 2017, only 14% of packaging waste was recycled, but this is a significant increase compared to 2012, when only 2% was recycled. Regarding waste management, in the period 2014-2018 there was an increasing trend in the amount of waste collected for processing / disposal. In 2018, 8.3% of waste was temporarily stored, 40,2% was processed and 51,4% was handed over to another business entity for further processing and disposal⁷³.

In 2017, 324.155 tons of municipal waste were generated in Montenegro, or 0,6% more than in 2016. Taking into account the estimated data on the number of inhabitants in mid-2017, in 2017, on average, each inhabitant of Montenegro produced 520,8 kg of municipal waste or 1,4 kg of municipal waste per day. In 2017, utility companies collected the most other municipal waste, which includes mixed municipal waste 80,0%, followed by garden and park waste 12,3%, followed by separately collected fractions 7.6% and packaging with 0.1% collected waste⁷⁴. As regards waste management, Montenegro remains partially aligned with the EU acquis. Significant efforts on strategic planning and investment are needed to implement the national waste management strategy until 2030 and the national waste management plan 2015-2020. Work on the new law on waste management continued. Decisions on separate waste collection have been adopted in 9 municipalities, of which only Ulcinj is in the Montenegrin part of the programme area. There is an urgent need to address

⁶⁸ Energy Development Strategy of the Republic of Croatia until 2030 with a view to 2050, 59., narodne-novine.nn.hr/clanci/sluzbeni/2020_03_25_602.html

⁶⁹ Publication: Bosnia and Herzegovina in Figures 2020, 114.,
www.bhas.gov.ba/data/Publikacije/Bilteni/2021/NUM_00_2020_TB_1_BS.pdf

⁷⁰ Decision on the adoption of the Waste Management Plan of the Republic of Croatia for the period 2017-2022

⁷¹ Ministry of Economy and Sustainable Development, www.haop.hr

⁷² Chemicals and waste in the program 2030, 69. www.bhas.gov.ba/data/Publikacije/Metodologije/ENV_00_2020_MD_0_HR.pdf

⁷³ Chemicals and waste in the program 2030, 69., www.bhas.gov.ba/data/Publikacije/Metodologije/ENV_00_2020_MD_0_HR.pdf

⁷⁴ Report: Municipal waste in Montenegro, 2017,
www.monstat.org/userfiles/file/otpad/2017/Saopstenje%20Komunalni%20otpad%202017.pdf

illegal waste disposal and the use of temporary waste disposal in all municipalities. Infrastructure for separate waste collection and recycling should be established throughout the country.⁷⁵

Although the circular economy requires much more extensive focus than simply on improving waste management, it is evident that the current focus of the program is mostly just waste management. Of the three countries involved, only Croatia currently has plans to move to bioeconomy and plan more sustainable use of resources, while for Bosnia and Herzegovina and Montenegro, the organization of recycling and reuse of waste is still a challenge. It is necessary in the programme area to develop awareness of the need for a sustainable lifestyle, encourage small and medium-sized enterprises to develop innovative and more efficient production methods (and point out the benefits it brings) and encourage research and innovation⁷⁶.

3.3.1.7. Nature protection and biodiversity

Biodiversity conservation is a particularly important topic in the program area given the richness and diversity of natural areas. Numerous forests, meadows, water surfaces and other natural resources are an excellent habitat for a wide range of plant and animal species, some of which are specific to these areas, but are also susceptible to pollution and endangerment of these species. Preservation of biodiversity and ecosystems and nature protection are necessary elements for the path to greener Europe and the world. Given that a significant part of the programme area consists of natural borders between countries (mountains, sea, rivers, etc.), interregional cooperation is extremely important here.

Croatia is considered one of the richest countries in Europe in terms of biodiversity. Natural assets bring numerous advantages to the country - in addition to their diversity having an extremely positive impact on the environment, Croatia also benefits from them in economic, cultural, tourist and social sense⁷⁷. Forests in the Republic of Croatia cover 37% of the total state territory and together with forest land, form a single forest management area on 2.485.300 ha of total area. Of these, 81% are state-owned and 19% privately owned. Forests are classified according to their purpose: commercial, protective (protect land, water, buildings, etc.) and special purpose forests, which are protected areas and are located, for example, in the area of national parks. The Adriatic Sea is crucial for the conservation of biodiversity, and the prevention of its pollution must remain a priority. Pollution is low in the Adriatic Sea, but the danger exists near large ports and large river deltas, as well as in smaller cities where the sewage system is in disarray. In 2017, Croatia adopted a strategy and action plan for nature protection for the period 2017-2025. The goal is to achieve the relevant goals from Aichi in terms of biodiversity and the goals from the EU Biodiversity Strategy until 2020⁷⁸.

⁷⁵ EC: Report for Montenegro 2020

⁷⁶ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

⁷⁷ Hrvatske šume, www.hrsume.hr

⁷⁸ Strategy and action plan for nature protection of the Republic of Croatia for the period from 2017 to 2025, https://narodne-novine.nn.hr/clanci/sluzbeni/2017_07_72_1712.html

Forests and forest lands in Bosnia and Herzegovina cover an area of about 2.709.800 ha, which is 53% of the country's area. About 2.186.300 ha or 81% are state-owned (Federation of BiH and Republika Srpska), and 523.500 ha or 19% are privately owned. Considering the geographical position of Bosnia and Herzegovina and the influence from the Mediterranean, sub-Mediterranean, temperate continental and mountain climate to the plains of Posavina, a number of forest communities with over 100 woody species appear in the composition of forests. The Sava and Una rivers represent a significant border potential between Croatia and Bosnia and Herzegovina. Floods pose a major risk to the environment in both countries. This problem requires a high degree of cooperation around the flood protection and prevention system in order to protect the inhabitants, but also the nature of the mentioned area. Expenditures for environmental and nature protection in BiH are mainly focused on improving air quality (56,7% according to 2018 data) and waste management (30,9%), while only 0,4% of the total funds was intended for the protection of biological diversity.⁷⁹

More than half of the Montenegrin area is covered by forests, which are extremely important for the preservation of biodiversity, natural balance and environmental quality. The area under forests is greatly increasing due to the abandonment of traditional agriculture and afforestation. Given that a smaller part of the territory includes the Adriatic Sea, cooperation with Croatia on the prevention of pollution and conservation of marine biodiversity is important.

Numerous protected areas in all countries are witnessing great biodiversity. The main protected areas of Croatia are six national parks and nine nature parks. The total area of all national parks in the country is 904 km², of which 235 km² constitutes sea area. The most popular Croatian national parks are Plitvice Lakes, followed by Krka, Brijuni and Paklenica. Croatia has a number of ecoregions in part of the programme area due to its climate and geomorphology, and the country is consequently among the most diverse in Europe. There are four types of biogeographical regions in Croatia: the Mediterranean along the coast and in its immediate hinterland, the Alpine in the elevated Lika, the Pannonian along the Drava and the Danube, and the continental in the remaining areas. There are 409 protected natural areas in Croatia, covering 8,6% of the country⁸⁰. The ecological network of the Republic of Croatia (Natura 2000 network) covers 36,67% of the land territory and 16,26% of the coastal sea and consists of 745 conservation areas important for species and habitat types and 38 conservation areas important for birds.

In Bosnia and Herzegovina, 37 areas are protected on a total area of 105.602,18 hectares, which represents less than 3% of the territory of the country⁸¹. Protected areas of nature in Bosnia and

⁷⁹ Environmental costs 2018, http://www.bhas.ba/data/Publikacije/Saopštenja/2020/ENV_17_2018_Y1_0_BS.pdf

⁸⁰ Ministry of Economy and Sustainable Development <http://www.haop.hr/hr/tematska-podrucja/zasticena-podrucja/zasticena-podrucja/zasticena-podrucja-u-rh>

⁸¹ <https://mislioprirodi.ba/zasticena-podrucja-prirode-u-bosni-i-hercegovini/>

Herzegovina are those parts of the territory that are significant for biodiversity, relative preservation of the original landscape and/or aesthetic and tourist potentials.

Biodiversity and other natural and landscape values of Montenegro have been largely preserved, despite the many pressures to which they are exposed. The most important pressures include the use of natural resources, intensive and unbalanced development of individual sectors (tourism, urban development, etc.) and the conversion of natural habitats. A major challenge is pressure in the Skadar Lake area, which must be adequately addressed through sustainable development at the level of local communities that gravitate to the national park. The current network of protected areas in Montenegro covers about 13% of the territory, with a total of 73 protected areas, most of which consist of five national parks (about 60%) and 5 nature parks (30%). About 10% of the protected area belongs to the categories of a lower degree of protection⁸². In recent years a few very important protected areas are proclaimed such as: Nature Park Komovi (2015), Nature Park Piva (2015), Nature Park Dragišnica i Komarnica (2017), Monument of Nature Kanjon Cijevne (2017), Nature Park Ulcinj Salina (2019), Nature Park Zeta River Valley (2020).

Table 11. Protected areas in the programme area (national parks and nature parks)

Protected areas in the Croatian programme area		km2	Territory covered%
		904	1,6%
Lika-Senj County	Plitvice lakes	295	0,5%
Zadar and Lika-Senj County	Paklenica	102	0,2%
Dubrovnik-Neretva County	Mljet	54	0,1%
Šibenik - Knin County	Kornati	234	0,4%
Šibenik - Knin County	Krka	110	0,2%
Lika-Senj County	Sjeverni Velebit	109	0,2%
		4.682	8,2%
Dubrovnik - Neretva County	Lastovo	53 land + 143 sea	0,1%

⁸² National parks of Montenegro <https://nparkovi.me/>

Split - Dalmatia County	Biokovo	196	0,3%
Sisak - Moslavina County	Lonjsko polje	506	0,9%
Partly in Zagreb County	Medvednica	225	0,4%
Partly in Požega - Slavonia County	Papuk	336	0,6%
Zadar County	Telašćica	70	0,1%
Zadar County and Lika- Senj County	Velebit	2.276	4,0%
Šibenik - Knin County and Zadar County	Vransko jezero	57	0,1%
Zagreb County and Karlovac County	Žumberak-Samoborsko gorje	333	0,6%
Split - Dalmatia County	Dinara	630	1,1%
Bosnian and Herzegovinian programme area			
		405	0,8 %
Prijedor, Gradiška, Kozarska Dubica	NP Kozara	34	0,07 %
Gacko, Foča, Kalinovik	NP Sutjeska	173	0,34 %
Bihać	Una	198	0,39 %
		1.577	2,36 %
Neum	Hutovo blato	74	0,14 %
Mostar, Prozor, Jablanica, Posušje, Tomislavgrad	Blidinje	580	1,13 %
Srbac	Lake Bardača - Ramsar Site	38	0,07 %

Čapljina	Hutovo Blato - Ramsar Site	110	0,22 %
Sarajevo	Bijambare	370	0,01 %
Livno	Livanjsko polje- Ramsar site	405	0,79 %
Montenegrin programme area			
Cetinje and Budva	Lovćen	62	n / a
Podgorica, Bar, Cetinje	Lake Skadar	400	n / a
Nature parks		101	
Herceg Novi	Orjen	87	n / a
Ulcinj	Ulcinjska solana	14	n / a

Source: ⁸³

Insufficient political readiness to implement biodiversity policies, lack of financial resources and the negative impact of economic activities on the environment are highlighted as some of the difficulties in achieving nature protection goals, with the need to integrate environmental policy into other sectors, such as agriculture, industrial, transportation, etc. Deforestation and illegal logging are also issues to be addressed, especially given that the program areas are rich in forests that are extremely important for maintaining the natural balance and need to be protected⁸⁴. Cooperation of all programme areas on the issue of nature protection and biodiversity is crucial. It is necessary to approach the issue strategically and work on raising the awareness of the local population about the need for ecological connectivity, maintaining biodiversity, maintaining the ecological quality of water surfaces, warning of invasive species and the danger of soil and water pollution⁸⁵. It is also of utter importance to continue to encourage the continuation of existing projects, such as the ecological network Natura 2000 for the protection of flora and fauna, which includes programme areas (in Lika-Senj, a border area in Sisak-Moslavina, Požega-Slavonia, Vukovar-Srijem County, Zagreb County, and large sea area). It would be also important to straighten management capacities of relevant managers of protected areas and their surveillance systems.

⁸³ Croatia Ministry of Environment and Nature Protection; Bosnia and Herzegovina different web-sites of relevant institutions

⁸⁴ Guidelines for the Implementation of the Green Agenda for the Western Balkans,14.

⁸⁵ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

3.3.2. Conclusions and recommendations

In relation to the challenges and differences between the programme countries, there is a big difference in the ratio of energy production in hydropower and thermal power plants - Bosnia and Herzegovina is far ahead of the other two countries in terms of the use of thermal power plants. Only Croatia produces more energy through hydropower plants than through the burning of fossil fuels, and Bosnia and Herzegovina and Montenegro still do not use their hydropower potential enough. There are also differences in the development of smart energy systems - Croatia, due to the initiative implemented at the EU level, is included in the programme of energy transition of the islands and extensive strategies have been developed for the three Croatian islands in the programme area. This is not the case in the other two countries - Bosnia and Herzegovina is just getting acquainted with the concept of smart energy systems, while Montenegro is somewhat more advanced and smart solutions for energy efficiency are slowly being introduced in some cities and towns.

The key advantages, among other things, are the energy potential for the use of renewable energy sources in all three countries that need to be exploited. In Bosnia and Herzegovina and Montenegro, the emphasis is on hydropower potential, but in recent years, wind and solar energy have stood out in all three countries as major potential energy sources. Croatia has already started using wind farms, while in other countries the construction of the necessary infrastructure is planned. The rich resources of clean and drinking water that need to be preserved, work on water saving methods, prevention of source pollution and wastewater treatment mechanisms are also highlighted. A great advantage is the good geographical position of all countries with great tourist and cultural potential of natural resources, but which contain great biodiversity that needs to be preserved.

During the analysis, the following potentials for cross-border cooperation were highlighted: flood and fire protection in border areas, interregional water supply and water purification systems and protection of flora and fauna in border areas. Also, the following functional areas have been identified: the border area along the Una, Sava and Neretva rivers, the Dinarides and the Adriatic Sea.

In relation to the Green Europe Goal, the following recommendations can be laid out:

- Nature protection
- In line with the European plan for full decarbonisation and achieving climate neutrality by 2050, energy efficiency is essential. In the programme area, this can be achieved, among other things, through the energy renovation of buildings and the introduction of new technologies in the forms of public transport.
- It is important to continuously increase the share of electricity in energy consumption in order to reduce the consumption of fossil fuels. The emphasis is on the use of renewable energy sources, which are not only necessary for achieving energy efficiency, but also for the transition to a circular economy, which is a prerequisite for reducing greenhouse gas emissions.
- Sustainable economy, bio-economy and proper waste management of large, small and medium-sized enterprises need to be encouraged.

3.4. Connected Europe

A more connected Europe, equipped with strategic transport and digital networks, is one of the five objectives of Cohesion Policy in the period 2021-2027 which seeks to improve the interconnection of basic transport and energy infrastructure that affect economic development, improve political stability and socio-economic development. Countries are strategically rethinking their development in the field of transport, which is why they have developed strategies for the development of the transport sector: Transport Development Strategy of the Republic of Croatia (2017 - 2030), Framework Transport Strategy of Bosnia and Herzegovina 2016 - 2030 and Transport Development Strategy of Montenegro 2019-2035.

3.4.1. Description of current state in key analysis areas

3.4.1.1. Sustainable Trans European Transport Network (railway lines, roads, inland waterways, maritime shipping routes, ports, airports and railroad terminals)

The development of transport and transport networks is of great importance for the improvement of connectivity in a globalized world. Developed transport networks not only make life easier for the inhabitants and increase their mobility, but they also keep good neighbourly relations between countries, enhance the competitiveness of the region and make more opportunities for entrepreneurs and economic development. Considering the geographical location of the programme area, it is necessary to increase investments in roads, rails and sea lanes where a lot of goods are being transported. This category also includes road safety, transport facilitation and reconstruction of border crossings.⁸⁶

The development of transport infrastructure in Croatia is very important for economic and social growth, as well as international connectivity. The total length of roads in Croatia in 2018 was 26.690 km. Out of that number, 1.310 km were motorways, 7.019 km state roads, 9.545 km county roads and 8.817 km local roads. The total length of railways in Croatia was 2.604 km, out of which 37,3% were electrified. Shown below is the length of roads network in the Croatian part of the programme area by counties in 2017.

⁸⁶ Western Balkans Summit Poznań. Chair's Conclusions

Table 13. Roads network in Croatia in 2019, by counties

County of	Roads (km)					Density of road network, m/km ²
	Total	Motorways	State roads	County roads	Local roads	
Zagreb	1.701	135	298	668	601	556
Sisak-Moslavina	1.752	74	453	645	579	392
Karlovac	1.531	83	389	499	560	422
Bjelovar-Bilogora	1.064	-	267	498	299	403
Lika-Senj	1.789	118	540	480	651	334
Požega-Slavonia	694	-	219	202	273	381
Brod-Posavina	907	124	138	448	198	447
Zadar	1.823	74	559	515	676	500
Šibenik-Knin	1.135	43	356	413	323	380
Vukovar-Srijem	960	50	286	426	198	391
Split-Dalmatia	2.604	131	770	829	874	574
Dubrovnik-Neretva	1.048	19	391	283	354	588
Republic of Croatia	26.712	1.310	7.049	9.523	8.831	472

Source: ⁸⁷

The general condition of the rolling stock of public operators, either for the transport of passengers or for the transport of freight, does not correspond to modern traffic requirements. The main problems are the lack of compatibility between the rolling stock and railway infrastructure and inaccessibility of this mode of transport to people with reduced mobility.⁸⁸ Croatia is one of the countries working on the development of the TEN-T rail network, but when compared to other EU countries' average, which in 2018 had completed 60% of TEN-T network, Croatia is at the bottom with 5-6% completion. However, progress is being made, for example on the railway M202 Zagreb GK - Rijeka where reconstruction funded by the EU is undergoing. The project includes reconstruction of the existing and construction of the second track on the section Hrvatski Leskovac - Karlovac, which partly passes through the programme area. Railway is very dated and limited, which results in other forms of transport being preferred, mostly roads. Roads are in a good condition, especially after multiple investments resulting in a dense road network. Most of the

⁸⁷ Statistical Yearbook, 2020., www.dzs.hr/Hrv/publication/cro_in_fig.htm

⁸⁸ Transport Development Strategy of the Republic of Croatia 2017-2030, 82.

motorways were built from 2000 to 2013, which means it is a new road network with quality pavements and high traffic standard. With 23,1 km of roads per 1000 km², Croatia is above the EU average which is 17 km. However, the degree of road safety is lower than in the rest of the EU and the road death rate is higher. Maximum load on roads is common during the tourist season, when traffic jams occur very often⁸⁹, which needs to be tended to since a large part of the programme area in Croatia includes tourist centres. The Adriatic-Ionian transport corridor, which is an integral part of the basic TEN-T network, passes through the territory of the Republic of Croatia and is mainly built. It is safe to say that, in the context of international road networks, Croatia is very close to high European standards.

Examples:

- One of examples of development in this area is electrification and further upgrade of existing railway between Vinkovci and Vukovar in Vukovar-Srijem County is of significant importance for easternmost region of Croatia. Aforementioned project is important at national and European level as it strengthens traffic connections of pan-European corridor X.
- Dubrovnik Neretva County still lacks in terms of transport infrastructure. Nevertheless, of the construction of the Pelješac bridge, still the issue of connecting the other parts of the County with an adequate road infrastructure is not resolved. Up to today only 10 km of motorways has reached the County. Also, improvement of sea transport and intercity connection can be seen as a leverage in terms of development, and up to now has been far unexploited despite the available potential both in Croatia and in Montenegro.

Shown below is the number of passengers (in thousands) carried in Croatia, Bosnia and Herzegovina and Montenegro in 2018. It is clear from the table that the most passengers in road and rail transport were carried in Croatia, while the largest number of passengers in air transport was recorded in Montenegro because of the large part of tourism in the economic development of the country. Compared to other forms of transport, in Bosnia and Herzegovina and Montenegro, the smallest number of passengers travel by rail.

⁸⁹ Country Report Croatia 2019, 53.

Table 14. Transport of passengers in 2018 (Passengers carried, '000)

	Road transport	Railway transport	Air transport
Croatia	47.704	20.271	2.224
Bosnia and Herzegovina	16.580	550	1.696
Montenegro	7.618	992	2.455

Source: ⁹⁰

Along with Transport Strategy of the Federation of Bosnia and Herzegovina 2016-2030 and Transport strategy of the Republic of Srpska 2016-2030, there is also a countrywide Framework Transport Strategy of Bosnia and Herzegovina for the period 2016-2030⁹¹. The total length of the road network in the Federation of Bosnia and Herzegovina with two lanes is 4684 km and the total length of used motorways is 92 km. Main infrastructure characteristics of the network are: a large number of main and regional roads require significant interventions, bottlenecks in larger cities and black spots on the road network, poor geometry, dense construction along the route that does not allow for proper reconstruction (bypasses). The total length of road network in the Republic of Srpska is 4.200,2 km (highways, expressways, main and regional roads) and over 6.000 km of local roads. The total number of roads and streets in the Brčko District of Bosnia and Herzegovina is 1.553, of which the largest number is uncategorized roads (837), followed by city streets (640). The main roads M1.8 and M14.1, and regional roads R460 and R458 pass through the area of Brčko District of BiH. On average, the condition of the roads can be assessed as good or satisfactory.⁹²

In Bosnia and Herzegovina, transport is underdeveloped, while the pace of structural adjustment and reform is slow. Almost half of railway infrastructure is unsafe, outdated, unreliable and unusable for international transport. In December of 2019, the government of the Republic of Srpska adopted an Action Plan for Financial and Operational Restructuring of the Republic of Srpska Railways. In terms of road transport, progress has been made in developing strategies and improving infrastructure, but the implementation of the Road Safety Act is at a very poor level and there is a high road death rate at the state level.⁹³ One of the most important current projects in the programme area includes works on the Počitelj-Zvirovići section, on the Vc corridor, which is crucial for Bosnia and Herzegovina's connection with Hungary and Croatia, and thus with the Adriatic Sea.⁹⁴ The main problem in road transport - the bottleneck in the urban part of the Brčko district of BiH

⁹⁰ Croatia in figures, 2019; Bosnia and Herzegovina in figures 2019; Montenegro in figures 2019.

⁹¹ Transport Strategy of the Federation of Bosnia and Herzegovina, www.eui-zzh.ba/images/PDF/Strategije/Traansposrtna%20strategija%20BiH.pdf

⁹² Development Strategy of Brčko District 2021-2027, <http://www.vlada.bdcentral.net/content/DownloadAttachment/?id=19bde229-3182-4839-968b-ebe2ccfde92e&langTag=bs>

⁹³ EC: Bosnia and Herzegovina report 2020, 74.

⁹⁴ Connectivity Agenda 2018

has been solved with the biggest transport infrastructure project in Brčko, a bypass around the city of Brčko, 18,86 km long, which was opened to traffic in 2019.⁹⁵ Maritime transport is very poorly developed and does not stand out as a priority compared to other aspects of transport.

The total length of roads in Montenegro is around 7.000 km, out of which 1.850 km are main and regional roads, while the rest refers to local roads. Railway network of Montenegro is composed of three (mainly) electrified railway lines, normal track, and a total length of 150 km. These railway lines connect Bar port with Podgorica and Serbia (through the railway Bar-Beograd), cities of Podgorica and Nikšić (Podgorica - Nikšić railway), as well as Podgorica and Albania (Podgorica - Skadar railway).⁹⁶ In the past few years, the transport sector of Montenegro has been going through transformation, in order to align infrastructure and services with EU practices and services. An improvement has been recorded in the development of railway infrastructure. The railway between Podgorica and Nikšić has been completely reconstructed and electrified since 2012, while about 48% of the Bar - Podgorica - Bijelo Polje has been reconstructed. However, there is still no legal framework for determining the functioning of rail transport. Road transport is also in the phase of reconstruction and transformation. When it comes to the highway between Bar and Boljar and the coastal variant of the Adriatic-Ionian corridor, they are in the planning phase, except for the section Smokovac - Uvač - Mateševo highway Bar-Boljare, whose construction is underway. As in the other countries of the programme area, low road safety, as well as high road death rate, are big problems.⁹⁷

The closed toll collection system is one of the key reasons of traffic jams on the roads during the tourist season. However, Croatia is modernising its toll payment whose initial phase of automatization is planned by the end of the 2021. Bottleneck removal on the border crossings is a challenge for Croatia since its accession to the EU and an expected entry into the Schengen area. This will on one side, lower the number of currently valid border crossings to Union countries, but also increase the importance of border crossings to Serbia, Bosnia and Herzegovina and Montenegro. In terms of airway transport, in the programme area the development of Brač, Split, Zadar, Dubrovnik and Osijek airports is planned, with the main goal of solving the bottleneck problem in Adriatic airports during tourist season, as well as improving connectivity of Brač with the rest of Croatia and the region and the improvement of comprehensive TEN-T network. During Multiannual Financial Framework 2014-2020 a large incentive was directed towards airports in Croatia. Reconstruction of Dubrovnik Airport was recognized as an important project in area of investments in key infrastructure in Croatia. In areas where this is important, the country's existing public seaports need to be adapted to receive coastal liner passenger ships, and tourism-important ports need to be trained to receive smaller cruise ships. In the programme area, a specialization of

⁹⁵ Development Strategy of Brčko District 2021-2027,102., <http://www.vlada.bdcentral.net/content/DownloadAttachment/?id=19bde229-3182-4839-968b-ebe2ccfde92e&langTag=bs>

⁹⁶ Transport Development Strategy of Montenegro 2019-2035, <https://www.gov.me/ResourceManager/FileDownload.aspx?rid=367876&rType=2>

⁹⁷ Transport Development Strategy of Montenegro 2019-2035, <https://www.gov.me/ResourceManager/FileDownload.aspx?rid=367876&rType=2>

Ploče port is planned (which is of high importance for Bosnia and Herzegovina), as well as ports of Dubrovnik, Split, Zadar and Šibenik.⁹⁸

The primary goals of the Federation of BiH are focused on the reconstruction of railways that are in very poor condition as well as at the level of the entire state. Technical improvement and modernization of railway infrastructure is important to increase speed and safety. Reconstruction of railway sections on the Vc corridor in the Federation of Bosnia and Herzegovina, as well as the Republic of Srpska, and electrification of the Brčko-Tuzla and Doboj-Zvornik lines and investments in the rolling stock are planned.⁹⁹ In terms of road transport, Bosnia and Herzegovina needs to establish a system for the continuous collection of accident data throughout the country. Bosnia and Herzegovina has not adopted a nationwide law on the international road transport of dangerous goods. The country needs to strengthen its mechanisms for monitoring the application of relevant international rules and EU legislation, including those on transportable pressure equipment, road vehicle inspections and road safety.¹⁰⁰ In terms of water transport, the modernization of the waterway of the Sava River is planned in the Republic of Srpska, as well as the modernization of Šamac port. In airway transport, bigger planned projects include the construction of Trebinje airport and the modernization of Banja Luka airport.¹⁰¹

The priorities in the development of transport in Montenegro are the completion of reconstruction and modernization projects of Bar-Vrbnica railway, the reconstruction of key motorway sections, the construction of coastal variants of the Adriatic-Ionian corridor, as well as the development of Podgorica and Tivat airports. The ongoing reconstruction of railway networks needs to be completed and coordinated with TEN-T system standards.¹⁰² As in Croatia, there is a problem of long waiting time at border crossings, so the main goal is to reduce that waiting time by introducing additional control cabins at the borders. Future investments in the maritl transport are focused on the Bar port. Given the poor road safety, it is necessary to work on the regulatory framework for road safety and to increase capacities, both human and infrastructural.¹⁰³

In all of the programme area countries, the biggest problem is the underdevelopment of railway transport, as well as its poor integration with other forms of transport. The largest investments are needed for the reconstruction of railways, modernization of the rolling stock, as well as better connectivity with other countries in the region via railways. Road transport is satisfactory in Croatia, while Bosnia and Herzegovina and Montenegro are working on roads which are key for the TEN-T

⁹⁸ Transport Development Strategy of the Republic of Croatia 2017-2030, 222., https://vlada.gov.hr/UserDocImages/ZPPI/Strategije/MMPI%202017-2030%20STRAT%20PROM%20RZV%20RH%2025-8_17.pdf

⁹⁹ Transport Strategy of the Federation of BiH: 42., <http://docplayer.rs/195261570-Transportna-strategija-federacije-bosne-i-hercegovine.html>

¹⁰⁰ EC: Bosnia and Herzegovina report, 74.

¹⁰¹ Transport Strategy of the Republic of Srpska for the period 2016 - 2030, 57. , e-vijecenarodars.net/wp-content/uploads/2017/02/Prijedlog-strategije-transporta-RS-2016-2030.pdf

¹⁰² Transport Development Strategy of Montenegro 2019-2035, 87., <https://www.gov.me/ResourceManager/FileDownload.aspx?rid=367876&rType=2>

¹⁰³ EC: Montenegro report 2020, 88.

system and better connectivity with the region and rest of Europe. Poor road safety is a problem in all three countries and the road death rate surpasses the European average. Therefore, it is necessary to develop regulatory frames and extra measures to increase road safety. Other than that, reconstruction of border crossings is needed, especially in Croatia where the borders are the longest, as well as the increasement of capacities to reduce waiting time and bottleneck during the tourist season.

3.4.1.2. Sustainable transport

The topic of sustainable transport is gaining meaning, especially with the rising awareness of adverse effects of climate change and the need for the usage of clean technologies, as well as the reduction of greenhouse gas emissions. Given the goal of the EU to make Europe a climate-neutral continent by 2050 and the big part of transport in environmental pollution, there is a rising need for the usage of renewable energy sources (RES) in transport. Sustainable transport will play a big role in reducing greenhouse gas emissions and reducing the negative impact of transport on the environment. Other than the use of RES, intermodal transport, which combines multiple transport forms, is also important for sustainable transport.

The 2016 data shows that the share of RES in transport in Croatia was only 1,3%, making it one of the lowest in the entire EU and far below the goal for 2020 which was 10%.¹⁰⁴ The negative consequences suffered by cities are traffic jams, poor air quality and noise. Public transport creates a quarter of total greenhouse gasses and 69% of accidents occur in the cities. Intelligent transport systems on the motorway network are well developed, but their integration with systems at the local and regional level is lagging behind. Hrvatske autoceste d.o.o. (Croatian motorways) are equipped with ICT systems for data exchange. Supervision and management of traffic on the associated highway section is performed in traffic maintenance and control centers. However, the situation on state and local roads is not at a satisfactory level and there are no fully developed IT systems.¹⁰⁵

The use of RES in Bosnia and Herzegovina has begun only recently. In 2018, the share of registered alternative motor vehicles was only 4% of the total number of registered vehicles.¹⁰⁶ In terms of intermodal transport, Bosnia and Herzegovina is in the early stages of preparedness. The country has not begun work on policy-making, institution-building, and the legal and regulatory framework in this area. The reason why this subsector is not a priority is related to the existence of a physical infrastructural bottleneck in the Ivan tunnel and on the Bradina ramp on the railway line on the Vc corridor, which prevents the transport of 40ft containers and large capacity containers, and delivery of tow trucks along this railway corridor. The EU is assisting in the preparation of technical documentation, but removing this infrastructure bottleneck would require a € 400 million

¹⁰⁴ Country report Croatia 2019, 53.

¹⁰⁵ Transport Development Strategy of the Republic of Croatia 2017 - 2030, 52., https://vlada.gov.hr/UserDocsImages/ZPPI/Strategije/MMPI%202017-2030%20STRAT%20PROM%20RZV%20RH%2025-8_17.pdf

¹⁰⁶ Bosnia and Herzegovina in figures 2019, 100. , http://www.bhas.gov.ba/data/Publikacije/Bilteni/2020/NUM_00_2019_TB_0_BS.pdf

investment in railway infrastructure.¹⁰⁷ The use of RES in transport, especially in road transport, is still at an early stage in Bosnia and Herzegovina and takes place mainly at the initiative of private carriers.

In Montenegro, the share of alternative motor vehicles in the total number of registered vehicles in 2019 was around 3,2%, most out of which were car gas vehicles, while the registered number of electric vehicles was only 145.¹⁰⁸ Intermodal transport in Montenegro is mostly discussed in the context of the Bar-Vrbnica railway and the port of Bar, but the problem of coordination with other countries in the region is highlighted, especially in the connection of the port of Bar with Croatian ports and Montenegrin rail transport. The transport of containers by rail from the port of Bar is poor and the economic potential is not fully exploited. Alternative intermodal services are provided by road freight carriers, whose pricing policy is much more favourable compared to rail, which should be more competitive.¹⁰⁹

In Croatia, the goal is to increase intermodality in passenger transport and the development of intermodal passenger hubs, in order to achieve sustainable transport. The aim is to establish a network of intermodal terminals that will allow passengers to easily switch from one form of transport to another, as well as to develop intelligent transport systems to further increase the accessibility of travel. The other important goal is the increase of energy efficiency in transport. In that sense, it is necessary to identify low-carbon energy sources and propulsion systems as a priority. One of the specific measures is the introduction of more filling stations with alternative fuels. In order to prevent pollution of the Adriatic Sea from maritime facilities and vessels, it is necessary to renew and modernize the fleet of cleaners, ensure the availability of services, equipment and devices for operational action, especially for interventions in case of large-scale marine pollution.¹¹⁰

The Federation of Bosnia and Herzegovina has, in 2013, passed the Law on the Use of Renewable Energy Sources and Efficient Cogeneration, which, among other things, regulates special measures for the use of RES in transport for the period up to 2020. This Law announces the definition of the minimum share of biofuels in the fuel mix sold to end-users, the procedures that fuel suppliers are required to comply with and the penalties for non-compliance.¹¹¹ According to the Transport Strategy of the Federation of Bosnia and Herzegovina by 2025, incentives are planned for intermodal transport and for the import of new and more environmentally friendly vehicles, which

¹⁰⁷ EC: Bosnia and Herzegovina Report 2020.godinu, 5.14: 76.

¹⁰⁸ Annual traffic statistics, storage and connection 2019, 20.

¹⁰⁹Transport Development Strategy of Montenegro 2019 - 2035, 106., <https://www.gov.me/ResourceManager/FileDownload.aspx?rid=367876&rType=2>

¹¹⁰Transport Development Strategy of the Republic of Croatia 2017 - 2030, 200., https://vlada.gov.hr/UserDocsImages/ZPPI/Strategije/MMPI%202017-2030%20STRAT%20PROM%20RZV%20RH%2025-8_17.pdf

¹¹¹ Law on the use of renewable energy sources, fmeri.gov.ba

requires a revision of existing import charges. As in Croatia, the development of ICT systems for passengers and passenger carriers on motorways is planned.¹¹²

The use of RES in transport is still at a low level in Montenegro. Infrastructure for alternative sources of energy in transport is currently non-existent and its construction is, along with the transfer to clean vehicles, a part of directives and regulations which Montenegro needs to fulfil in order to meet the EU's standards. Other than that, the plan is to standardize in terms of intelligent transport systems in urban areas, develop a framework for the introduction of ITS (intelligent transport systems) in road transport and connections with other forms of transport.¹¹³ One of the key goals is to improve the connection of the port of Bar, both with rail transport and with other ports in the region. Diversification of port services and raising the level of efficiency of the port, as well as the introduction of new cruise lines, will not only encourage sustainable port traffic, but also increase the competitiveness of the port as an economic and tourist center.¹¹⁴

Given the limited financial resources of the programme area countries and the low level of awareness and knowledge about sustainable modes of transport, it is reasonable that the use of alternative, renewable energy sources in all three countries has not yet taken root. There is a certain infrastructure in Croatia, such as charging stations for electric cars, while in the remaining two countries the development of infrastructure is only in the planning phase. Developing awareness and educating the population about the cost-effectiveness of sustainable transport is the first step that needs to be taken. It is also crucial to encourage intermodal forms of freight transport.

3.4.1.3. Sustainable urban mobility

The need to increase mobility and, accordingly, transport demand, along with spatial, energy, environmental and economic rationality, requires a new approach in solving the world's urban transport problems. The concept of sustainable urban mobility includes the integration and balanced development of various forms of transport and the development of sustainable, green and more accessible public transport.¹¹⁵ Encouraging sustainable urban mobility seeks to reduce the degree of reliance on personal vehicles, increase the use of public transport and the development of alternative forms of transport that do not adversely affect the environment.

Urban public transport is underdeveloped in smaller Croatian cities, but also in some of the larger traffic centres such as Split. There is no connection between the railway system and other public urban transport systems in the form of an integrated timetable or joint transport tickets. Bottlenecks on the city road network during peak daily traffic are frequent, which is a strong

¹¹² Transport Strategy of the Federation of BiH, 39., docplayer.rs/195261570-Transportna-strategija-federacije-bosne-i-hercegovine.html

¹¹³ Transport Development Strategy of Montenegro 2019 - 2035, 39., <https://www.gov.me/ResourceManager/FileDownload.aspx?rid=367876&rType=2>

¹¹⁴ Transport Development Strategy of Montenegro 2019 - 2035, 128., <https://www.gov.me/ResourceManager/FileDownload.aspx?rid=367876&rType=2>

¹¹⁵ Sustainable urban mobility plans - SUMP

incentive for the use of public transport.¹¹⁶ The low representation of rail in total public transport is also affected by the condition of the rolling stock, which, due to the old age of vehicles, does not meet modern requirements of public urban passenger transport, while the average age of buses for road passenger transport is about 15 years. Personal transport is increasing due to the increasing availability of personal vehicles, but also the lack of unification of public transport, especially in sparsely populated places and places with lower job density.¹¹⁷ In coastal areas, fluctuations in transport density during the year can be problematic and the tourist season requires a special organization of public transport. In the past few years, in Croatia, the trend of switching to bicycle transport has taken root. 17 cities in the programme area (total of 31 cities in the entire Republic of Croatia) have implemented the e-bike system, according to the data from 2018 when over 22.000 users of the system were registered.¹¹⁸

The number of passengers in public transport in Bosnia and Herzegovina is constantly decreasing, the data from 2018 shows.¹¹⁹ The large decrease is recorded in the rail transport, especially in the Republic of Srpska (in 2010 there were 267 000 passengers in total and in 2014 there were 134.000 passengers), where there has been a reduction in passenger rail transport due to a lack of capacity in the rolling stock.¹²⁰ Bosnia and Herzegovina has a wide network of suburban and international bus lines. Buses are the most frequently used form of public transport in Bosnia and Herzegovina. All routes are operated by a large number of private carriers who are authorized to do so. The bus fleet in Bosnia is still in the process of renewal, which is why a combination of old and new buses can be found. The newest buses with air conditioning are most frequently used in international routes. In the programme area, the main bus hubs are in Zenica and Banja Luka.¹²¹ Those two cities are also the first in the programme area to have implemented the e-bike system. In Bosnia and Herzegovina, there were 7000 registered users of such a system in 2018.¹²²

Despite the reform of the railway mentioned in the last section, railway transport is decreasing in Montenegro, the data from 2018 shows. Bus transport is much more present. For example, in 2019 over 7,6 million passengers were carried by bus, while only 984.000 travelled by train.¹²³ The organization of bus transport in Montenegro is relatively good. The center of bus transport in Montenegro is Podgorica, from where buses depart daily to all major and minor cities in the country; some of the more popular ones in the programme area are Herceg Novi, Budva, Ulcinj, Kotor, Tivat and Nikšić. During the summer, the number of bus lines is normally increased, especially the ones

¹¹⁶ Transport Development Strategy of the Republic of Croatia 2017 - 2030, 78., https://vlada.gov.hr/UserDocImages/ZPPI/Strategije/MMPI%202017-2030%20STRAT%20PROM%20RZV%20RH%2025-8_17.pdf

¹¹⁷ Transport Development Strategy of the Republic of Croatia 2017 - 2030, 36., https://vlada.gov.hr/UserDocImages/ZPPI/Strategije/MMPI%202017-2030%20STRAT%20PROM%20RZV%20RH%2025-8_17.pdf

¹¹⁸ Nextbike - the bike sharing system, civinet-slohr.eu

¹¹⁹ Transport 2019, Thematic Bulletin, 27.

¹²⁰ Transport Strategy of the Republic of Srpska for the period 2016 - 2030, 35., e-vijecenarodars.net/wp-content/uploads/2017/02/Prijedlog-strategije-transporta-RS-2016-2030.pdf

¹²¹ Bus Bosnia <https://getbybus.com/hr/autobus-bosna>

¹²² Nextbike - the bike sharing system, civinet-slohr.eu

¹²³ Annual traffic statistics, storage and connection 2019, 5.

connected to tourist destinations. The quality of buses varies from older to newer models.¹²⁴ The e-bike system as a form of sustainable transport in Montenegro has not yet taken root, but cycling is encouraged, in cooperation with other countries of the region. The cycling routes are being maintained and renovated and Montenegro is being promoted as a bike-friendly area.

In the programme area, the integration of various forms of transport, especially rail and urban transport, which is mostly bus, is at a very weak level and is rarely implemented. The reason for that in all the countries is mostly in the poor railway infrastructure which needs to be invested in, in order to combine with the existing public transport forms. The development of public transport, especially that of alternative propulsion, is key to reducing reliance on passenger cars and contributing to environmental protection.

To achieve sustainability of the entire transport sector, it is important to increase interoperability which will enable the use of potential of every form of transport. In particular, it is important to encourage modal transport change towards active travel (cycling and walking), public transport and / or shared mobility schemes, such as bicycle and car-sharing, in order to reduce pollution in cities. These are some of the more affordable measures, considering the small budgets of all three countries in the programme area.¹²⁵ In the Croatian part of the programme area, Split holds great potential to incorporate railway systems in the existing public transport systems.¹²⁶ The use of e-bikes has great potential for development within the cycling system of cities with unfavourable morphology. In order to make the use of bicycles safer and more appealing, it is necessary to make a plan for the construction of bicycle infrastructure, i.e. to build bicycle infrastructure.¹²⁷ The e-bike system is the most advanced in Croatia and it's certainly desirable to extend it to other Croatian cities which haven't implemented it yet, as well as expand its use in Bosnia and Herzegovina where only two cities in the programme area have adopted it so far. In Montenegro, this system is yet to be introduced, which is possible through interregional cooperation and consultation with other countries which are implementing it successfully.

3.4.2. Conclusions and recommendations

It should be noted that the railway network in all three countries is very outdated and unmodernised. The problems are also poor interregional railway connections, and thus a weak contribution to the development of the trans-European network. Poor road safety and high road death rates are also challenges shared among the three countries. Road traffic is by far the most developed in Croatia due to modernized roads and a relatively dense network of motorways. The

¹²⁴ Bus Bosnia, <https://getbybus.com/hr/autobus-bosna>

¹²⁵ Orientation Paper, D.3.: 21.

¹²⁶ Transport Development Strategy of the Republic of Croatia, 200. vlada.gov.hr/UserDocsImages/ZPPI/Strategije/MMPI%202017-2030%20STRAT%20PROM%20RZV%20RH%2025-8_17.pdf

¹²⁷ Transport Development Strategy of the Republic of Croatia, 54. , https://vlada.gov.hr/UserDocsImages/ZPPI/Strategije/MMPI%202017-2030%20STRAT%20PROM%20RZV%20RH%2025-8_17.pdf

use of e-bicycles as a sustainable form of transport is widespread in Croatia, in Bosnia and Herzegovina in only two cities, while in Montenegro it is not yet organized.

The key advantages of the development of the program area are manifested through the potential for the production of alternative fuels from domestic materials already used in other sectors, well-developed road transport in Croatia that needs regular maintenance and monitoring and the potential for better integration of the railway system into existing public transport system in Split. The diversity of possibilities in terms of forms of transport, given the geographical location (maritime, air, road, rail) can create more opportunities for the integration of multiple forms of transport. The suitable terrain and temperate climate are favourable conditions for the development of active walking and cycling and encouraging sustainable mobility.

Potentials for cross-border cooperation are reflected in opportunities for interregional cooperation in the introduction of broadband (especially in border rural areas), reduction of roaming prices, joint access to railway infrastructure and better interconnection between countries by rail, border crossings and their modernization, encouraging cross-border intermodal transport and interregional cooperation in the introduction of e-bicycle systems and further expansion of existing cycling routes.

In relation to the A more connecting Europe Goal, the following recommendations stand out:

- Reconstruction and improvement of railway infrastructure as a priority in all countries
- The need for better interregional transport connections, especially by rail
- The increase in road safety
- Developing the potential of multimodal transport by integrating multiple modes of transport as a prerequisite for sustainable transport
- The increased use of renewable energy sources in transport.

3.5. Social Europe

Areas covered by “Social Europe” relate to unemployment levels and labour market infrastructure, poverty risk rates, quality and availability of social and health services, integration of marginalized communities, migrants and disadvantaged groups. In addition, Social Europe includes infrastructure and resources related to tourism and culture, i.e. development potentials related to tourist attractions.

3.5.1. Description of current state in key analysis areas

3.5.1.1. Labour market infrastructure

The Croatian Employment Service is a central, public institution owned by the Republic of Croatia, constituted under Law on mediation in employment and entitlements during unemployment, aimed at resolving employment and unemployment related issues in their broadest sense. In this context it is the only official and relevant infrastructure dealing with labour market together with the Ministry of Labour, Pension System, Family and Social Policy. The Croatian Employment Service has also formed Centers for Career Information and Counseling (CISOK) whose aim is to enhance the personal potential of users for lifelong career development. At CISOK, it is possible to get advice related to finding and creating professional opportunities and improving job search techniques. CISOK's mission is to provide career guidance services to the wider community in order to be able to select appropriate education, employment and contribute to the development of the community and the economy at the local and national level. Similar to CISOK's, there are also Centers for Information and Vocational Counseling (CIPS), a service offered by the regional services of the Croatian Employment Service to anyone who needs information on employment opportunities, the situation on the labour market, occupations, and educational opportunities.

In addition to the above mentioned, there are also student counseling centers within the university, which advise students on coping with challenges related to their studies, career development, life skills and personal difficulties.

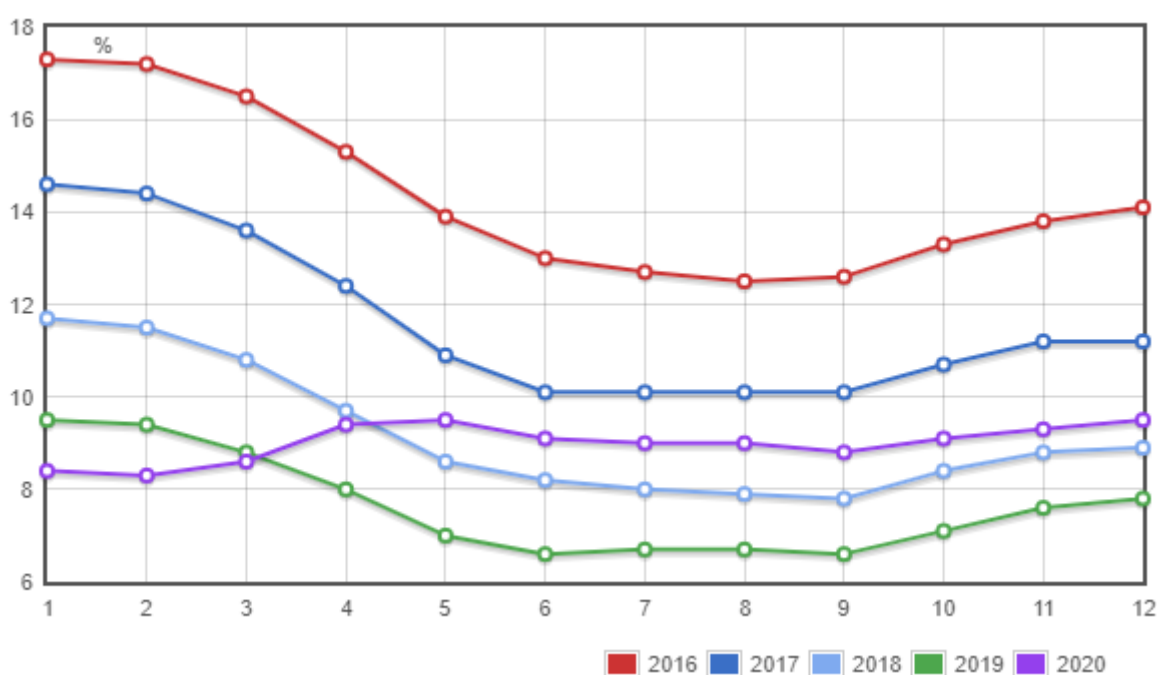
Croatia has a number of active labour market programmes (currently), as follows:

- Self-employment - helping to start a new business with a grant.
- Business expansion - for beneficiaries of self-employment support for new products, services, work units.
- Recruitment - Co-financing the cost of salaries to employers to hire new workers.
- Gaining first work experience / internship - real/public sector - initiative to help take the first steps in the real sector labour market.
- Education of the unemployed and other job seekers - acquisition of competencies for new employment or job retention.
- Training - training grants for employees
- On-the-job training - Acquisition of practical knowledge and skills in specific profession (with an employer's certificate or a public certificate of competency).

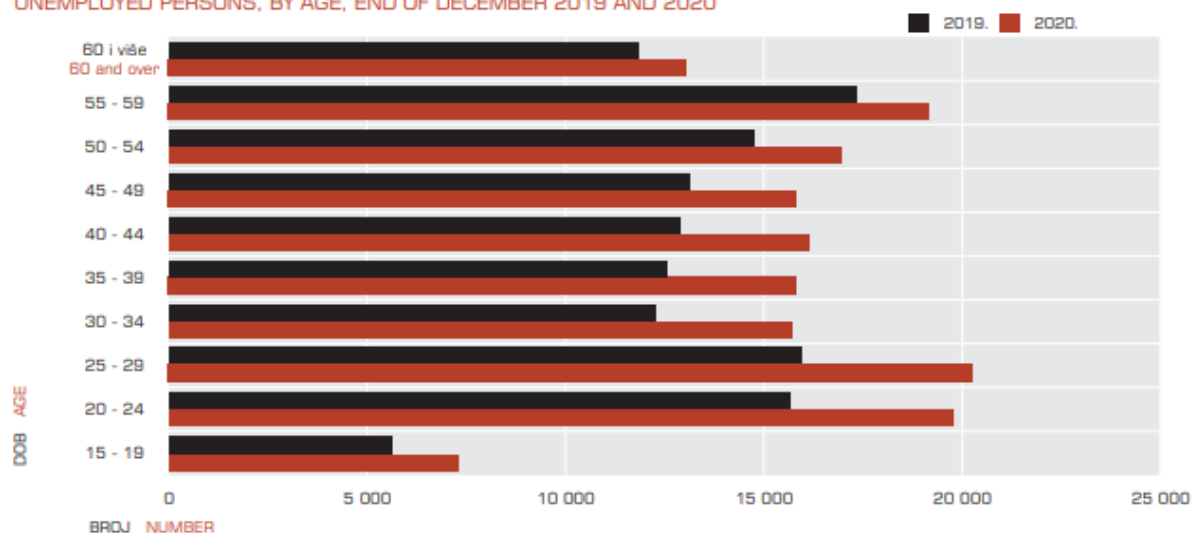
- On-the-job training and adult education institutions - acquisition of practical knowledge and skills to perform the tasks of a particular job or work in the profession in a real economic environment.
- Education for basic skills of personal and professional development - Acquisition of practical knowledge and skills of unemployed skills needed for active inclusion in the labour market.
- Permanent seasonal - Financial support to seasonal workers during the period when they are not working.
- Public work - Grants for community service initiated by the local community or civil society organizations.
- Public work - eliminating the consequences of an earthquake disaster, employment of unemployed persons residing in vulnerable areas.
- Preservation of jobs - Regular grants to preserve jobs in the textile, clothing, footwear, leather and wood production sectors.
- Preservation of jobs (COVID 19) - measure to reduce temporary business difficulties due to Covid-19 circumstances, grants to preserve the jobs.
- Shortening working hours / waiting for work - For shortened work up to 90% of the monthly fund hours.

Looking at the numbers, the overall employment rate in Croatia remains one of the lowest in the EU: only 46,9 % of the population older than 15 and only 65,2 % in the age-group 20-64 were employed in 2018, higher only than in Greece and Italy. Croatia also faces a rather low activity rate among the working-age population. For those aged 20-64 the activity rate stood at 71,0 % in 2018, the second lowest in the EU, with EU-28 average standing at 78,4 %.

The overall unemployment rate more than halved since its peak in 2013, from 17,3 % to 8,5 % in 2018, while around 6,9 % of the active population was available for work but not actively seeking it. However, this was still one of the highest unemployment rates in the EU, following Greece, Spain, Italy and France. Slightly more than 40 % of the unemployed are considered long-term unemployed. In addition, there are large regional differences in unemployment and labour market conditions in general, with the Eastern part of Croatia being in the most unfavourable situation.



UNEMPLOYED PERSONS, BY AGE, END OF DECEMBER 2019 AND 2020

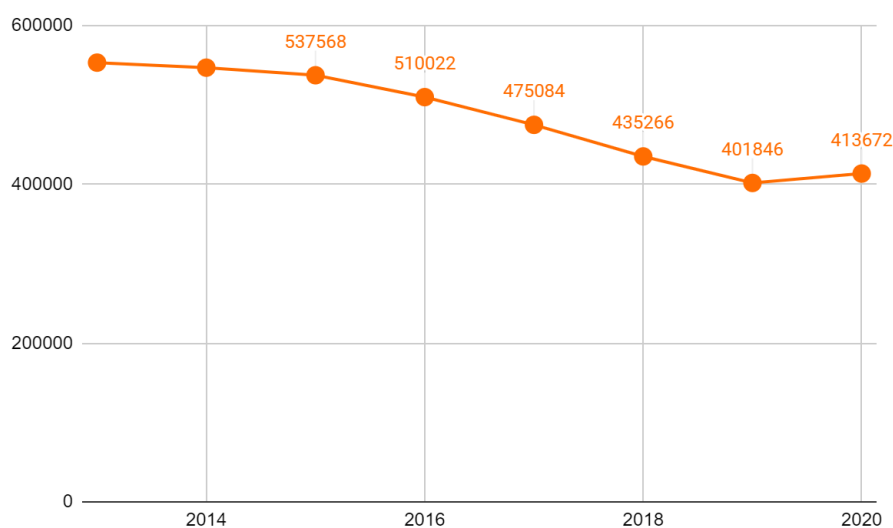


In Bosnia and Herzegovina, Federal Ministry for Labour and Social Policy performs administration tasks related to: labour and employment policies; labour relations and rights arising from labour relations; industrial protection/safety; pension and disability insurance, international conventions according to the BiH Constitution; agreements and bilateral covenants in area of employment; social welfare and solidarity, welfare of the civil victims of the war; family welfare, children adoption and custody; social protection and other. In the Ministry, the Sector for Labour and Employment is in charge for records in the field of work and unemployment as well as policy making in the field of labour and employment. In Republika Srpska, Ministry of Labour, War Veterans and Disabled People's Protection performs administrative and other professional duties stipulated by the law, which refer to the protection of veterans, army invalids, members of the families of the fallen soldiers and army invalids, protection of civilian victims of war, employment and workers' rights

except for the civil servants, protection at work, pension-invalid insurance, international convention, provision of information via media.

The institutions dealing with unemployment in BiH are the Labour and Employment Agency of Bosnia and Herzegovina and, employment bureaus in FBiH, RS, and Brčko District of Bosnia and Herzegovina. Regarding employment policy, there is still no countrywide employment strategy in place. The Republika Srpska entity has an employment strategy for 2016-2020.

The unemployment statistics at the end of 2020 according to the Labour and Employment Agency of Bosnia and Herzegovina show that the numbers are increasing. There are 413.627 persons recorded as unemployed, 56,96% are women. Compared to the same period last year, unemployment in BiH is higher by 2,93% and unemployment has increased by 2,66% since the beginning of the pandemic. Unemployment decreased in the Republika Srpska by 71 persons (0,09%), while it increased in the Federation of BiH by 266 persons (0,08%), and in the Brčko District of BiH by 178 persons (2,53%). Structure of persons seeking employment show that the highest percentage is for Qualified workers (KV) 131.011 or 31,67% followed by Non-qualified worker (NKV) 110,274 or 25,79%, while the lowest is for High qualified workers (VKV) 1.510 or 0,37%.



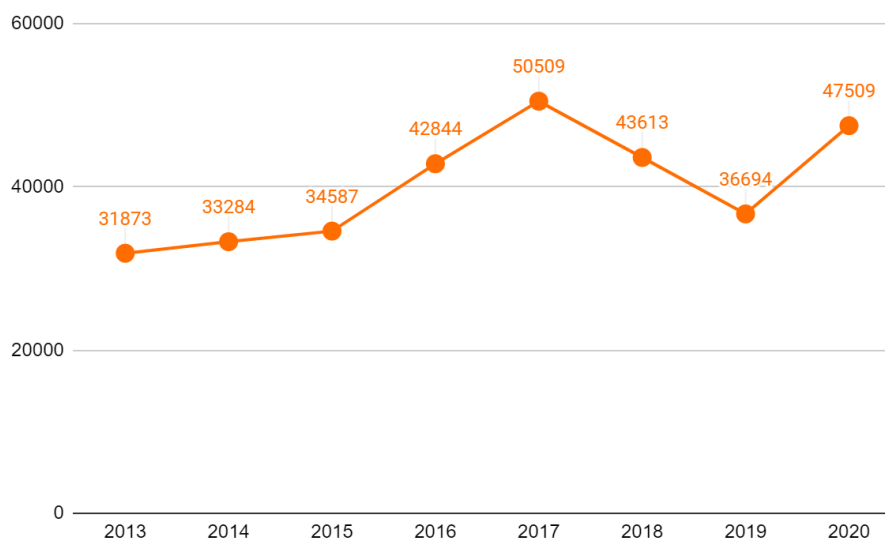
The problem of unemployment is particularly significant among the population of young people, one of the causes being the mismatch between the education and business sectors, between education and the labour market, and the lack of quality practical training for students as explained in the chapter Educating for skills. In relation to youth unemployment, it goes up to 60%, out of which 13,4% of unemployed young people have been unemployed for less than 12 months, and half of them have been unemployed for over 2 years. The aforementioned can be further explained by the Federal Employment Agency research that states that dissatisfaction with the quality of qualifications, expertise and skills of candidates for employment was reported by a large number of employers, where:

- 42,47% of employers believe that the acquired qualifications do not match real labour market needs;
- 75% expressed the greatest dissatisfaction with the lack of practical work during education
- 37,84% of employers believe that job candidates lack general knowledge, as well as social and organizational skills (30,65%);
- dissatisfaction was recognized in regards to IT skills, knowledge of foreign languages and project management by 22,09% of employers;
- 19,86% of employers point out the lack of knowledge for entrepreneurship.¹²⁸

In Montenegro, The Ministry for Labour and Social Policy performs state administration tasks related to: labour and employment policies, labour relations and rights arising from labour relations, pension and disability insurance, social welfare and solidarity, family welfare, social protection and other tasks as set out by the relevant legislation. In the Ministry, the Directorate for Labour and Employment is in charge for records in the field of work and unemployment as well as policy making in the field of labour and employment.

The central institution dealing with unemployment is the Employment Agency of Montenegro with 9 regional units and 24 local units. Within the Employment Service, there are also Centers for Information and Vocational Counselling (CIPS) whose main role is to provide information and advisory services regarding career development. On the records of the Employment Bureau on 31 December 2020, a total of 47.509 persons are unemployed.

¹²⁸ Research on the educational needs of PWDs in BiH and Montenegro with the aim of easier employment and greater competitiveness in the labor market, Association of Women with Disabilities, 2018., https://www.academia.edu/43682473/ISTRA%C5%BDIVANJE_O_OBRAZOVNIM_POTREBAMA_OSOBA_S_INVALIDITETOM_u_Bosni_i_Hercegovini_i_Crnoj_Gori_s_ciljem_lak%C5%A1eg_zapo%C5%A1l_javanja_i_ve%C4%87e_konkurentnosti_na_tr%C5%BEi%C5%A1tu_rada



3.5.1.2. Education and training infrastructure

This section of the report has been analysed in the previous heading - skills for smart specialisation, specifically the education system in Croatia, Bosnia and Herzegovina and Montenegro. As mentioned, on the forefront of the education system in the programme area there is a great number of universities included which make a substantial contribution, particularly on a regional level, to linking industry and academic institutions and enabling knowledge transfer among them. In addition to the above analysed situation, there is a clear need for lifelong learning and education, i.e. adult education and informal education courses, so a short analysis of the area follows. In the cross-border area there are 4 universities from Croatia (University of Dubrovnik, Zadar, Split and Slavonski Brod) and 3 private universities (IUC - Inter-University Center Dubrovnik (independent center for advanced studies, established and supported by an international network of partner universities), IT - Rochester Institute of Technology, and DIU LIBERTAS International University), 4 universities in Montenegro (University of Montenegro, state institution of higher education, University of the Mediterranean, private institution of higher education, University of Donja Gorica, private institution of Higher Education, and Adriatic University, private institution of higher education), 6 universities from Bosnia and Herzegovina (University of Tuzla, University of Mostar, University "Džemal Bijedić" in Mostar, University of Bihać, University of Zenica, and University of Banja Luka in RS).

In Croatia, in the course of decentralising adult learning, public adult learning institutions, such as the People's Open Universities, came under the authority of local governments. Thus, the financial status of these institutions depends on the financial position of the local government in question – some can make funds for education available, but the majority cannot. Institutions are asked to operate on market terms, although they are in a privileged position when it comes to implementing

publicly funded training programmes. Funds have to be made available from EU or state institutions to make these resources available.

Adult education providers in Croatia seek to facilitate learning across the formal and non-formal learning, in a country with a relatively low rate of participation in adult learning. The validation of non-formal education is a major challenge in Croatia, alongside the provision of basic skill education. The state places a stronger focus on creating a culture of lifelong learning amongst its citizens, and promoting continuing education to adults from all walks of life. At the moment, there are relatively few opportunities for adults with higher qualifications or currently in employment who want to participate in non-formal education. Therefore, there is a need to create more incentives for private companies and non-formal education providers to offer all individuals learning opportunities.¹²⁹

In Republika Srpska, since 2008, a Law on Adult Education of the RS is in place, which was amended in 2012, contributing further to the establishment of the Institute for Adult Education of the RS. In the Federation of BiH, education is in the cantonal jurisdiction, which is why each canton has adopted laws on adult education for itself, which differ in nuances. In total, there are more than thirty laws of various levels in BiH that regulate this area of education. In April 2014, the BiH Council of Ministers adopted a Decision on the Adoption of Principles and Standards in the Field of Adult Education in Bosnia and Herzegovina, with the aim of improving and harmonizing the educational and qualification structure of the population and increasing employment in BiH.

The survey on adult education¹³⁰ was conducted in 2017, which shows that 8,7% of respondents participate in some form of formal and / or non-formal education, while 91,3% of respondents did not participate in either formal or non-formal education. 2,2% participated in formal education, 6,9% in non-formal education, while 74,7% of them, intended to acquire knowledge through everyday activities, i.e. through informal learning. Formal and non-formal education was most prevalent among respondents aged 25 to 34 and with completed higher education. In total, 83% of the respondents were employed.

Strategic framework for adult education and lifelong learning in Montenegro has been set in place efficiently with the following strategic documents: Adult Education Strategy 2015-2025, Adult Education Plan 2015-2019 (which is for each year and for each local government unit elaborated through the Annual Adult Education Plan), Strategy for the Development of Vocational Education in Montenegro (2015-2020), Strategy for Lifelong Entrepreneurial Learning 2014-2018, National Strategy for Employment and Human Resources Development 2016-2020 - European Labour Market way.

¹²⁹ European Commission, Croatia - country report 2020, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1584545612721&uri=CELEX%3A52020SC0510>

¹³⁰ Agency for statistics BiH, Demography and social statistics, http://www.bhas.ba/data/Publikacije/Saopštenja/2018/EDU_02_2017_Y1_0_BS.pdf

The Ministry of Education, Science, Culture and Sports is responsible for the system of formal education (preschool and education, primary education and upbringing, secondary general education, secondary vocational education and higher education,) and non-formal education (adult education). In the field of adult education, the Ministry is responsible for: adoption of the legal framework and strategic documents, licensing of adult education organizers, adoption of programmes and supervision of law enforcement with adult education organizers. There are 116 certified adult education providers in Montenegro.

3.5.1.3. Integration of marginalised communities, migrants and disadvantaged groups

In the Republic of Croatia, human rights are protected by the Constitution of the Republic of Croatia, international treaties to which Croatia is a signatory and the Law. In Article 3 of the Constitution of the Republic of Croatia, respect for human rights is outlined as being of the highest value of the constitutional order of the Republic of Croatia.

Independent institutions for the protection of human rights:

- Office of the Ombudsman
- Office of the Ombudsperson for gender equality
- Office of the Ombudsman for children

Within the state administration, special bodies have been established with the aim of promoting and advancing the system of human rights protection.

Although being rooted in the countries' fundamental documents, discrimination is still very visible. For example, the Ombudspersons' Office surveyed 501 people aged 18 to 30 years. In the last three months of 2019, 96 % had witnessed someone making offensive comments based on national or ethnic origin, skin colour, gender, religious affiliation or sexual orientation.

- Civil society organisations (CSOs) in human rights

A large number of non-governmental organizations specialized in the field of the protection and promotion of human rights operate in Croatia as well, actively contributing to the effective and non-discriminatory realization of all human rights for all individuals in the Republic of Croatia. According to the registry of CSOs, there are close to 4.000 CSOs working in the field of human rights protection in Croatia. They are extremely important in smaller communities where associations act as one of the few forms of support to vulnerable groups. Associations, with their commitment and field work and greater flexibility in relation to institutional structures, are indispensable actors in social development and human rights protection.

- Poverty

Croatia is taking part in the Europe 2020 strategy - aiming to reduce the number of people living at risk of poverty or social exclusion. The Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia 2014-2020 recognizes population groups that remain vulnerable to poverty,

social exclusion, different forms of material deprivation, and, consequently, discrimination. These include: older people; single households; one-parent families; families with more than two children; children without adequate parental care; individuals with lower education; persons with disabilities; Croatian war veterans and victims of war and members of their families; returnees and displaced persons; and ethnic minorities (mainly Roma and Serbs). Poverty in Croatia is stagnant and slightly decreasing over time —those who become poor need a long period to escape from poverty. The inactive and unemployed are the dominant groups of the poor in Croatia.¹³¹

According to the Survey data provided by the Croatian Statistic Bureau, the at-risk-of-poverty rate in 2019 was 18,3%. The at-risk-of-poverty threshold for a one-person household amounted to 32.520 HRK per year in 2019, while for a household consisting of two adults and two children younger than 14, it was 68.292 HRK per year. At-risk-of-poverty threshold rate amounted to 10,6% in 2019 and implies that a smaller number of people were at risk of poverty in 2019 than in 2012, when the at-risk-of-poverty rate was 20,4%. The at-risk-of-poverty rate, by age and sex, was the highest for persons aged 65 years or over and amounted to 30,1% in 2019. The lowest at-risk-of-poverty rate was recorded for persons aged from 25 to 54 and amounted to 12,9%.¹³²

- Elderly

The demographic trend in Croatia resembles the recent trends throughout other European countries. In Croatia, the elderly aged 65 and over now makes up more than 20 percent of the total population. Furthermore, there is an increasingly elderly population both 65 and over and 80 and over while there is a declining working population aged 15-64. The projection shows that in the future, the share of the elderly will continue to grow while the share of the working and younger population will continue to decline.

Long-term care is mainly organized within the social welfare system. It is currently mostly provided in institutional settings. There is a considerable coverage gap regarding the estimated number of dependent people and those who have actually received some type of care, with shortages of formal services in the institutionalized context. Croatia is among the top three countries in Europe with the greatest scale of informal care, with the age cohort 50–64 bearing the greatest burden of caring for the elderly.

- National minorities:

The Government of the Republic of Croatia directly implements the policy in the field of the rights of national minorities through the Office for Human Rights and the Rights of National Minorities. According to the 2011 census, 4.284.889 inhabitants were registered in the Republic of Croatia, of which 328.738 belonged to national minorities as follows: Albanians 17.513 (0,41%), Austrians 297 (0,01%), Bosniaks 31.479 (0,73%), Bulgarians 350 (0,01%), Montenegrins 4.517 (0.11%), Czechs 9.641

¹³¹ Poverty Alleviation: The Case of Croatia By Predrag Bejaković, Published: October 4th 2017, DOI: 10.5772/intechopen.69197 <https://www.intechopen.com/books/poverty-inequality-and-policy/poverty-alleviation-the-case-of-croatia>

¹³² CBC, INDICATORS OF POVERTY AND SOCIAL EXCLUSION, 2019, First release https://www.dzs.hr/Hrv_Eng/publication/2020/14-01-01_01_2020.htm

(0,22%), Hungarians 14.048 (0,33%), Macedonians 4.138 (0,10%), Germans 2.965 (0,07%), Poles 672 (0,02%), Roma 16.975 (0,40%), Romania 435 (0,01%), Russians 1.279 (0,03%), Ruthenians 1.936 (0,05%), Slovaks 4.753 (0,11%), Slovenes 10.517 (0,25%), Serbs 186.633 (4,36%), Italians 17.807 (0,42%), Turks 367 (0,01%), Ukrainians 1.878 (0,04%), Vlachs 29 (0,00%) and Jews 509 (0,01%).

In 2011, 31.479 members of the Bosniaks national minority were registered in the Republic of Croatia. Most Bosniaks live in the City of Zagreb, Istria and Primorje-Gorski Kotar County. Most Serbs (186.633) live in the Vukovar-Srijem, Osijek-Baranja, Sisak-Moslavina and Karlovac county while Montenegrins (4.517) live in the area of the City of Zagreb, Istria, Primorje-Gorski Kotar County, Split-Dalmatia, Dubrovnik-Neretva and Osijek-Baranja.

- Roma:

There are 24.524 members of the Roma national minority living in the 134 mapped locations across 15 counties in the Republic of Croatia, which is the first precise indicator of the volume of the Roma population in Croatia.¹³³ Roma in Croatia are spatially, economically and politically marginalised. There is a social gap between Roma minority and the majority of population. Prejudice and stereotypes against the Roma community are deeply rooted in the mind of the local community due to their insufficient knowledge of the Roma culture. Roma generally have poor access to healthcare, and most of them do not have medical records. As for the educational attainment of Roma, data show that Roma children are still rarely included in the preschool education system - the results of the research show that as many as 69% of Roma children aged three to six attend neither kindergarten nor preschool. 95% of Roma children aged 7 to 14 attend primary school, which almost meets the level of primary school coverage in the general population. However, additional work needs to be done on securing better educational attainment among Roma pupils (greater success at school, higher school completion rates and better educational outcomes). They rarely attend secondary school. Very small number of Roma students graduate at the Faculty level.¹³⁴ Key document in ensuring the rights of Roma minority is the National strategy for Roma inclusion 2013 - 2020.

- People with disabilities:

In the Register of Persons with Disabilities of the Croatian Institute of Public Health on 23 January 2020, 496.646 persons with disabilities were registered. In relation to the number of persons with disabilities in working age – 211.078 of them, only 11.610 were listed as employed, which is still low. People with disabilities continue to be at increased risk of poverty, contributed by low education structure, mismatch of education with the needs of the labour market, weak share among employees, low income from work and pensions, and benefits intended for inclusion in the life of

¹³³ Roma Inclusion in the Croatian Society - a Baseline Data Study, Zagreb 2018, <https://ljudskaprava.gov.hr/UserDocsImages/dokumenti/Roma%20Inclusion%20in%20the%20Croatian%20Society%20-%20a%20Baseline%20Data%20Study.pdf>

¹³⁴Lapat, G. and Miljević-Riđički, R. (2019), "The Education Situation of the Roma Minority in Croatia", Óhidy, A. and Forray, K.R. (Ed.) Lifelong Learning and the Roma Minority in Central and Eastern Europe, Emerald Publishing Limited, pp. 49-69. <https://doi.org/10.1108/978-1-83867-259-120191004>

the community are predominantly used to meet basic living needs. No preconditions have been created for the exercise of the fundamental right to independent living and community life - ensuring accessibility and mobility, various available and accessible services, personal assistance, access to work and employment, material subsistence and housing. There have been factually no developments and progress in relation to deinstitutionalisation - for five years, no new state home has been transformed into a community service center while foster care for adults (still) is considered an extra-institutional service. The area of accessibility is one of the highest priority areas in which persons with disabilities, their relatives and associations, address to point out the obstacles they face on a daily basis. No preconditions have been created for the exercise of the fundamental right to independent living and community life - ensuring accessibility and mobility, various available and accessible services, personal assistance, access to work and employment, material existence and housing.¹³⁵

- Migrants:

After the Western Balkans route was officially closed based on the agreement between heads of states and governments in March of 2016, the Republic of Croatia began to strengthen its border, reception and asylum capacities in order to ensure an effective control of the longest land border of the European Union. Various measures have resulted in the control of the east border with Serbia, and progress on bringing the control of the border with Bosnia and Hercegovina and Montenegro to the same level. The Republic of Croatia completely met its resettlement requirements by resettling 152 Syrian nationals. As an additional solidarity measure, the Government of the Republic of Croatia passed a Decision on the resettlement of an additional 100 Syrian refugees from Turkey in October 2017.¹³⁶

According to Croatian Ministry of Interior, in the first eight months of 2019, 11.813 new migrants and asylum seekers were recorded, mainly from Afghanistan, Pakistan, and Turkey, an increase of more than 8.600 compared to the same period in 2018. In the same period 974 people claimed asylum and authorities approved 71 asylum requests, including 13 from 2018. Croatia reported that it blocked entry to 9.487 people at its borders in the first 8 months 2019.¹³⁷

- Centers for Social Work:

Social services defined by the Law on Social Welfare are:

1. first social service (information, identification and initial needs assessment)
2. counselling and assisting
3. help at home
4. psychosocial support

¹³⁵ Ombudsman for Persons with Disabilities, Report on the Work of the Ombudsman for Persons with Disabilities 2019 -Summary- https://www.sabor.hr/sites/default/files/uploads/sabor/2020-08-24/161203/SAZETAK_IZVJ_PRAVOB_OSOBE_INVALIDITETOM_2019.pdf

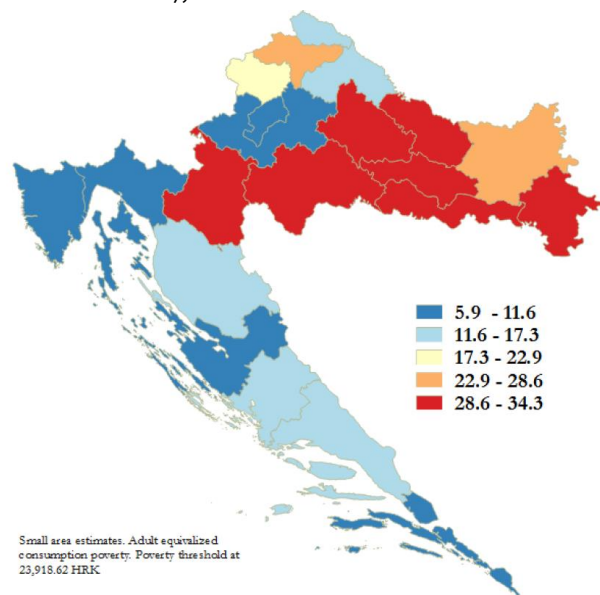
¹³⁶ European Commission ANNUAL REPORT 2018 ON MIGRATION AND ASYLUM IN CROATIA NATIONAL REPORT (PART 2), https://ec.europa.eu/home-affairs/sites/homeaffairs/files/04a_croatia_arm2018_part2_en.pdf

¹³⁷ Human right watch, <https://www.hrw.org/world-report/2020/country-chapters/croatia>

5. early intervention
6. assistance in inclusion in education and regular education programs (integration)
7. organised stay
8. accommodation
9. family mediation and
10. organized housing.

In the Croatian programme area, although there are numerous efforts to decentralize the system of social care, this has not been the case given the fact that local governments do not have the financial resources to deal with the issue. Decentralization of social services and expansion of the network of service providers require the establishment of new ones, a quality control mechanism for the provision of services at national and / or regional level. Still there is a lack of bylaws that would prescribe in more detail the compliance of service providers with standards quality and pricing in relation to the content of the service.¹³⁸

Looking at poverty in the programme area, for the Croatian side, the Strategy on Combating Poverty and Social Exclusion in Croatia (2014-2020) specifically cites taking a regional approach as part of a broader strategy to reduce poverty and social exclusion. Poverty in Croatia has a territorial dimension. The highest geographical concentration of factors influencing the share of people at risk of poverty can be found in small towns and settlements in the east and the southeast regions of the country - mainly along the border with Bosnia and Herzegovina (BiH) and Serbia (areas most affected by the Homeland War in 1990s), as well as in rural areas.



¹³⁸ Regional availability of social services <http://pubdocs.worldbank.org/en/276741604615006394/13-Regionalna-dostupnost-socijalnih-usluga.pdf>

In the current system, social services are provided by the state through a network of social welfare centers (CZSS) who have public authority to decide on the exercise of citizens' rights to social benefits and services based on legal provisions.

Bosnia and Herzegovina has no comprehensive policy framework on the promotion and enforcement of human rights, including countrywide strategies on human rights, on non-discrimination, and on the protection of minorities thus the protection of human rights continues to be uneven across the country. Only in 2019, the European Court of Human Rights delivered 21 judgments concerning 379 applications stating that Bosnia and Herzegovina had violated rights guaranteed by the European Convention on Human Rights, mostly in relation to the right to a fair trial, non-discrimination protection of property, right to liberty and security, freedom of expression. However, in regards to torture and ill-treatment, in 2019, the Ombudsman received 129 complaints, which is lower for 15 compared to 2018 but still it is emphasized that the Ombudsman's independence and effectiveness has to be improved. The engagement and effort of CSOs continue to raise awareness about civil and political rights in an increasingly polarised environment.

- Poverty:

Poverty threshold (EUR 199,60) was estimated by the Agency for Statistics of BiH, and the risk-of-poverty rate for individuals was 16.9%, number of individuals at risk of poverty was 505.816, about 16% of people live in absolute poverty in Bosnia and Herzegovina, while households at risk of poverty where head of household was employed was 11,6%. According to age, those under 24 were most at risk of poverty (BiH-31,3). The last Household Budget Survey, that serves as a reference for poverty trends was conducted in 2015.

Those most exposed to the risk of poverty are families with two or more adults with dependent children (rate 28,6%), followed by families with two or more adults without dependent children (27,5%), and single-person households (27%). The lowest rate, 23,5%, was among single-person families with children. Poverty levels are higher within the minorities in Bosnia and Herzegovina. Children with disabilities, Roma and other ethnic minorities have the highest vulnerability to poverty in Bosnia and Herzegovina.

- Elderly:

In recent past, the region has undergone a significant demographic change in terms of migrations, increased aging and low birth rate. These changes have had a negative impact on vulnerable groups, such as the elderly. A fall in the number of residents of the region, combined with the average age of the population, makes a strong argument towards better development of existing services and introduction of new ones, especially non-institutional social welfare services. In 2019, people over the age of 65 made up 17% of the total population and the United Nations Department of Economic and Social Affairs estimated that the number of persons aged 65 and more will reach 30 percent of the population in 2060.

- National minorities:

In addition to the constituent peoples, Bosniaks, Serbs and Croats, ethnic minorities also live in Bosnia and Herzegovina. Their legal status is defined by the Law on the Protection of National Minorities. The law states that BiH will protect its position, equality and rights of 17 national minorities present in Bosnia and Herzegovina (BiH): Albanians, Montenegrins, Czechs, Italians, Jews, Hungarians, Macedonians, Germans, Poles, Roma, Romanians, Russians, Ruthenians, Slovaks, Slovenes, Turks and Ukrainians. The legislative and institutional framework for the protection of minorities is largely in place, Bosnia and Herzegovina still lacks a countrywide strategic document on national minorities. And members of national minorities continue to participate less in political and public life.

Number of national minorities makes up 3,68% of the population of Bosnia and Herzegovina, together with those who are not declared or did not respond to the question of ethnicity. The Roma population represents the largest ethnic minority in Bosnia and Herzegovina. According to the report on the human rights produced by the U.S. Department of State (2015), unofficial estimates of the Roma population, based on the 2013 census, range from 60.000 to 80.000.

- People with disabilities:

The results of the Census (2013) show that in Bosnia and Herzegovina there are 294.058 people with disabilities, representing about 8,33 % of the total population with a significant part being outside of the labour market.

Both entities adopted strategic frameworks for advancement of the rights and status of persons with disabilities. There is still no uniform definition of disability, nor a database of persons with disabilities. Support is limited and varies depending on the origin of the disability, as persons with war-related disabilities (war veterans and civilian victims of war) enjoy priority over other persons with disabilities, according to the Country report 2020. There is no strategy for deinstitutionalisation. For persons with disabilities, institutional care is still prevalent.¹³⁹

- Migrants:

In 2019, the authorities detected 29.302 migrants which is a significant increase compared to 2018. (23.977). Top three declared countries of origin were Pakistan, Afghanistan and Iraq. Data for August 2020 showed that approximately 10.000 migrants and asylum seekers were present in the country. In the Una-Sana and Sarajevo canton there are approximately 6.500 persons sheltered in 7 EU-funded temporary reception centres, which remain insufficient and the general response to migratory flows shows institutional and coordination weaknesses.¹⁴⁰

¹³⁹ European Commission, Bosnia and Herzegovina 2020 Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bosnia_and_herzegovina_report_2020.pdf

¹⁴⁰European Commission, Bosnia and Herzegovina 2020 Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bosnia_and_herzegovina_report_2020.pdf

Bosnia and Herzegovina closely cooperates with Croatia, Montenegro and Serbia under the Sarajevo Declaration Process in finding solutions for approximately 74.000 people, refugees and displaced persons of the armed conflicts in ex-Yugoslavia. As a results, in 2019 approximately 450 units were built for refugees and 1.200 housing units repaired in total.

- Center for social work

Highly decentralised governance structure of social care and the eligibility conditions for social assistance between entities causes an underdeveloped social system, amounting in a large number of people in Bosnia and Herzegovina that are not covered by public health insurance and as such are not entitled to the basic package of health care services.

The total number of users in 2019 was 540.302.¹⁴¹ The largest number of users being minors are from groups threatened by the family situation while adults belong to those that do not have enough income to support themselves.

In Montenegro, the legislative and institutional framework in the area of fundamental rights is largely in place with further improvements needed in order to ensure alignment with the EU standards.

- Poverty:

Poverty has always been more concentrated in the rural areas of Montenegro (Northern). As urban development grew this has placed the rural population in a generally older demographic range making the rural standards and agriculture activity unstable. The rural poverty rate in 2013 was 9,7% while in 2010 it was 11,3%, which was three times the urban rate of 4 percent that year. This is consistent with the global trend of development as many aspects of economic modernization only affect urban areas.

- Elderly:

In Census 2011, there are in total 113.533 persons above the age of 60 which make 18,31% of the population. Recently, the region has undergone a significant demographic change in terms of migrations, increased aging and low birth rate. These changes have had a negative impact on vulnerable groups, such as the elderly thus the Action Plan for 2020 to implement the Strategy for Development of the Social Welfare System for the Elderly 2018-2022 has been adopted in January 2020 in order to improve the status of elderly in Montenegro.

- National minorities:

In Montenegro in regards to minority rights the constitutional and legal framework is in place and in 2019. a policy strategy (2019-2023) was adopted together with an action plan (2019-2020) and financial allocations. In 2020, the government adopted the annual action plan for the

¹⁴¹ Agency for Statistics of BiH, BiH [in numbers 2020](http://www.bhas.gov.ba/data/Publikacije/Bilteni/2021/NUM_00_2020_TB_1_BS.pdf) http://www.bhas.gov.ba/data/Publikacije/Bilteni/2021/NUM_00_2020_TB_1_BS.pdf

implementation of the strategy for the social inclusion of Roma and Egyptians, however the finance allocation for implementing the strategy remains insufficient. The number of Roma and Egyptians registered with the National Employment Bureau decreased from 802 in 2018 to 747 in 2019 and they are by far the most underrepresented national minority group in the public service.

In Montenegro the biggest minority group are Serbs 178.110 (28,73%), followed by Bosniaks 53.605 (8,65%), Albanians 30.439 (4,91%), ethnic Muslims 20.537 (3,31%), Roma 6.251 (1,01%), Croats 6.021 (0,97%) and others 46.201 (7,44%).

- People with disabilities:

The results of the Census (2011) show that in Montenegro, 11% of the total population have difficulties in performing daily activities because of chronic illness, disability or age. Of the total number of persons with disabilities there are 54% women, and 46% men. There are the fewest persons with disabilities in performing daily activities in Budva, Ulcinj, and Plav, i.e., 7% of the total population. Podgorica and Kolasin have the most people with disabilities in performing daily activities.

- Migrants:

From the 2018 Upward, a growing trend in the number of incoming irregular migrants was confirmed in 2019 when 7.978 irregular migrants were apprehended in 2019, which was an increase of 60% compared to 2018. The country's reception facilities are under pressure since all the apprehended migrants expressed their intention to request asylum. Montenegrin authorities prevented 516 illegal entries to the country and 1514 illegals exits from the country.¹⁴²

- Center for social work

There are 13 centers for social work that have been organized in Montenegro. While many services are provided by civil society organisations and are funded via projects, some by-laws prevent these organisations obtaining the proper licenses for these types of services.

3.5.1.4. Access to health care

The COVID-19 pandemic is a global shock that has not spared countries involved in the programme area. It represents an unprecedented burden on their health and social protection systems. The final extent of its footprint in terms of loss of human lives and damage to the economies is still difficult to assess, the early estimate in the second quarter of 2020 shows lower GDP for 15.1% in Croatia, 9,3% in Bosnia and Herzegovina and in Montenegro 20,2%. The final extent of its footprint in terms of loss of human lives and damage to the economies is still difficult to assess, but early estimates

¹⁴² European Commission, Montenegro country report 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/montenegro_report_2020.pdf

foresee a drop between 4-6% of gross domestic product (GDP) in the region. Therefore, it is evident that the quality and distribution of health services will be one of the priorities in the future period.

According to Human Development Index (data of the most recent year available during the 2010-2018), life expectancy at birth in Croatia was the highest in 2019 (78,5 years), followed by Bosnia and Herzegovina at 77,4 and Montenegro at 76,9 years. Number of physicians per 10.000 people in Croatia is 30, in Montenegro 27,6 and in Bosnia and Herzegovina 21,6, while the number of hospital beds in Croatia are 55, in Montenegro 39 and in Bosnia and Herzegovina is 35. According to the World bank, health expenditure (% of GDP) in Bosnia and Herzegovina for 2018 was 8,8%, in Montenegro 8,42% while in Croatia it was 6,83%, compared to an EU average of 9,8%. Health expenditure per capita in 2018 was for Croatia 1.523,49 EUR, for BiH 1.056,29 EUR and for Montenegro 1.389,64 EUR where the average in the EU was 2.885 EUR.

Life expectancy at birth in Croatia increased to 78 years in 2017, below the EU average of 80,9 years. Croatians aged 65 could expect to live an additional 17,4 years, two years more than in 2000, albeit more than 12 of those years are spent with some chronic diseases. The main death causes are ischaemic heart disease and stroke, with lung cancer the most frequent cause of death by cancer and there has been no reduction in its mortality rate since 2000. The death rate from diabetes has also increased.

The small pool of social health insurance contributors, combined with high hospital debt levels, raise concerns about the financial sustainability of the health system. Strengthening governance and building support among stakeholders will be crucial to implementing reforms. Over one third (38,8%) of total health expenditure in Croatia is spent on outpatient (or ambulatory) services (consisting of primary care and specialist outpatient care mostly provided by hospital outpatient departments). However, the country spends a much larger share of its health expenditure on pharmaceuticals and medical devices than many other EU countries, although in absolute terms (EUR 296 per person) it is below the EU average (Figure 9; see Section 5.2). Such spending amounted to 23,3% of health expenditure in 2017 (compared to an EU average of 18,1%). In contrast, funds for long-term care only made up 3,1% of health expenditure in Croatia, much lower than the EU average of 16,3%, reflecting the fact that formal long-term care is still underdeveloped and mostly provided in institutional settings. On a per capita basis, spending on prevention is less than half the EU average, but this translates to 3,1% of expenditure, equal to the EU average.

Croatia has had fewer numbers of doctors and nurses than many other EU countries, with only 6,6 nurses per 1.000 population in 2016 (compared to an EU average of 8,5) and 3,4 doctors, compared to an EU average of 3,6. Despite concerns over the effects of Croatia's EU accession in 2013 and potential outmigration of health professionals, the ratio of doctors and nurses to population increased between 2013 and 2017.

There has been major progress in some e-health solutions, such as e-prescriptions, which are now operational and widespread, with 80 % of prescriptions in community pharmacies being electronic. E-referrals and electronic health records, however, are still under development. Planned investment in health centres is expected to improve capacity for further development of e-health services. Finally, the strategic planning and financing of hospitals are key problems, with hospitals routinely accruing substantial debts. Within the Strategic Plan of the Ministry of Health for 2020-2022 and in order to increase the availability of emergency medical care in Croatia for residents of islands, rural, traffic-isolated and remote areas, it is planned to establish emergency medical care by high-speed boats and emergency helicopter medical service. Also, in order to ensure equal access to health care, especially for the population islands and areas of special national interest, due to their more difficult accessibility or isolation, will be invested in infrastructure, and in particular in the development of telemedicine.¹⁴³ Key institutions in the provision of medical care in the counties:¹⁴⁴

Bjelovar-Bilogora

- General Hospital Bjelovar
- Health Center of Bjelovar-Bilogora County- Branches Bjelovar, Daruvar, Grubišno Polje, Garešnica, Čazma
- Bjelovar-Bilogora County Institute for Emergency Medicine
- Daruvarske Toplice - Special Hospital for Medical Rehabilitation
- Pharmacy Bjelovar

Dubrovnik-Neretva

- Dubrovnik General Hospital
- Kalos Vela Luka Special Hospital for Medical Rehabilitation
- Metković Health Center
- Ploče Health Center
- Vela Luka Health Center

¹⁴³ Ministry of health , Strateški plan ministarstva zdravstva [2020.-2022.
https://zdravlje.gov.hr/UserDocsImages/2018%20Financijski%20planovi,%20strate%C5%A1ki%20dokumenti%20i%20javna%20nabava/Strate%C5%A1ki%20plan%20MZ%202020.-2022.-za%20objavu.pdf](https://zdravlje.gov.hr/UserDocsImages/2018%20Financijski%20planovi,%20strate%C5%A1ki%20dokumenti%20i%20javna%20nabava/Strate%C5%A1ki%20plan%20MZ%202020.-2022.-za%20objavu.pdf)

¹⁴⁴ Ministry of Health, Network of public health services, http://www.hzzo-net.hr/dload/ostalo/03_01.pdf

Karlovac

- Duga Resa Health Center
- Health center Karlovac
- Ogulin Health Center
- Ozalj Health Center
- Slunj Health Center
- Vojnić Health Center
- General Hospital of Karlovac, Hospital of Ogulin, Special hospital for extended treatment Duga Resa
- Karlovac Pharmacy
- Public Institution for Public health Karlovac County
- Institution for health care at home.
- Hearing and speech rehabilitation polyclinic SUVAG Karlovac
- Public Institution for emergency medicine of Karlovac County

Lika-Senj

- Gospić General Hospital
- Gospić Health Center
- Korenica Health Center
- Otočac Health Center
- Health center Senj
- Novalja Health Center
- Split-Dalmatia County
- Clinical hospital centar Split
- Heath center of Split-Dalmatioa County
- Institute for Emergency Medical Aid of the Split-Dalmatia County
- Pharmacy of Split-Dalmatia County
- Institute for Emergency Medical Aid of the Split-Dalmatia County
- Teaching Institute for Public Health, Split-Dalmatia County
- Dental clinic Split
- Polyclinic for rehabilitation of persons with disabilities Split
- Special hospital for medical rehabilitation for medical "Biokovka"
- Spa "Children's Village" Baska Voda (not in the function of health)
- Special hospital for medical rehabilitation Biokovka
- Homes for the elderly and persons with disabilities (4)

Šibenik-Knin

- Drniš Health Center
- Knin Health Center
- Šibenik Health Center

Zadar

- Zadar General Hospital
- Special hospital for orthopedics Biograd n / m
- Ugljan Psychiatric Hospital
- Zadar County Health Center
- RJ Benkovac
- RJ Biograd n / m
- RJ Gračac
- RJ Obrovac
- RJ Pag
- RJ Zadar
- Institute of Emergency Medicine of Zadar County
- Zadar Public Health Institute
- Zadar Pharmacy
- Private polyclinics
- Private general practice
- Private dental practices
- Private specialist surgeries
- Private pharmacies

Zagreb County

- Zagreb County Health Center
- Zagreb County Pharmacies
- Naphthalene, a special hospital for medical rehabilitation
- Special Hospital for Chronic Diseases of Children "Gornja Bistra"
- Zagreb County Institute of Emergency Medicine
- Zagreb County Public Health Institute

Požega-Slavonia

- 1 Pakrac County General Hospital
- 2 Požega County General Hospital
- 3 Lipik Special Hospital for Medical Rehabilitation
- Požega Health Center

Brod-Posavina

- Nova Gradiška Health Center
- Slavonski Brod Health Center
- Institute for Emergency Medicine
- Institute for Public Health

Vukovar-Srijem

- Vinkovci General Hospital
- Vukovar General Hospital
- Vinkovci Health Center
- Vukovar Health Center
- Županja Health Center

According to the data of regular health statistics related to the public sector of health care in health care institutions in the Federation of BiH in 2017 there were a total of 26.330 employees (rate 1,196 / 100.000 inhabitants), which compared to 2016 is a decrease of 0,8 % while the age structure of doctors of medicine remains unfavourable. More than a quarter of medical doctors (29,3%) aged 55 and over. Improving the availability of primary health care is a significant goal of health system reform in the Federation of BiH. According to the data of regular health statistics for 2017, the population of the Federation of BiH received primary health care within 983 geographical locations / clinics, which compared to 2016 represents an increase in the number of clinics by 0,6%.

In 2017, in the Federation of BiH, hospital health care was provided in 23 hospitals (general and cantonal hospitals, clinical hospital, clinical centers, special hospitals, spas, medical center) in which 2.263 (47,0%) all medical doctors worked and 5.934 nurses / technicians (44,9%), which is slightly less than in 2016 (48,6% of doctors and 46,7% of nurses / technicians). Federation of BiH has significantly fewer beds (370 / 100.000) compared to the European Region average (554 / 100.000).

The leading causes of death of the population of the Federation of BiH are diseases of the cardiovascular system and malignant neoplasms. Infectious diseases are a burden on health and health resources. In 2017, a total of 49.180 patients with infectious diseases were reported slightly more than in 2016 (48.926 patients). Risk factors of the environment (contaminated water and food, polluted air, noise, hazardous chemicals, waste materials, etc.) are among the leading public health problems that require constant monitoring. Children, pregnant women, the chronically ill and the elderly are particularly at risk. In the Federation of BiH, 60% of the population is covered by public water supply systems in which water is continuously monitored for health. In urban areas the coverage is 94%, and in rural areas 20%. During 2016 and 2017, the limit values of the average annual concentration of sulphur dioxide (50ug / m³) were exceeded at all stations in the Canton of Tuzla (Tuzla, Lukavac) and Zenica-Doboj Canton (Zenica, Kakanj).¹⁴⁵ In Repulika Srpska there are 54 health centers, 9 pharmacies, 9 hospitals, 1 psychiatric hospital, Institute for Forensic Psychiatry Sokolac, hospital for physical medicine, 5 institutes, one university clinical centre of RS, 6 public health institutes and 1 hospital for chronic psychiatry which employ in total 13.694 staff. In total, there are 9640 beds and 2.788 physicians. According to the number of treated patients in 2018, most common disease and conditions were neoplasms, diseases of the circulatory system and diseases of the digestive systems. In Brčko Distrikt BiH, according to the data of the Agency of BiH in Brčko Distrikt BiH for 2019, there were 915 employees in the sector for health and social protection, 45 registered as either private or public health organisation.

In Montenegro, there have been reforms of primary health care in accordance with the adopted Master Plan for Health Development from 2015 - 2020, the adopted document "Health Policy until 2020" related to the development of the entire health care system in Montenegro by 2020.

¹⁴⁵ Public Health Institute FBIH, HEALTH CONDITION OF THE POPULATION AND HEALTH CARE IN THE FEDERATION OF BOSNIA AND HERZEGOVINA 2017, <https://www.zzjzfbih.ba/wp-content/uploads/2018/10/Zdravstveno-2017..pdf>

In the primary health care of adults in 2018, a total of 93.8762 diseases, conditions and injuries were determined which represent 74,04% of all diseases registered. Among the registered diseases, conditions and injuries in primary health care for adults, the five most common groups of diseases that make up 64,91% in 2018 are: Diseases of the respiratory system (20,01%) and Diseases of the circulatory system (13,07%). Observed by groups of infectious diseases, the number of reported cases is the highest in the group of respiratory infectious diseases (78%, without influenza), intestinal infectious diseases (11,5%) and parasitic diseases (7,8%). The overall mortality rate in that period increased from 6,41 ‰ in 1968 to 10,5 ‰ in 2018.

Out of 585 doctors, without the Institute for Emergency Medical Aid ZHMP and the Institute of Public Health of Montenegro (IJZCG) in 2018, 31,11% of physicians worked in primary health care in the northern region, 43,76% in secondary care and 25,19% in coastal health care. The stated proportions by regions, on the ratio of the number of doctors and the inhabitants in them, indicate their uneven distribution in the territory of Montenegro. The health care reform is expected to further reduce the number of non-medical workers in the coming period.¹⁴⁶

The network of public health institutions in Montenegro in 2018 consisted of:

- 18 health centers
- 8 general hospitals
- Institute for Emergency Medical Aid
- Blood Transfusion Institute of Montenegro
- 3 special hospitals, Clinical Center of Montenegro
- 11 Institute of Public Health
- Pharmacies of Montenegro "Montefarm"
- Galenika Crne Gore d.o.o.
- Rudo Montenegro
- Codra Hospital Podgorica

Good practice examples of a project financed in the previous programming period 2014.-2020. shows the potential and interest of bringing a higher standard of services in the sector within the programming area is project TELE.DOC. TELE.DOC aimed at improving treatment of trauma patients through investments in existing health care services of three hospitals in Kotor (ME), Dubrovnik (HR) and Mostar (BA). Telemedicine was the focus of this project therefore, the project established an ICT-based network and enabled audio-visual communication, medical data exchange, and consultations between trauma care departments on a real-time basis.

¹⁴⁶ Public Health Institute, SITUATIONAL ANALYSIS HEALTH CARE IN MONTENEGRO FOR 2018, <https://s3.eu-central-1.amazonaws.com/web.repository/ijzcg-media/files/1589869320-situaciona-analiza-2018.pdf>

3.5.1.5. Tourism and culture

According to the European Commission, Croatia is the first among other member states in the European union to depend mostly on tourism, observed as a 25% of its GDP with more than 90% of total tourism traffic located on the coast during the main summer tourist season. According to the eVisitor system, in 2019 the number of foreign tourist arrivals was about 18 million (an increase of 4,4%) and in the same period, around 94 million overnight stays were realized (growth of 1,7%) which is 12 million more overnight stays than it was estimated within the Tourism Development Strategy. Croatia has an average annual growth of 4,8% per year of overnight stays, which is about 43% more than in 2011, i.e. about 26% more than the estimates done in 2015. This clearly burdens communal infrastructure and the environment, and defines the socio-economic status of residents, which in terms of global crisis such as COVID-19 is a great threat to an overall well-being. Croatia is also one of the ten countries with the highest number of tourists per capita in the world, so we can conclude that the intertwined relationship that Croatia has with tourism, on the one hand the development of it based on mass tourism and the other hand the sustainable development and balance that need to be achieved for quality life of its residents and preservation of natural and cultural heritage is complex. At the same time, the unregulated growth of tourist capacities, which puts great pressure on resources, leaves Croatian territory, especially the coast, with negative consequences on the environment and the further sustainable development of tourism.

Strategic framework that defines the development of tourism is mostly relevant on the national level, up to 2020. Under the Tourism Development Strategy of the Republic of Croatia until 2020, master plans are developed at regional and local levels but lack harmonisation with strategic documents of higher level (local with regional and national, regional with national). Tourism Development Strategy recognizes sustainability as a key element of tourism development, sustainable product development, market supply management, sustainable management of cultural and natural resources. The Green Tourism Action Plan is also in place the Green Tourism Action Plan which set a goal for Croatia becoming a leader in sustainable tourism in the EU by 2020.

The state administration body in charge of managing the tourism system is the Ministry of Tourism and Sports. The Ministry performs administrative and other tasks related to the functioning of the tourism system such as tourism policy, regulatory and strategic framework, management of stakeholders involved in tourism, investments, statistics, quality management, cooperation with the EU and others. The Croatian National Tourist Board is a national tourist organization founded with a view to promoting and creating the identity and enhancing the reputation of Croatian tourism, planning and implementation of a common strategy and the conception of its promotion, proposal and the performance of promotional activities of mutual interest for all subjects in tourism in the country and abroad, as well as raising the overall quality of the whole range of tourism services on offer in the Republic of Croatia. In addition to the national level, Croatia has developed a system of a tourist board at the level of municipalities, cities, areas, counties and the City of Zagreb, and all are coordinated by the CNTB.

In accordance with the strategic framework, heritage tourism belongs to the group of products of cultural tourism, and it is important to emphasize that cultural heritage, as an element of the tourist offer, has an impact on about a third of Croatian guests. Cultural heritage is understood as movable and immovable cultural goods and intangible heritage. The Register of Cultural Heritage of the Republic of Croatia contains about 8.000 registered cultural assets, 7 of which are on the UNESCO World Heritage List and 14 on the UNESCO Representative List of the Intangible Cultural Heritage of Humanity.

The tourism development strategy recognizes cultural heritage, i.e. cultural tourism as a key area of tourism development in Croatia as a priority tourist product, while emphasizing the following development goals related to the promotion and profiling of Croatia as a destination of rich cultural and historical heritage:

- development of a range of innovative cultural tourism products
- more intensive and specialized promotion and sales
- investing in a vibrant urban cultural scene
- revitalization of heritage buildings and networks of thematic cultural routes
- introduction of products related to heritage for new generations
- making Croatia recognizable as a destination with thousands of castles, manors and forts

Natural heritage can be categorized as protected and unprotected parts of nature. It is important to point out that there are more than 400 protected natural areas in Croatia, out of which 36,53% are located within the EU Natura 2000 ecological network, which is approximately twice the average of the European Union.

A unique Information system for registration and deregistration of tourists that functionally connects all tourist boards in the Republic of Croatia, and is available via the Internet without the need for a special installation on a computer (SAAS). In addition to registering and deregistering guests, the system is used to collect data on accommodation service providers and their accommodation facilities in the Republic of Croatia, on the calculation and control of sojourn tax collection, and to report for statistical purposes.

The Croatian Tourist Card was created as a project of the Government of the Republic of Croatia and the Ministry of Tourism and Sports with the aim of increasing the consumption of Croatian citizens in hospitality and tourism facilities throughout the Republic of Croatia. Employers can pay up to 350€ of non-taxable annual income to their employees, with whom the tourist card holder can cover his costs for the use of services and products within the tourism offer during the year. Thus, the tourist card can be used to pay for accommodation and consumption of food and beverages in hospitality facilities, services of travel agencies and tour operators, package deals, stays in the facilities of private renters and boat rentals.

Tourism sector is becoming a substantial contributor to the BiH economy and was estimated to represent 10,2% of GDP in 2018. Strong growth in tourist arrivals has continued over the past four years with 12,1 per cent growth in 2018 driving tourist arrival to a new high of 1,47 million of which 71,8% were international or foreign tourists. Interestingly, tourists from the Middle East and Asia comprised 10,1 and 15,2 percent of international visitors respectively. The average stay for international visitors in 2018 was 2,17 days.

Since BiH has only a narrow strip of coastline around Neum, it has developed predominantly continental tourism. There are four cultural heritage goods from Bosnia and Herzegovina inscribed on the UNESCO World Heritage List, and on the tentative list of goods that the country can nominate in the coming period, there are nine more goods from BiH.

In Bosnia and Herzegovina, there are four national parks. These are NP Sutjeska, NP Kozara, NP Una i NP Drina, out of which three are part of the programme area, NP Sutjeska, Una and Kozara. Other natural attractions are mountain rivers and streams, mountain lakes, cuts - canyons, waterfalls. Waterfalls, which are known on the rivers Pliva (Jajce), on Trebizat (Kravice) and several on the Una river.

Tourism and culture in Bosnia and Herzegovina are managed by two sectoral authorities, thus tourism and culture have been separated within the administration. Federal Ministry of Environment and Tourism carries out administrative, expert and other tasks falling under competence of the Federation of Bosnia and Herzegovina related to drafting of development strategies and policies in area of tourism and catering activity; monitoring of tourist flows and trends in local and international markets; directing the long-term development of tourism within the economic system and other tasks as set out by the applicable legislation. The Ministry for Trade and Tourism in Republika Srpska is in charge for trade and tourism, including rural tourism (shared with the municipalities), proposing policies and strategies for development of tourism and catering, implementing laws and regulations governing the fields of tourism and hospitality, and monitoring their performance, monitoring, directing and proposing measures for making investments in tourism. At the central level the Ministry of Foreign Trade and Economic Relations is governing tourism when it comes to defining policies, principles, harmonizing activities and plans of entities' authorities at the international level.

In Federation BiH, the body in charge of managing culture is the Federal Ministry of Sports and Culture. In Republika Srpska, the Ministry of Education and Culture is responsible for protection and preservation of cultural, historical and natural heritage, work of museums, cultural archives, libraries, theatres, musical, artistic, film and other cultural institutions, organizations and associations of citizens in the field of art and culture and technical culture, keeping the register of public media, preparation of programmes and agreements, while at the central level, the Ministry of Civil Affairs is in charge of defining basic principles for coordination and consolidation of entities plans; and definition of international strategy related to culture.

According to the data of the Agency of statistics of BiH, in 2018, tourists realised 1.465.412 tourists' arrivals which represent the increase by 12,1% and 3.040.190 overnight stays which is increase of 13,5% as compared to the same period of 2017. The number of domestic tourist nights increased by 14,5% while the number of foreign tourist nights increased by 13,1%. Domestic tourist's share of total number of overnight stays was 28,8% and foreign tourists share was 71,2%. Concerning the structure of foreign tourist nights, most of them (51,8%) were realised by tourists from Croatia (12,5%), Serbia (8,2%), Turkey (6,1%), Slovenia (5,7%), United Arab Emirates and Germany (5,0% each), Italy (4,9%) and Poland (4,4%). According to the type of accommodation facility, the highest number of nights was recorded in hotels and similar accommodation with a share of 91,1%.

The importance of tourism for Montenegro cannot be underestimated as it brings almost 24% of the GDP (for the year 2018) and with 7,6% of the total employment is directly in the tourism sector. Furthermore, the export of tourism makes up for 52,6% of total export of Montenegro with tourist investments that make up 35,1% (369,8 million €) of all investments in the country in 2017.

Given that the total number of visitors, according to MONSTAT¹⁴⁷, in the year 2018 was 2.204.856, with the vast majority of said visitors, more precisely 2.076.803, being foreign guests, it is evident that the sheer number of arrivals must support a much larger industry, both in terms of agricultural production, transport infrastructure, accommodation and other connected services. The total number of overnight stays in the year 2018 was 12.930.334 and the majority of them stayed in individual accommodation, that is private apartments.

The fact that there are only 120.000 registered beds in Montenegro leads to the conclusion that, in order to improve the number of tourists, significant investments have to be made in accommodations and especially hotels which currently do not take up a significant proportion in total capacities. This is also reflected in the Strategy of development of tourism in Montenegro until 2020 where it is clearly stated that one of the goals of Montenegro, similar to that in Croatia, is to invest into high quality hotel and resort infrastructure and improve those capacities. That same strategy divided the country into six different clusters with strategic goals connecting them into one:

1. Steep, rocky shores from Luštica to Ulcinj
2. Ulcinj, the town with an oriental feel and the longest sand beach in southern Adriatic
3. Bay of Boka Kotorska
4. Old Royal Capital Cetinje and the Lake of Skadar
5. Mountain regions of Durmitor and Sinjajevina with the Tara canyon and the National park
6. Mountain region of Bjelasica, Komovo and Prokletija

¹⁴⁷ Statistical office of Montenegro, Arrivals and overnight stays, <https://www.monstat.org/eng/page.php?id=44&pageid=44>

Montenegro's five national parks span on 6,01% of the country's territory and, combined with all other areas under national protection make up 7,02% of the national territory.¹⁴⁸ The five national parks are listed below:

- NP Durmitor
- NP Biogradska gora
- NP Prokletije
- NP Lovćen (in the programme area)
- NP Skadar Lake (in the programme area)

Cultural development in Montenegro is largely dependent on the Ministry of culture with its strategic programme "Programme of cultural development 2016 - 2020". The country itself has 13 national public institutions in the cultural sector and 42 municipal public institutions. The Law on culture leaves adequate space for independent cultural activities which are currently developing, especially in the northern region, according to the Programme. The rich cultural heritage in Montenegro has raised awareness to its importance, and is currently regulated with numerous laws and bylaws. Funding of cultural activities is even installed in the Law on culture which states that a minimum of 2,5% of the national budget must be allocated to the cultural sector. According to the Ministry, that number was even surpassed in the year 2019. The main laws and regulations on the cultural heritage's protection are:

- The Law on Archives Activity,
- The Law on Library Activity,
- The Law on Amendments of Law on Ratification of the Convention on the Protection of Underwater Cultural Heritage,
- The Law on Culture,
- The Law on Museums Activity,
- The Law on Ratification of the Convention on the Protection of Underwater Cultural Heritage,
- The Law on ratification of the Convention on the Protection of the World Cultural and Natural Heritage,
- The Law on Memorials and,
- The Law on Protection of Cultural Heritage.

¹⁴⁸ <https://natura2000infocentar.files.wordpress.com/2011/01/zasticena-podrucija-crne-gore1.pdf>

Montenegro also has four UNESCO World Heritage Sites which make it an attractive and rich historic area, particularly given the size of the country. The sites are as follows:

- Natural and Cultural-Historical Region of Kotor
- Durmitor National Park
- Stećci Medieval Tombstone Graveyards
- Venetian Works of Defence between the 16th and 17th Centuries: Stato da Terra – Western Stato da Mar

3.5.2. Conclusions and recommendations

The overall employment rate in Croatia remains one of the lowest in the EU facing a rather low activity rate among the working-age population. The overall unemployment rate more than halved since its peak in 2013, but there are still large regional differences in unemployment and labour market conditions in general, with the Eastern part of Croatia being in the most unfavourable situation. The unemployment statistics in Bosnia and Herzegovina show that the numbers are decreasing, except for District Brčko BiH. The unemployment statistics show an increase in Montenegro too. Poverty is more concentrated in the rural areas.

The demographic trend in all three countries resembles the recent trends throughout other European countries, population is in decline due to emigration, an aging population is increasing, all this poses a danger to the pension system and economy in general. This makes a strong argument towards better development of existing services and introduction of new ones, especially insufficient, non-institutional social welfare services since there is a low percentage of non-institutional social service especially for the elderly. Migrants have played an important part in the social system especially in the programme area that is part of the Balkan route thus jeopardizing the safety of local community and posing a humanitarian risk for the community. State of integration of marginalised communities and disadvantaged groups is not at a level it should be and shows room for improvement with discrimination being still very visible in both societies.

The health systems are well developed but pose a question of sustainability with debts and public investment being high. According to the World bank, health expenditure (% of GDP) in Bosnia and Herzegovina for 2018 was 8,8%, in Montenegro 8,42% while in Croatia it was 6,83%, compared to an EU average of 9,8%. There has been major progress in some e-health solutions in Croatia. Poverty in Croatia is stagnant and slightly decreasing over time –although still those who become poor need a long period to escape from poverty.

Tourism and culture play an important role in the economies of all countries. The Travel Trends Report: Experiences survey from 2018 confirms that experiences related to culture, history and heritage recorded the highest growth as a motivation to book holidays with an increase of as much as 125%. Although the importance to the state economy is visible, making the economy dependent on an ever-growing number of arrivals and foreign tourists visiting is a risk in terms of sustainability of an economy. Nevertheless, tourism will have a huge impact on the recovery of the economy with

a potentially different, more locally centered approach. This has to be also taken into consideration in planning further activities in the Programme. New trends in promotion and booking, new accommodation types, and travel motivations in the global tourism market and technology development have to be taken into account when planning activities that would foster the development of tourism in the region. In addition this has to be planned with increasing levels of environmental consciousness and a bigger interest in heritage and culture, while strengthening local economic activity at the same time. The support to the development of visitor activities that enable visitors to meet local residents and engage in tourism activities and events will be key in fostering this sector. This being said, plans for tourism development and culture heritage have to be well thought out and planned regionally to harness the full development potential. It is vital to create a joint offer of tourist products and services and provide new destination management tools, especially taking into consideration the potential of data driven decision making. Cross-border destinations, although having great potential, lack in terms of sustainability, particularly the continuation of specific tourism projects that after their implementation is over have no further follow up. This has been mostly because of lack of financing resources and shared management for common issues.

Given the horizontality of this specific objective, it is important to highlight the potentials of tourism related to other specific objectives, primarily health tourism and inclusive tourism associated with the needs of people with disabilities. An example of such a project would be agencies and tourist services that promote and support the accessibility of the travel industry, offering fully accessible tourist programs and information in regards to specific special needs. Within the health sector, clusters of health tourism can promote synergy development and improve the provision of services in health tourism, while cooperating with all branches that complement the offer of health tourism, from health care institutions to various tourist facilities and hotel and catering facilities which would result in a jointly created basis for year-round tourism.

3.6. Europe closer to citizens

3.6.1. Description of current state in key analysis areas

Europe closer to its citizens refers to the sustainable and integrated development of urban, rural and coastal areas and local initiatives. By providing a strategic framework which enables the development of specified areas, the governments and local administrations can effectively tackle the economic, environmental, climate, demographic and social challenges affecting specific areas.

3.6.1.1. Integrated development in urban areas

Urban areas play a crucial role as service providers and drivers of development for the surrounding areas (smaller cities and rural areas) as centers of economic opportunities, innovation potential, cultural values and human capital. At the same time, due to the high concentration of socio-economic activities, these are areas where problems such as unemployment, social exclusion and poverty, and high energy consumption are concentrated.

In the Croatian case, the problems and challenges faced by urban areas are not limited to their administrative boundaries. According to the national framework of urban / local development planning, instead of being limited to individual administrative units, cities can form wider urban areas consisting of densely populated central units of local self-government (centers of urban areas) and neighbouring urban and / or rural units of local self-government in order to solve common problems. Such spatial complexity requires an equally complex multidimensional approach that can respond to modern challenges of urban development (combined cross-sectoral and territorial approach) that should be the result of structured analysis and planning of common needs of all relevant stakeholders. In this sense, the process of strategic planning of urban development is a complex task that includes prioritization of development needs, development of integrated development strategies simultaneously focused on different sectors and interconnected specific activities, putting everything in the appropriate territorial context. The Law on regional development (further: ZRR) defines UADS¹⁴⁹ as a basic strategic document in which development goals and priorities for urban areas are determined.¹⁵⁰

¹⁴⁹ UADS - Urban area development strategies

¹⁵⁰ Regional Development Act of the Republic of Croatia (OG 147/14, 123/17, 118/18 Article 15, paragraph 1), <https://www.zakon.hr/z/239/Zakon-o-regionalnom-razvoju-Republike-Hrvatske>

According to the ZRR, three types of urban areas have been established for the purpose of more efficient planning, harmonization and implementation of regional development policy:

1. Four urban agglomerations - centered on the four largest Croatian cities: Zagreb, Split, Rijeka and Osijek;
2. Larger urban areas - i.e. cities that, according to the last census, have more than 35.000 inhabitants, provided they are not included in urban agglomerations: Vinkovci, Bjelovar Dubrovnik, Šibenik, Varaždin, Sisak, Karlovac, Pula, Slavonski brod, Zadar;
3. Smaller urban areas - i.e. cities that, according to the last census, have less than 35.000 inhabitants and at least 10.000 inhabitants in their central settlement and / or are the county center.

The urban development strategy should include the following additions:

- Decision on the establishment of the partnership council, appointment of members and reports on the conducted consultation procedure
- Complete analysis of the situation
- Report on the conducted preliminary evaluation procedure
- Strategic Environmental Assessment Report (if applicable)

Given that joint planning involves local governments with different characteristics and dimensions, the UADS must be the result of partnership consultations involving representatives of all local governments as well as representatives of all relevant stakeholders in urban development throughout the strategic planning process, seeking their contributions and including them according to needs. The UADS should also include a list of strategic projects that will concretely and realistically contribute to the achievement of the set strategic goals. Funds for the implementation of identified projects are provided from the budgets of local and regional units, EU funds, state funds or other funds as needed. Prior to the adoption of the UADS, since the UADS is adopted in accordance with the principle of partnership and cooperation, it is necessary to obtain the opinion of the Partnership Council for Urban Areas on the final draft of the UADS¹⁵¹. The UADS is adopted by the representative body of the local self-government unit that is responsible for its development, i.e., the centre of the urban area, with the previously obtained opinion of the representative bodies of all local self-government units from that urban area¹⁵².

An interesting example of urban development and regeneration are the intervention plans, which are at the same time both strategic and operative planning documents. The intervention plans are conceived as integrated (cross-sectoral) territorial and participatory documents aimed at identifying development needs and defining goals and development priorities, as well as action plans for implementing physical, economic and social reconstruction interventions in cities. Several intervention plans have come to life in the program area: Reconstruction and development strategy of the City of Vukovar and Intervention plans in Knin, Benkovac and Petrinja. Also, in the programme area, the Intervention Plan for Slunj and surrounding municipalities (all municipalities of the

¹⁵¹ Regional Development Act of the Republic of Croatia (OG 147/14, 123/17, 118/18 Article 15, section 4)

¹⁵² In case the areas concerned are the potential users of the ITI (ZRR 123/17, 118/18 article 15. Section 5.)

southeast bordering with BiH) was being prepared in collaboration with the Ministry of Regional Development and EU Funds of Croatia, till September 2020 but has been postponed for the new financial framework.

The consequence of the globalization process is the weakening of the institutional efficiency of the state, which has in turn led to changes in the approach to development problems, as shifts in the direction of locally based development initiatives. This approach has made it possible to look at the role of local “actors” and new instruments for implementing local development initiatives in a whole new context. Endogenous development gives new meaning to internal coordination, i.e. the coordination of local bodies and institutions, local economic policy and cooperation and links between local actors. Endogenous development implies re-finding the role of space in the process of economic development and emphasizes the importance of certain historical, cultural and institutional specifics for local development. Numerous instruments have been shown to be available to local authorities and other local actors to stimulate new employment and encourage change and economic recovery at the local level. Among them, development agencies, which are public institutions, play an important role in strategic development at all levels, but especially in the programme area. A special place in the development of Vukovar-Srijem County is occupied by the public institution - Development Agency of Vukovar-Srijem County, which is also an accredited regional coordinator by the Ministry of Regional Development and EU funds. The Development Agency of Vukovar-Srijem County was established by the Vukovar-Srijem County and operates with the aim of effective coordination and encouragement of regional development of Vukovar-Srijem County, in accordance with Article 25 of the Regional Development Act of the Republic of Croatia (OG 147/14, 123 / 17, 118/18) performs activities of public authority / activities of public interest.

There are a large number of local development agencies in the Croatian programme area. Below are some of the most prominent agencies with a brief description of their activities. Public institution Zadar County Development Agency ZADRA NOVA, has a central role in preparation of strategic plans at both regional and local levels of Zadar County by developing national and regional strategic plans and other strategic planning activities as entrusted by agency founders. The Development Agency of Slavonski Brod Ltd. coordinates activities aimed at ensuring quality project development through the professional support of the Agency, for the benefit of the City of Slavonski Brod and its inhabitants. They are engaged in the development of all types of projects to attract EU funds, the development of economic projects and studies and the coordination of activities related to the development of tourism and many others. The Public Institution for the Management of Protected Natural Values of the Vukovar-Srijem County deals with the topics of Water management, Evaluation systems and results. The Dubrovnik Development Agency serves as the main support institutions to both public institutions such as the City of Dubrovnik, as well as the private sector (SMEs and local tradecrafts) in the Dubrovnik – Neretva County. Also, in the programme area is the Public institution for management of protected nature areas in the Zadar County – Natura Jadera, whose duties are to manage and protect 13 different protected sites that are included in the Natura 2000 network.

In Bosnia and Herzegovina on the other hand, the strategic urban planning framework is within the entities’ competences. Currently, there are different physical planning laws in Republika Srpska,

Federation of Bosnia and Herzegovina and District of Brčko of BiH. Methodological and legislative guidelines need to be harmonized in order to avoid adversely impact on the development of different urban areas.

In Republika Srpska, the Law on physical planning and construction¹⁵³ is the main act which defines the spatial and strategic frameworks of urban development. It defines the strategic and implementing documents as well as their hierarchy and duration. Strategic documents defined by the Law are made for the duration of 20 years and are as follows:

- a) Spatial plan of Republika Srpska,
- b) Spatial plan of special purpose areas of Republika Srpska,
- c) Joint spatial plan for territories of two or more local administration units,
- d) Spatial plan of local administration units,
- e) Urbanist plan.

On the other hand, despite the existence of several different kinds of spatial plans, the strategic development plans and sectoral development strategies in the area of Republika Srpska are currently lacking which seriously impacts the chances of implementing and providing new approaches to sustainable development of urban areas.

The Federation of Bosnia and Herzegovina, like Republika Srpska has its own Law on Physical planning and construction¹⁵⁴ which determines the planning and use of land, creating, approving and implementing planning documents along with their contents and the monitoring of their implementation. Also, each of the 10 cantons have their own physical planning act, and the same applies to the municipalities, which have the decisions on physical planning that are approved and adopted by the municipality assembly. At the same time, the Law on physical planning and construction¹⁵⁵ is the only legislative act which regulates the area of spatial planning in that district.

Given the lack of strategic development plans that are made on the national level, it is interesting to see that most of the cantons as well as a large number of municipalities and cities have their own development strategies, including the ones in program areas. That implies the very need to implement the same approach at the national level and improve the methodological and regulatory guidelines for local administrations to ensure the consistency and obligation of strategic thinking in the function of urban development.

Some of the main actors in strategic development, apart from the local administrations, are the regional development Agencies: RDA NW (Northwestern BiH); NERDA (Northeastern BiH), REZ (Central BiH), SERDA (Sarajevo region), REDAH (Herzegovina region). The said agencies are the main

¹⁵³Zakon o prostornom uređenju i gradnji ("OG RS", br. 40/2013, 2/2015 - Decision US, 106/2015 i 3/2016 - corr., 104/2018 - Decision US and 84/2019)

¹⁵⁴ Law on Physical planning and construction (OG FSBiH 2/06, 72/07, 32/08, 4/10, 13/10 & 45/10)

¹⁵⁵ Law on physical planning and construction (OG Brčko Distrikt no. 29/08)

drivers of strategic planning and development at the regional level, and often devise strategies along with the measures and action plans for their implementation.

As part of the improvements made towards strengthening the strategic framework, recently there has been an increase in projects which aim to tackle the challenges that cities and urban environments face on a daily basis. However, despite a rise in the number of projects, the majority of such projects remain limited to the capital of Sarajevo which indicates a tendency towards centralization.

As far as program area is concerned there are few new urban regeneration projects and initiatives, but a noteworthy initiative has started at the beginning of 2021 where five new local administrations have jointly undertaken smart city projects as pilot cities in the project: “Smart cities - towards digital transformation of cities in BiH”.

In Montenegro, the Regulation on the manner and procedure of creating, coordinating and implementing strategic documents (“Sl. list Crne Gore”, no. 54/2018) is the main regulatory act which determines the strategic planning process, its actors and the manner of its implementation. All strategic documents, according to the Regulation, must be in line with the eight principles of strategic planning: principle of planning creating and implementing strategic documents, principle of coordination; principle of financial sustainability; principle of collaboration; principle of transparency and; principle of continuity. The 19th article stipulates that the implementation of strategic documents must be reported to the government on a yearly basis and after the end of the period for which it was adopted. That ensures the monitoring of implementation and avoids creation of strategies purely for strategies’ sake.

The main outlines of strategic development of Montenegro can be observed in the “2030 National Strategy for Sustainable Development of Montenegro”, adopted by the Parliament of Montenegro in 2016. The strategy provides the main principles, strategic goals and measures for achieving a long-term sustainable development of society. The NSSD is positioned as an umbrella strategy which refers to the economic development, but also to environmental protection, development of human resources and answers to different socioeconomic challenges which Montenegro faces. Additionally, the NSSD defines guidelines for implementing conflicting sectoral policies in Montenegro and at the same time it is orientated towards integrated development and applies the UN agenda sustainable development goals.

On top of that, the Montenegrin government has adopted the Strategy of regional development of Montenegro 2014 - 2020 which is currently out of date and a new regional development strategy is being drafted. The aforementioned Strategy contains the guidelines for the development of three Montenegrin regions. These regions were first instituted by the Regional Development Law (“Sl. list Crne Gore”, no. 20, 26/11) which divides the country into three regions for statistical purposes with no legislative or implementing powers vested in those regions. Furthermore, the Government adopted the 2011-2016 development strategy for inter-municipal cooperation together with the

2011-2013 Action Plan for its implementation and the Law on the Territorial Organisation of Montenegro was enacted by the Montenegrin Parliament on 2 November 2011.

Montenegro is a relatively highly urbanized country with 67,15% of the population living in urban environments in 2019, according to the World Bank data. Given that the majority of over 621.873¹⁵⁶ inhabitants live in urban areas it is vitally important to provide a strategic framework into the development of such areas. The strategies in Montenegro are currently made mostly on the municipal level, except for Podgorica, which has a Strategic development plan on the city level. Other than the Strategic development plan, Podgorica is currently continuing its development in the direction of a Smart City, having adopted the Smart City Podgorica Strategy in April 2018. Given that Podgorica, with its 187.085 inhabitants (or roughly 30%)¹⁵⁷, is the biggest and most developed city in Montenegro, it is not surprising that it is currently serving as a “model city” for the rest of the Montenegrin cities.

Aside from Podgorica, every other municipality in the programme area has adopted a Strategic development plan which proves that the direction of the local administration is increasingly synchronized with the recent directions from the EU and other international organizations.

3.6.1.2. Integrated development in other areas

Improving the quality of life in rural areas and reducing poverty, equal share of income distribution and economic opportunities, as well as their fairer social position, are important aspects of sustainable rural development that all programme countries strive for. The LEADER approach at the level of the European Union is a significant measure of rural development that addresses specific problems at the local level, enabling the population organized in partnerships - Local Action Groups (LAGs) to implement smaller local projects relevant to developing and improving quality of life in rural areas.

The EU 2020 Territorial Agenda, the EU's overarching document in the field of spatial planning, has set the goal of spatial development through new forms of territorial governance and partnerships between rural and urban areas. As the new strategic documents, such as the National Development Strategy 2030 and the Transformation Plan of Rural Areas and Agriculture: More Than a Farm suggest, one of the biggest challenges in rural areas is depopulation. Aging and emigration are very serious problems that lead to reduced operability in the business community. Aging and emigration are very serious problems that lead to reduced operability in the business community. Additional challenges facing rural areas are poor access to social services, lack of mobile social service teams, lower quality of life, underdeveloped broadband internet and poor mobility of workers and the population. In the draft Rural Development Programme 2014-2020, for the purposes of

¹⁵⁶ Monstat evaluations for the 1st of January 2020.

¹⁵⁷ City of Podgorica, <https://podgorica.me/teritorija-i-stanovnistvo>

implementing rural development measures, rural or mixed areas in the Republic of Croatia are considered all local self-government units belonging to predominantly rural or mixed counties (NUTS3) separated using the original OECD methodology. Exceptions are the units of the City of Zagreb, the City of Split, the City of Rijeka and the City of Osijek. Due to the significant size of the seat settlements, all settlements that administratively belong to them are considered rural or mixed, except for the seat settlements themselves (Zagreb, Split, Rijeka and Osijek).

The following data indicate that the situation in the programme part of Croatia is suboptimal. Virovitica-Podravina County which is not in the programme area has the weakest development index, followed closely by programme areas such as Brod-Posavina County, Vukovar-Srijem County, Bjelovar-Bilogora County, Požega-Slavonia County, etc. If we take into account that regional policy is an investment policy, it is necessary to consider in addition to the index development and competitiveness of counties. The research of the National Competitiveness Council showed that the financial market, clusters and local self-government are still poorly developed in the counties. The analysis also showed that counties with a high degree of competitiveness are not always identical to those in terms of GDP per capita. The most devastating data are still in the eastern part of continental Croatia.

LEADER (Liaison Entre Actions de Développement de l'Economie Rurale - Links between rural economic development activities) is a mechanism for implementing EU rural development policy measures, and is based on the implementation of local development strategies managed by local action groups (hereinafter: LAG). LAG is a partnership of representatives of the public, economic and civil sector of a particular rural area, which was established with the intention of developing and implementing a local development strategy in that area, and whose members can be natural and legal persons. The LAG area is a rural area of at least 10.000 to a maximum of 150.000 inhabitants including settlements with a population below 25.000 inhabitants. The objectives of the LEADER approach in the Republic of Croatia in the period 2014-2020, arising from the identified strengths and weaknesses and opportunities and threats were as follows: promoting rural development through local initiatives and partnerships, improving and promoting rural development policy, raising awareness of bottom-up approach upwards and the importance of defining a local development strategy, - improving rural living and working conditions, including well-being and others. There are currently 56 LAGs in all of Croatia, 31 of which operate in the programme area. Croatian LAGs cover an area of 52.190,05 km², which is 92,30% of the total area of Croatia. The area of LAGs has 2.446.567 inhabitants, which is 57,10% of the total population of Croatia. Croatian LAGs comprise 531 local self-government units (121 cities and 410 municipalities), which is 95,50% of the total number of local self-government units in Croatia. Listed below are all LAGs that operate in the programme area:

- LAG Zrinska gora - Turopolje
- LAG Sava
- LAG Petrova Gora
- LAG Una

- LAG Vallis Colapis
- LAG Frankopan
- LAG Sjeverna Bilogora
- LAG Bilogora - Papuk
- LAG Lika
- LAG Mentorides
- LAG Barun Trenk
- LAG Zapadna Slavonija
- LAG Zeleni trokut
- LAG Posavina
- LAG Slavonska ravnica
- LAG Vuka Dunav
- LAG Strossmayer
- LAG Bura
- LAG Cetinska krajina
- LAG More 249
- LAG Laura
- LAG Mareta
- LAG Bosutski niz
- LAG Šumanovci
- LAG Srijem
- LAG Adrion,
- LAG Kamen i more
- LAG Zagora
- LAG Škoji
- LAG Neretva
- LAG 5

Croatia also boasts a very active Network for Rural Development, which is comprised of 41 associations. In addition to its membership and active role in several international organisations, the Croatian Network also organises various conferences, educations and round tables, implements a number of projects aimed at enhancing rural development along with promotional activities which actively promote rural development in Croatia.

If we switch our focus over to Bosnia and Herzegovina, we will find that, according to official statistics, 57,3 % of the population of Bosnia and Herzegovina live in rural municipalities¹⁵⁸, making

¹⁵⁸Statistical Agency of B&H, <http://www.statistika.ba/?show=12&id=49800>

it one of the most rural countries in Europe¹⁵⁹. Even so, agriculture, forestry and fishing made up only 12,03% of the GDP in Bosnia and Herzegovina in 2017.¹⁶⁰

That information can be further backed by the data gathered by the UNDP study¹⁶¹:

- half of rural households have little or no involvement with agriculture, at most keeping a vegetable garden;
- 36% of rural households operate “smallholdings”, producing a significant share of their own food requirements, but generating very little cash income;
- Around 13% of rural households may be considered as full-time or part-time farms, producing significant quantities for sale, yet even these gain more than three-quarters of their income from outside agriculture;
- Less than 1% of households would typically be classified as “commercial farms”

The 2010 Multi-dimensional Poverty Index shows that rural families score better than urban in terms of nutrition, worse in terms of wealth, and about the same in terms of education. Overall, poverty is rated as 9% more severe in rural areas than that in urban areas.

Formation of local action groups as a form of organisation in rural areas in Bosnia and Herzegovina has thus far always been initiated by foreign organizations and stakeholders and not at the request of local CSOs. As a result of such initiatives different LAGs have been formed:

- LAG Devetak (municipalities Rogatica, Sokolac & Han Pijesak),
- LAG Blidinje (municipalities Tomislavgrad and Posušje),
- LAG Vrbanja – Ukrina (municipalities Prnjavor, Čelinac, Kotor Varoš),
- LAG SAVUS (municipalities Gradiška, Kozarska Dubica, Laktaši and Srbac),
- LAG Drina-Birač (municipalities Srebrenica, Milići, Zvornik, Bratunac and Vlasenica).

Out of all these LAGs, the only remaining active one, according to the data of the Rural development network of Bosnia and Herzegovina is LAG Devetak. The Rural development network of Bosnia and Herzegovina itself is pretty active in organising different webinars, seminars and educations for stakeholders of rural development in BiH. The network is currently involved in a project “NAGE – Networking and Advocacy for Green Economy” with seven other partner organizations. The goals of the project are: strengthening the capacity of CSOs in networking and lobbying, introducing the green economy concept as a business model and advocating evidence based policy making in agricultural and green economy areas. Other than LAGs, international organizations are also recognizing the importance of rural development in Bosnia and Herzegovina. An interesting example of such a project was “Rural Business Development Project”¹⁶². It was implemented by the

¹⁵⁹ Rural development in Bosnia and Herzegovina: Myth and reality, 2013. http://hdr.undp.org/sites/default/files/nhdr_en_web_30102013.pdf

¹⁶⁰ http://www.bhas.gov.ba/data/Publikacije/Saopštenja/2019/NAC_02_2018_Y1_0_BS.pdf

¹⁶¹ Rural Development in Bosnia and Herzegovina: Myth and Reality, 2013, https://www.ba.undp.org/content/bosnia_and_herzegovina/en/home/library/nhdr/nhdr-2013.html

¹⁶² Rural Business Development Project: <https://opecfund.org/operations/list/rural-business-development-project>

OPEC Fund for International development in 2016 with the goal of helping subsistence farmers transition to commercial farming and develop non-farm enterprises leading to the increase of incomes of about 20.000 rural households in 47 municipalities.

The situation is different when it comes to Montenegro. Even though rural areas make up more than 90% of the territory¹⁶³, only 32,85% of the population in Montenegro lives in rural areas. Such areas in Montenegro, encompass a wide variety of geographical specificities such as mountainous regions, coastal areas and the riverside areas. Even though the surface of the country is relatively small, the country has over 40 different lakes and 90% of its territory is covered in forests, pastures and other unreachable terrains, while the remaining 10% falls under the coastal areas. As far as territorial divisions are concerned, the northern and central regions of Montenegro are currently underdeveloped compared to the coastal region, especially when the demographic structures of inhabitants, poverty rates and infrastructural development are observed.

Significance of rural areas is all the more important if we take into account the official statistics which state that agricultural arable lands make up 22% of the entire surface of the country. The potential of rural areas is not underestimated by the Montenegrin government which adopted the Law on agriculture and rural development in 2017, and the national program of rural development in 2008. As far as the sustainable development element of rural areas is concerned the four main strategic documents are: Strategy of regional development of Montenegro 2014 - 2020, Strategy of agricultural and rural areas development 2015 - 2020, Strategy of development of tourism until 2020, National sustainable development strategy of Montenegro until 2030. An important project for development of rural areas in Montenegro, "The Montenegro Institutional Development and Agriculture Strengthening Project"¹⁶⁴ was finished in 2019. Funded by the World Bank, among this project's most distinguished results are achievements such as: 6.337 people, including 1.077 women, directly benefited from the project with improved agricultural services; 1.511 clients adopted an improved agricultural technology; 278 agricultural households adopted agro-environmental measures; 2.142 ha of land adopted sustainable land management practices; 658 commercially oriented ago-holdings were established; An integrated farm register was built which registers farms electronically.

Given that tourism plays an important role in the Montenegro economy, where it makes up 24% of the GDP during the year 2017 and that 7,6% of the total employment is directly in the tourism sector, the importance of further development different manners of tourism, especially rural tourism is in focus of the Montenegrin government. Montenegro Ministry of Sustainable Development and Tourism has, in the year 2018 developed the Programme of sustainable development of rural tourism until 2021. The Programme, along with the enclosed Action Plan, has specific measures

¹⁶³ ODRŽIVOST RURALNIH PODRUČJA I DOSADAŠNJA STRATEGIJA RAZVOJA RURALNOGA TURIZMA U MANJE RAZVIJENIM REGIJAMA CRNE GORE, Mitrović L., Živković S., 2018., https://www.fthm.uniri.hr/images/kongres/ruralni_turizam/4/znanstveni/Mitrovic_Zivkovic.pdf

¹⁶⁴ The MIDAS Touch: Supporting Institutional and Agricultural Development in Montenegro <https://www.worldbank.org/en/results/2020/10/11/supporting-institutional-and-agricultural-development-in-montenegro>

designed to enable the sustainable development of tourism in rural areas and to improve the economic circumstances in those areas. By building on the rich cultural heritage and the natural resources at its disposal, Montenegro has a lot of opportunities to incite rural development through rural tourism by including more stakeholders in its development.

3.6.2. Conclusions and recommendations

All three programme countries have adopted a positive attitude towards implementing a strategic framework into their planning processes and there is a visible shift in the select countries from a short-term opportunity-based project perspective to a more strategic, long-term perspective. Croatia and Montenegro have both gone further than Bosnia and Herzegovina in their progression of sustainable development. Largely, in the Croatian case, that is due to the membership in the EU and having increased access and contact with European best practices. Bosnia and Herzegovina, however, is still suffering from a disorganised and fractured system of administration which is not unified at the national level. That leads to a significant difference in development of different parts of the country as well as a disjointed approach to accepting and implementing new practices and projects.

In all three countries significant potential lies in rural areas, which are currently some of the least developed areas in Europe. Besides the obvious and noticeable demographic and economic problems in those areas, there are several ways in which the countries can improve the development of these areas:

- Creating specific long term rural development strategies with Action plans that clearly state the timelines, responsibilities and measures that will be implemented and actually adhering to them.
- Improving key infrastructure in both rural and urban areas.
- Improving and encouraging the networking of rural sustainable development stakeholders in order to provide them with more influence and improve their market positions.
- Creating specific rural tourism strategies which outline the targeted areas, their potential and investing in tourism development and marketing of specified areas, thereby exploiting the growing interest in rural tourism.

Although the urban areas of all three countries are significantly more developed than the rural ones, they are still not up to the European standards. Foreign investments and adopting best practices in urban regeneration and development of brownfield projects could serve as a means to improve the image of urban areas in all three countries.

Given the horizontality of the specific objective related to tourism, it is important to highlight the potential of tourism in this Policy objective, primarily in the context of integrated planning of the development of tourism with the aim of achieving greater sustainability of tourism activities. An example of a project that could tackle the issue could be the establishment of different territorial cooperation platforms that gather leaders of all professional associations and communities, as well

as leaders of the most relevant professional organizations to discuss potentials and obstacles in the tourism sector having in mind other sectoral strategies.

According to the policy objective legislation, in order to foster and develop the integrated territorial development approach, investments in the form of territorial tools such as integrated territorial investments ('ITI'), community-led local development ('CLLD') or any other territorial tool under policy objective "Europe closer to citizens" for investments programmed for the ERDF should be based on territorial and local development strategies. For the purposes of the above-mentioned investments, minimum requirements should be set out for the content of territorial strategies. Those territorial strategies should be developed and endorsed under the responsibility of relevant authorities or bodies. To ensure the involvement of relevant authorities or bodies in implementing territorial strategies, those authorities or bodies should be responsible for the selection of operations to be supported, or involved in that selection. This approach creates overwhelming obstacles in the sense of choosing this PO as relevant for the programme, since there are no common strategies for joint governance of certain territories or fields of interest. The creation of such joint strategies is a prerequisite for the usage of funds under this objective. Since such strategies are not planned or developed, it is evident that this PO is not to be taken into account.

3.7. Better Cooperation Governance

3.7.1. Description of current state in key analysis areas

There are many different types of obstacles to cross border cooperation, which have different effects on border regions. There is also scope for greater sharing of services and resources in cross border regions. Among the obstacles, legal, administrative and institutional differences are a major source of bottlenecks. The Programme itself has a common objective to increase the cooperation with different projects in place. The following paragraphs are limited to the analysis of the structure of local government in place, their capacity for good governance and the possibilities of cooperation between public administrations.

3.7.1.1. Local and regional governance

Local and regional governance is understood across different elements that comprise a democratic governance, those being the institutional, territorial organisation of governance, different areas of authority, democratic society development and representation and civil society participation in decision making.

The territory of the Republic of Croatia is administratively divided into 128 cities and 428 municipalities. Municipalities and cities in Croatia make up the lowest level of self-government while counties are higher units of local, i.e. regional self-government, organized by municipalities and cities. There are 20 counties as the second-tier governments and local levels, 428 municipalities and 128 towns, 17 of which have the special status of large towns. The total number of local governments is 576 (counties included). Almost 51% of local governments have fewer than 3 000 inhabitants, and an additional 20% fewer than 5 000 inhabitants.¹⁶⁵

Local self-government units perform activities within the local scope that directly meet the needs of citizens, and especially activities related to the arrangement of settlements and housing, spatial and urban planning, utilities, child care, social welfare, primary health care, education and primary education, culture, physical culture and sports, consumer protection, protection and improvement of the natural environment, fire and civil protection. Units of regional self-government perform tasks of regional significance, especially tasks related to education, health, spatial and urban planning, economic development, transport and transport infrastructure, and planning and development of the network of educational, health, social and cultural institutions. Support for regional development is centralised, with the Ministry of Regional Development and EU Funds as the main institution. The Ministry works closely with regional coordinators in order to achieve a more uniform development of the Republic of Croatia and the planning of EU funds.

¹⁶⁵ Ivan Koprić, University of Zagreb, Published by European Commission, Public administration characteristics and performance in EU28: Croatia,
http://knjiznica.sabor.hr/pdf/E_publikacije/Public%20administration%20characteristics%20and%20performance%20in%20EU28%20-%20Croatia.pdf

There are three associations of local governments which promote their interests and serve as the focal points of their cooperation (Association of Municipalities, Association of Towns, Croatian County Association).

According to the research Analysis of digital readiness of Croatian cities 2020¹⁶⁶, cities in Croatia show a tendency towards more transparent public resources management and budget planning. There is an evident trend in integrating participation in budget planning and transparency on spending, including cities in the programme area such as Bjelovar, Split, Dubrovnik and Slavonski Brod. In terms of average budget transparency of all local governments in a county, measured by the number of key budget documents published, the best performers were the Požega-Slavonia, Zagreb, Karlovac and Šibenik-Knin county, while the least transparent were Zadar, Split-Dalmatia, Vukovar-Srijem, Lika-Senj and Dubrovnik-Neretva county. The most transparent cities are those in the Brod-Posavina county while the least transparent cities are located in the Vukovar-Srijem county. It is reassuring that around 40% of local governments maintained the highest level of budget transparency and that 30% of them published more documents than in the previous research cycle.¹⁶⁷ According to the Open Budget Survey by International Budget Partnership, which assesses the public's access to information on how the central government raises and spends public resources, Croatia ranks 68 and is marked as a country that provides “substantial information” on budget spending.

The Democracy Index is an index compiled by the Economist Intelligence Unit (EIU), the research division of the Economist Group¹⁶⁸. Research is conducted around five topics: electoral process and pluralism, civil liberties, functioning of governance, political participation, and political culture. In 2019 Croatia has ranked 59/167 showing a slight democracy decline from 2013 onward, thus remaining in the category of “Flawed democracies”¹⁶⁹. In 2019, Croatia scored the highest for Electoral process and pluralism (9,17) which is a score related to “Full democracies” category, while all other topics: Functioning of governance (6,07), Civil liberties (7,06), Political participation (5,56) and Political culture (5,00), remained on the spectrum for “Flawed democracies”.

The Republic of Croatia has developed a system of financial support for programmes and projects of civil society organizations at the state and local levels. The number of civil society organizations is one of the most important indicators of the development of civil society. In Croatia, a Registry of association provides data on the exact number of associations (active, in-active, liquidated or

¹⁶⁶ Apsolon d.o.o., Analiza digitalne spremnosti hrvatskih gradova 2020, <https://apsolon.com/publikacije/analiza-digitalne-spremnosti-hrvatskih-gradova-2020/>

¹⁶⁷ Institute of Public Finance, Budget transparency in Croatian counties, cities and municipalities: November 2019 – April 2020; <http://www.ijf.hr/upload/files/file/ENG/newsletter/119.pdf>

¹⁶⁸ UK-based private company which publishes The Economist

¹⁶⁹ Flawed democracies (6.01-8) are nations where elections are fair and free and basic civil liberties are honoured but may have issues (e.g. media freedom infringement and minor suppression of political opposition and critics). These nations have significant faults in other democratic aspects, including underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance.

deleted from the Registry of associations), fields of work of registered associations. According to official records and registers there are 52.238 associations, 232 foundations, 11 foundations and over 500 trade unions and employers' associations, 52 religious communities and more than 2.050 legal entities of the Catholic Church, 430 organizational forms of the Orthodox Church and, according to estimates, more than 600 private institutions. Most civil society organizations are related to the City of Zagreb, and five counties (Split-Dalmatia, Primorje-Gorski Kotar, Osijek-Baranja, Zagreb, Istria), in which a total of more than 31.000 associations and the largest number of foundations are registered. The Office for Non-Governmental Organizations collected and processed in annual reports on the financing of projects and programs of civil society organizations, and annually an average of HRK 1,6 billion was allocated to programmes and projects of civil society organizations from public sources. There is no doubt that the extremely large differences in the standard of living of citizens between Croatian regions are directly related to the level of development of civil society in these regions. Therefore, in recent years, additional efforts have been made to develop programmes to support the balanced regional development of civil society, and the processes of decentralization of funding for projects and programmes of associations from public sources have continued.

It is clear that the most critical area of civil society development in Croatia is related to the limited space for action, defined as a legal, political and socio-cultural framework conducive to the development of civil society while the Strategy for Creating a Stimulating Environment for the Development of Civil Society 2017-2021 has not yet been adopted in Croatia.

According to the report of the Government Office for NGOs in the context of public consultations and citizen involvement in public policy making for 2018, an increase of 46% compared to 2017 is evident. The E-Consultation system represents a qualitative step in developing the process of consulting with the interested public, other regulations and acts that allows access to all open consultations in one place, easier commenting on the provisions of draft regulations and generally contributes to better cooperation with citizens and all interested social groups in the policy-making process. On 10 May 2018, the Office for Non-Governmental Organizations, in cooperation with the Croatian Community of Counties, presented the Declaration on Cooperation between Counties and Civil Society Organizations in the Republic of Croatia, the signing of which ensured more intensive cooperation and partnership development. During 2018 and 2019, the Council for the Development of Civil Society operated in the sixth convocation appointed by the Government of the Republic of Croatia.

Bosnia and Herzegovina is consisted of two entities - the Federation of Bosnia and Herzegovina and the Republika Srpska, and Brčko District of BiH. Republika Srpska is an entity that is administratively divided into regions (Banja Luka, Doboj, Bijeljina, Istočno Sarajevo and Trebinje), and the regions are further divided into municipalities. Brčko District of BiH is unique administrative unit of local self-government. The Federation of BiH is further divided into ten cantons: Una-Sana, Sarajevo, Posavina, Tuzla, Zenica-Doboj, Bosnia-Podrinje, Central Bosnia, Herzegovina-Neretva, West Herzegovina and Canton 10. The cantons also enjoy high powers. The entities have a high degree of

autonomy: they have a president, parliament, government and judiciary. The entities have civil administration, health, education, police, spatial planning and much more. The state, on the other hand, has foreign affairs, defense, border control, elections, foreign trade, fiscal and monetary policy. Since 1996, efforts have been made to transfer as many entity powers as possible to the state level.

The legislature consists of the Parliament of the Federation of BiH, which consists of the House of Representatives and the House of Peoples. Executive power is exercised by the President and two Vice Presidents of the Federation of BiH, as well as the Government of the Federation of BiH. The capital is Sarajevo. In the Republika Srpska, legislative power is exercised by the National Assembly of the Republika Srpska and the Council of Peoples. Executive power is exercised by the President and two Vice Presidents of the Republika Srpska, as well as the Government of the Republika Srpska. The capital is Sarajevo. The territory of Brčko, which was under arbitration, did not belong to either the Federation of BiH or the Republika Srpska, but was placed under the administration of the state of Bosnia and Herzegovina as a separate district by the decision of the International Arbitration Commission for Brčko at the end of 2000. Brčko District of BiH has its own multiethnic government with an elected assembly, executive board, judiciary and police force. The Republika Srpska entity has a 2017-2021 strategy for developing local self-government, while there is no such strategy at the state level or in the Federation entity.

The legislative assemblies in the country remain weak in relation to the executives, with little cooperation and weak capacities. The legislative framework does not fully establish standards for monitoring and reporting on key government planning documents at each level of government, thus preventing public scrutiny over government work. Bosnia and Herzegovina is at an early stage with public administration reform.

Bosnia and Herzegovina has not yet achieved sufficient budget transparency and annual budgets and reports on budget implementation are usually published by state-level institutions but there are good practice examples practices in Grude, Modriča, Banja Luka, Kostajnica. The lack of harmonisation of the charts of accounts at state and entity level hampers access to consolidated data. In-year reporting still has to be improved at all levels. Available budgetary information remains incomplete, and assessing the overall budgetary and fiscal policy is difficult. According to the Open Budget Survey by International Budget Partnership, which assesses the public's access to information on how the central government raises and spends public resources, Bosnia and Herzegovina ranks 33 and is marked as a country that provides Minimal Information on budget spending.

Regarding civil society, Bosnia and Herzegovina has seen some progress in establishing institutional mechanisms for cooperation between governments and CSOs, as well as in public financing of CSOs. A Charter on Cooperation between the Council of Ministers of Bosnia and Herzegovina and CSOs was signed in November 2017. Strategic frameworks for cooperation with civil society still needs to be developed at all governance levels. Consultations with CSOs were occasionally held in specific

sectors, also thanks to the use of institutional mechanisms such as e-consultation web platforms. Only recently, long-term EU support to Bosnia and Herzegovina authorities and Civil Society led to establish a publicly accessible registry of the Civil Society Organisations which counts 22,740 CSOs. The Federation of Bosnia and Herzegovina has three LAG-like partnerships set up: LAG Una-Sana, LAG Doboj. No progress was made in addressing an enabling environment for civil society.¹⁷⁰ The distribution of public funds is not fully transparent and impartial. Only a few municipalities have regulations for the transparent funding of civil society organisations that are based on clearly defined criteria and require monitoring and evaluation tools. A framework for the transparent funding of civil society is needed across the Country so is the legislation on public consultations.

Montenegro is organized by municipalities, without hierarchically higher spatial units hence there is no regional level of governance. Today there are 25 local self-government units in Montenegro: the Capital, the municipality within the Capital, Old Royal Capital and 22 municipalities. Areas of authority of LSG in Montenegro include: Local development, Construction land development and management, Performance and development of communal affairs, maintenance of communal buildings and communal order, Environmental protection, Water management, Agricultural land, Social welfare, Transport, Tourism, Culture and sports, Investment policy, Protection and rescue of the local population, Consumer protection.

Montenegro has established a Parliamentary Budget Office within the Parliament of Montenegro with the aim of enhancing the culture of effective financial scrutiny, thus assisting the country in the process of European integration. In September 2016, the PBO had started functioning with two researchers, under the aegis of WFD, in the premises of the Parliament of Montenegro. In its work so far, the PBO has been successful in helping MPs in deliberation of key financial and budgetary documents, such as the 2017 state budget law as well as 2017-2020 Fiscal Strategy. On budget transparency, the government continues to systematically publish the budget proposal and the adopted budget, as well as budget execution reports. However, there is no mechanism to ensure the quality, comprehensiveness and readability of published data. Montenegro is not a part of Open Budget Survey. Although Montenegro has managed to achieve a positive trend since 2017 when it comes to the percentage of regulations that are the subject of public debate, because it increased from 41.5% in 2017 to 64.8% in 2018, this trend fell in 2019, when consultations were conducted for 57% of regulations. Consultation mechanisms with civil society and citizens have been strengthened throughout the implementation of the Public Reform Strategy, however, despite the availability of various mechanisms, participation is very low and this was mentioned as an unexpected negative result.¹⁷¹

¹⁷⁰ European Commission, Bosnia and Herzegovina - country report 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bosnia_and_herzegovina_report_2020.pdf

¹⁷¹ Zehra Kačapor-Džihčić, Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, <https://mju.gov.me/ResourceManager/FileDownload.aspx?rid=417698&rType=2&file=Srednjoro%C4%8Dna%20evaluacija%20Strategije%20reformne%20javne%20uprave%202016-2020%20u%20Crnjoj%20Gori.docx>

The portal "Where does my money go" is a good practice example of cooperation between civil society and government in the context of transparency of public finances, created within the project "Promoting financial responsibility in Montenegro" and "Money Watch - Civil society, the guardian of the budget."

On a Democracy Index by EIU, Montenegro has ranked 84/167 in 2019 with a negative trend on a democracy spectrum from 2013 (5,94) to 2019 (5,65) within the category of Hybrid regimes. In 2019, Montenegro scored the most for Civil liberties (6,76) and Political participation (6,11) which is a score related to Flawed democracies while all other topics remain within Hybrid regimes, Electoral process and pluralism (5,67), Functioning of the governance (5,36) while Political culture has the lowest score (4,38).

The law on Non-Governmental Organisations, amended in 2017, and its secondary legislation, which defined standardised and more transparent state funding mechanisms, have started to be implemented. In 2016, a Memorandum of cooperation between Montenegrins Assembly and CSO's has been signed. Regulation on the election of representatives of non-governmental organizations to the working bodies of state administration bodies and the conduct of public hearings in the preparation of laws and strategies, as well as the Decree on the procedure and manner of co-financing projects and programs of non-governmental organizations supported by EU funds which are in place too. There are still no LAG-like partnerships.¹⁷² An accessible registry of the Civil Society Organisations is established which counts 4.685 CSOs.

3.7.1.2. Institutional capacity of public authorities and stakeholders

Public administration efficiency in Croatia underperforms the EU average. A number of indicators highlight weak public-sector performance in service delivery, which in turn affects the level of trust in the government (European Commission, 2019). The public administration remains highly fragmented at local level. Human resources management (HRM) is decentralised.

One of the main weaknesses of the Croatian public administration is at municipal level. Numerous small municipalities are granted responsibilities and competences in providing public services that they cannot fulfil for lack of adequate financial, administrative and personnel resources. This in turn creates large disparities in public-service provision between financially and administratively strong and weak local units across the country. No significant measures have been taken to address fragmentation of the public administration at municipality level.¹⁷³ What is also important to emphasize is the insufficient staff of local governments, primarily emphasized via interviews with stakeholders, in the context of preparation and implementation of EU projects.

¹⁷² European Commission, Montenegro - country report 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/montenegro_report_2020.pdf

¹⁷³ European Commission, Croatia - country report 2020, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1584545612721&uri=CELEX%3A52020SC0510>

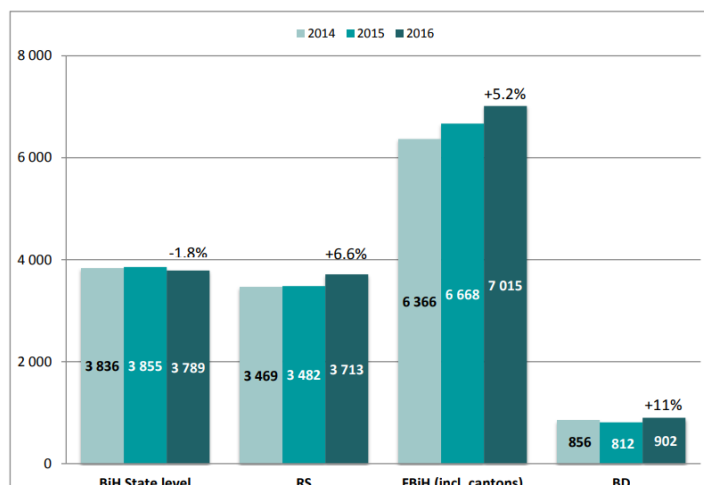
EUR 522,6 million (from ESIF) has been allocated for strengthening capacity of public administrations at different levels. The Catching up Regions Initiative delivers targeted technical assistance and financing for developing five counties in the Eastern Croatia – Slavonija, Baranja and Srijem Project. On the other hand, the European Union allocates significant funds to CSO projects, but given the EU procedures, the beneficiary associations of these funds have problems in raising funds for pre-financing and co-financing.

Human resources management (HRM) remains highly fragmented. All levels of government lack a coordinated approach to human resource management and civil service legislation. No comprehensive, countrywide strategic document on the civil service exists. In 2015, the Public Administration Reform Coordinator's Office (PARCO) initiated the coordination of the process of preparing for the development of a new Public Administration Reform (PAR) Strategic framework, with the support of SIGMA. All levels of government have adopted a Strategic Framework for Public Administration Reform.

The Council of Ministers (CoM) of BiH has adopted a Framework Policy for the Development of the Human Resource Management (HRM) Function in the BiH Civil Service Structures in 2017 which was only endorsed at the technical level and, except for the recent adoption at the State level, no other Government has taken a stance on this document. At the level of the RS, the Law on the Administration of the Republic (115/18), adopted in 2018, give the IRS Civil Servant Agency clear authority for the training and professional development of civil servants. Six of the ten cantons functioning within the FBiH have adopted their own CSL, following a decision of the Constitutional Court of the FBiH which allows cantons to pass their own public administration legislation. The other cantons are still applying the Law on Civil Servants (CSL) in the FBiH. This is causing further fragmentation of the system and means it is impossible to apply common civil service practice across the country.

The number of civil servants in 2016 has increased 5-10% at all administrative levels except at the State level. The strategic documents for civil service training are in place in both Entities (the Framework Training Plan for Civil Servants of the Public Administration Bodies in the RS for the Period 2015-2018 and the Training Strategy for Civil Servants in the Institutions of the FBiH 2016-2020).¹⁷⁴ Administrative capacity to deal with the requirements of EU regional policy remains weak.

¹⁷⁴ SIGMA, The Principles of Public Administration, Bosnia and Herzegovina, Monitoring report 2017., <http://www.sigmaweb.org/publications/Monitoring-Report-2017-Bosnia-and-Herzegovina.pdf>



In Montenegro, the Strategy for Professional Development of Local Public Servants and Employees 2015-2018 and the Action Plan for its implementation for the period 2015-2016 are adopted by the Government of Montenegro on its 96th session. The implementation of the Strategy enabled the establishment of highly qualified personnel, able to adapt quickly to the changes and to provide quality services to the citizens, in order to create a modern, efficient, professional and responsible local government. The Public administration reform strategy 2016-2020 encompasses the entire public administration system which, in Montenegro, includes state administration, local self-government and organisations with public powers. It is stated in the Strategy that in order for the process of public administration reform to be more transparent and closer to the citizens, in the next strategic period it is necessary to further strengthen the cooperation of NGO representatives and structures that will monitor the implementation of the Strategy 2016-2020.¹⁷⁵

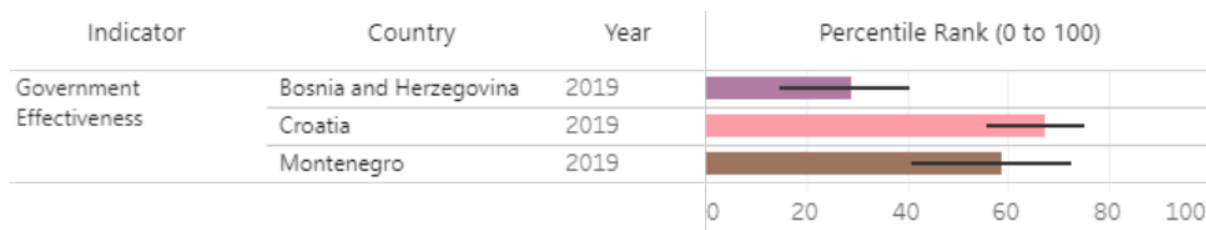
In accordance with the obligations under the Law on Local Self-Government (Article 144-149), local governments have established human resource management units and adopt annual staffing plans. In the local self-governments, in the period from 2018 to 2020, the number of employees was reduced by about 7%. According to the data the number of employees at the central level is 10.336.¹⁷⁶

A useful tool to compare countries in a broad sense, the government effectiveness index is an index elaborated by the World Bank Group which measures the quality of public services, civil service, policy formulation, policy implementation and credibility of the government's commitment to raise these qualities or keeping them high. This index includes 193 countries and It is one in a broad set

¹⁷⁵European Commission, Country Report 2020. https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/montenegro_report_2020.pdf

¹⁷⁶ Public administration reform strategy 2016-2020., <http://rju.parco.gov.ba/wp-content/uploads/2016/09/Strategija.doc>

of government quality indicators and show the main difference between three programme participating countries.



The project "Strengthening the capacity of economic and social councils of Bjelovar-Bilogora and Međimurje counties", the leader of Bjelovar-Bilogora County, aims to strengthen the capacity of members of economic and social councils of Bjelovar-Bilogora and Međimurje counties, and develop three-year strategic frameworks. Following the implementation of the project, greater efficiency and sustainability of the dialogue between the social partners and the regional authorities is expected.

In regards to best practice examples a few are presented in order to gain further insight in the thematic development of the program area in regards to public administration and other stakeholders capacities.

The project "Strengthening the capacity of CSOs to provide support" is aimed at strengthening the capacity of civil society organizations to provide comprehensive support to victims and witnesses of crime and misdemeanours in Dubrovnik-Neretva County, Pozega-Slavonia County, Istria County and Varaždin County. By introducing a system of comprehensive support in these counties, CSOs are further building their capacity by introducing a new service for citizens in need. As part of the project, the associations trained 78 state and public servants who in their daily work meet with victims and witnesses of criminal offenses and misdemeanours (police, social welfare center, state attorney's office, etc.)

In the project "Strengthening the capacity of Lika-Senj County" there was a training conducted for LIRA employees and other interested public in Lika-Senj County. The topics covered were the implementation of public procurement procedures on projects financed from EU funds, preparation of projects financed from EU funds, financial management and control of the implementation of projects financed from EU funds (project accounting, financial planning, monitoring and reporting), preparation of infrastructure projects with an emphasis on the development of FI and CBA, changes in the public procurement system after the adoption of new directives in the field of public procurement and the current practice of the State Commission for the Control of Public Procurement Procedures. The project aims to increase the use of available ESI funds in Lika-Senj County by strengthening the general capacity of the regional coordinator to provide support for the preparation of ESI projects and strengthening the capacity of potential beneficiaries and informing the general public about ESI funds.

“Strengthening the capacity of the Municipality of Danilovgrad” project had the overall goal of supporting the inclusive socio-economic development of the Municipality of Danilovgrad by creating a favourable environment and infrastructural conditions that can meet the needs of all citizens. Strengthened institutional mechanisms and capacities of public service providers could help create conditions for more access to adequate, comprehensive and sustainable services for all citizens, both in urban and rural areas.

The project objectives of CILAP continued as a twinning partnership cooperation between the Gävle, Sweden, and its “sister organizations” in BiH, the FGA, Sarajevo, FBiH and the RGA, Banja Luka, RS. The aim was mainly to transfer knowledge and to develop capacity of these two important, key BIH entity institutions in land administration.

3.7.1.3. Cooperation of public administration

Partnership is one of the basic principles of both local and regional development. Cooperation of all developing entities, i.e. participants in a particular area, contributes to decentralization, which improves the management of the development of the area, strengthening commitment, responsibility, motivation, self-initiative and readiness for change. The application of this principle enables a more holistic approach to development which takes into account all development factors, strengthens the bargaining power of the local community, facilitates the local community, enables consensus on important development decisions, facilitates setting goals and priorities and facilitates the mobilization of financial and other development resources. At the same time, the partnership facilitates the integration of local and regional development into development plans and programs at the central level and enables better coordination of existing resources and access to international development programmes. The principle of partnership is also one of the basic principles of EU regional policy. In regards to cooperation of public administration, best practice examples are singled out in order to provide further insight into the development of the thematic area.

EU Twinning project “Enhancing the role of parliaments in Bosnia and Herzegovina in the EU integration context” (2014.-2016.) implemented a complex training programme with more than 40 seminars and workshops that were organized for all four Parliaments in two locations, in Sarajevo and in Banja Luka, while some special training sessions were also organized in Brčko. Within the project, EU Member States experts presented their experience and shared knowledge. The Project also offered opportunities for MPs and staff members to have insights into the operations of several parliaments in EU countries by organizing study visits and in addition internship programmes to two Member States.

"Strengthening institutional capacity for the recognition of foreign educational qualifications in higher education" which has been implemented since September 2018 in Bosnia and Herzegovina. The beneficiary of the project is the Center for Information and Recognition of Qualifications in

Higher Education of Bosnia and Herzegovina (CIP) based in Mostar, with the support of a consortium of three EU Member States (Croatia, as project leader, France and Latvia as co-leaders).

The purpose of the project is to improve and develop human resources and institutional capacity for the recognition of foreign educational qualifications in higher education in Bosnia and Herzegovina so that persons with foreign qualifications would not encounter obstacles in recognition. This project is a great success for Croatia because it is the first EU Twinning project in which Croatian institutions participate, and the Croatian partner is the leader of the consortium.

“Strengthening the institutional and technical capacity of the Agency for the Protection of Competition” is a project which implementation began in 2018. The project is aimed at strengthening the capacity of the Montenegrin agency in managing and resolving cases in the field of competition, with emphasis on procedural aspects that include complex economic analysis, but also gathering evidence, especially through unannounced searches of business and private premises and vehicles.

3.7.2. Conclusions and recommendations

In order to ensure better local, regional, hence Interreg governance it is necessary to put in place an appropriate legal, institutional and regulatory framework for supervision of local authorities' activities, and to distribute evenly and relatively uniformly across the countries, strategies and laws regarding different governing areas, but far the most important related to democratic governance. Countries should strive to reach a better rank on The Democracy Index i.e. policies and implementations models regarding electoral process and pluralism, civil liberties, functioning of governance, political participation, and political culture. This would in particular mean sharing the decision-making powers, including other stakeholders such as CSO's and improving the transparency of governing structures and data. Principles of Good Governance that would include a comprehensive human management system and cooperation incentives would contribute to a vibrant local and regional governance.

While competences of the public administration are somewhat challenging, this could be further improved by deinstitutionalizing different services provided by the government which would imply greater financial allocation for the work of civil society organisations and their greater involvement in the governing processes. Also, further capacity building for CSOs should be provided in regards to implementing EU funded projects but also development of models for efficient co-financing of CSOs could be useful.

Given the horizontality of the specific objective related to tourism, it is important to highlight the potential of tourism in this Policy objective, primarily in the context of participative planning and coordination of the development of tourism with the aim of achieving greater sustainability of tourism activities on a local and regional level. An example of such a project would have an aim to explore how tourism can be made sustainable with a broad participation method that would result with action plans for enhancing strategic approach to sustainability of tourism. A process would include public, private and civil sector.

3.8. A safer and more secure Europe

The issue of security has undergone a transformation in the programme area, but also in the whole of Europe in recent years. This happened with the outbreak of the migrant crisis, which requires increased border control and increased cooperation of all European countries. The programme area is of great importance because it represents the link between Greece and Turkey, where the largest number of migrants from the Middle East come from, and the rest of Europe, which is mostly their ultimate destination. This issue requires a large degree of interregional cooperation between the three programme area countries.

3.8.1. Description of current state in key analysis areas

3.8.1.1. Border crossing management

With the outbreak of the migrant crisis, Croatia became of special strategic importance for the European Union, given that Croatia's borders with Serbia, Bosnia and Herzegovina and Montenegro represent the longest external land border of the EU (1.377 km). Following the closure of the Western Balkan route in March 2016, Croatia began to work on strengthening its borders. In 2018, Croatia had 6.500 border police officers and modern technological equipment for border protection. In 2019, new border police stations were built in Maljevac (Karlovac county) and Tovarnik (Vukovar-Srijem county).¹⁷⁷ For the technical equipping of the border and strengthening the capacity of the border police in 2018, using the funds of the Internal Security Fund (ISF), projects with a total value of 34.528.821,55 euros were contracted and the following equipment was procured: 60 off - road vehicles for the needs of state border surveillance, a stationary system for border surveillance with Bosnia and Herzegovina and Montenegro, 11 stationary day - night long - range cameras, seven unmanned aerial vehicles and so on.¹⁷⁸ In September 2019, the Government of the Republic of Croatia adopted the Integrated Border Management Strategy for the consolidation of Croatian governance with other European countries, and Croatia continued to actively participate in Frontex operations. During 2019, Croatia also cooperated with the border control of Bosnia and Herzegovina and a total of 1.132 mixed patrols were deployed within the border area of the two countries.¹⁷⁹

The state-level border police in Bosnia and Herzegovina is responsible for managing the state border. The legal framework for border management is mostly coordinated with the EU/Schengen *acquis* and is being implemented. The country has, the same as Croatia, adopted a new strategy of integrated border management (IBM) and an action plan for the implementation of the strategy from 2019 to 2023. Following an increased influx of refugees and migrants in 2018 and 2019, authorities redeployed available border police officers. However, the reaction still remains inadequate. Border police is still understaffed - so the number of vacancies at the end of 2019 was

¹⁷⁷ Annual Report on Migration and Asylum in Croatia 2018, 30.

¹⁷⁸ Report on the Implementation of the National Security Strategy of the Republic of Croatia, 10., <https://www.sabor.hr/izvjesce-o-provedbi-strategije-nacionalne-sigurnosti-republike-hrvatske-podnositeljica-vlada?t=109352&tid=207808>

¹⁷⁹ Annual Report on Migration and Asylum in Croatia 2019, 55.

412 out of a total of 2.646 (15,54%). Specialized training is regularly conducted to improve the quality of border controls and other field operations, but further improvements are needed. Additional infrastructure and equipment improvements are needed at border crossings. Resources for border surveillance are still very limited and require significant improvements. Surveillance of green borders (out-of-border crossings) is not effective. Bosnia and Herzegovina participates in the Western Balkans Risk Analysis Network (WB-RAN) run by Frontex. In the context of the COVID-19 pandemic, joint coordinated crisis response actions carried out by agencies engaged at the borders of Bosnia and Herzegovina have shown a good level of cooperation and coordination.¹⁸⁰

In July 2020, Montenegro concluded a Status Agreement with the EU on the deployment of the European Border Guard along the Montenegrin borders with the EU (Croatia) and became the second country (along with Albania) to reach such an agreement. This marked the strengthening of cooperation between Montenegro and Frontex, and such measures were necessary given the increased pressure of migrants on the borders that exceeded the Montenegrin capacity of the border police. Montenegro's border patrol currently numbers 1.364 police officers, and according to the Schengen action plan, it is estimated that another 600 police officers are needed for optimal functioning. The border police still do not have a developed biometric system for registration and identification of migrants. Montenegro has also adopted a new strategy for integrated border management for the period 2020-2024. The country is cooperating on border crossings with all the countries of the region, and in June 2020 an agreement on common border crossings with Bosnia and Herzegovina was signed. After the outbreak of the pandemic, only 6 Montenegrin border crossings were open, but after June 2020, the borders were open to travellers from countries with less than 25 active cases per 100.000 inhabitants.¹⁸¹

Croatia has the most extensive and developed border protection system, given that it has the longest borders of all countries, and a large part of the responsibility is assumed by the EU in order to protect its external borders. The biggest flaw in the border control of Bosnia and Herzegovina and Montenegro is the lack of the border police officers. Assistance comes from the EU in the border areas with Croatia, so Frontex and other European organizations have a big role in providing additional human resources. However, Bosnia and Herzegovina and Montenegro need to continue working to increase capacity, continue to specialize and train police officers to work in border areas in order to increase protection at borders with other non-EU countries. Other than that, modernization of equipment and infrastructure for surveillance and border protection is needed.

3.8.1.2. Mobility and migration management

Until 2015, the countries of the program area mainly viewed migration as an economic issue, as most immigrants arrived for work, and often they were citizens of neighbouring countries or countries of the Western Balkans who were granted work permits. The migrant crisis has prompted

¹⁸⁰ EC: Bosnia and Herzegovina report 2020, 43-44.

¹⁸¹ Montenegro report 2020, 55.

all three countries to face issues with which they had little experience until 2015. Illegal migration has become a problem on a daily basis and there has been a need to expand the regulatory legal framework so that countries can deal with it in the right way.

The conditions of entry, movement, residence and work of third-country nationals in Croatia are regulated by The Foreigners Act. Legal migration in Croatia includes mainly economic migration and the issuance of work permits for which quotas are defined each year, given the needs of the labour market. Most immigrants come from Europe. In 2019, the total number of immigrants was 37.726 and out of that number, 25.309 people came from the countries that aren't EU member states.¹⁸² The rise of illegal migrations is a problem. Compared to 2018, the number of illegal entries in 2019 increased by 142,6% and totalled 19.683 detected illegal migrants. Most of the illegal immigrants came from Pakistan, Afghanistan, Turkey, Iraq and Syria. Due to illegal entries, 946 criminal charges were filed and 983 people were deported, which is an increase of 53% compared to 2018. The Ministry of the Interior is in charge of measures to prevent, detect and punish offenses related to illegal migration and human trafficking, where cooperation with the EU is of great importance.¹⁸³ In order to improve the management of external borders, prevent illegal entry and simplify the management of migration flows, a Regulation of the European Parliament and of the Council establishing an entry and exit system has been adopted.¹⁸⁴ In 2019, a total of 2.456 third-country nationals were returned to their countries, of which 64% were forced and 36% voluntary departed the country. Croatia has signed a total of 26 readmission agreements, the most important of which are with neighbouring countries. Cooperation on the reception and return of third-country nationals with neighbouring countries (Slovenia, Serbia, Bosnia and Herzegovina and Montenegro) takes place almost on a daily basis.¹⁸⁵

The Foreigners Act of Bosnia and Herzegovina is mostly coordinated with the EU *acquis*. They need to be further harmonized in terms of access to rights, especially for vulnerable groups of migrants. Bosnia and Herzegovina has not yet developed a new strategy for migration and asylum, which would certainly facilitate action at the borders given the steady increase in the influx of migrants. The number of illegal entries in Bosnia and Herzegovina has increased significantly since 2018. In 2019, the authorities have detected 29.537 migrants on borders or through land activities, while the number in 2018 was 23.848. In total, the first three declared countries of origin were Pakistan, Afghanistan and Iraq. Bosnia and Herzegovina ratified readmission agreements with the EU, with all of the Western Balkan countries, with Turkey, Russia and Moldova, as well as implementation protocols with 16 EU member states. The negotiations for the readmission agreements with high migration risk countries have not yet begun. The competent offices and agencies of the Ministry of Security (Immigration and Readmission Sector; Foreigners Service) are very understaffed and are

¹⁸² Publication: Croatia in figures 2020, 9. www.dzs.hr/Hrv_Eng/CroInFig/croinfig_2020.pdf

¹⁸³ Annual Report on Migration and Asylum in Croatia 2019, 61.

¹⁸⁴ Report on the implementation of the national security strategy of the Republic of Croatia, 11., <https://www.sabor.hr/izvjesce-o-provedbi-strategije-nacionalne-sigurnosti-republike-hrvatske-podnositeljica-vlada?t=109352&tid=207808>

¹⁸⁵ Annual Report on Migration and Asylum in Croatia 2019, 72.

not equipped sufficiently. Authorities in Una-Sana Canton have repeatedly tried to prevent the entry of migrants and refugees in the canton by restricting freedom of movement or not allowing access to reception facilities, which leads to significant risks in terms of protection, especially for the most vulnerable. When it comes to voluntary and forced return, the return framework for migrants staying illegally in Bosnia and Herzegovina needs to be improved, as it is mainly based on the assistance of foreign donors. Both the legal framework and its implementation require further improvements.¹⁸⁶

In Montenegro, migrations are also regulated by the Foreigners Act. Economic immigration is popular and, of the legal entries into the country in 2019, 27.634 work permits were issued, and more than 45.000 temporary residence permits were issued due to seasonal workers in tourism, agriculture and construction. As in the other two countries, the number of illegal migrants is on the rise. Compared to 2018, there was an increase and 8.695 irregular entries into the country were detected. There were 41 cases of return of migrants, of which only half were returned to their countries and the rest were relocated to neighbouring countries. The reason lies in the absence of consulates of many countries, but also in the undeveloped proactive return policy that would reduce the migration pressures. Montenegro ratified 15 readmission agreements with the EU member states and 10 agreements with non-member states, including Western Balkan countries and Turkey. The country is also in the final stage of conclusion of the agreement with Georgia. Progress is being made in starting the negotiations with high-risk countries (Pakistan, Iran, Iraq, Morocco, Algeria).¹⁸⁷

Table 17. Registered irregular migrants in 2018 and 2019 in Croatia, Bosnia and Herzegovina and Montenegro

	2018	2019
Croatia	8.092	19.683
Bosnia and Herzegovina	23.848	29.537
Montenegro	4.645	8.695

Source: ¹⁸⁸

The increase of illegal immigrants is a main problem in all three countries. Therefore, it is important to strengthen the capacities for their control and detection so that they can be sent back in a timely and correct manner. Since all countries have a large number of readmission agreements, both with EU countries and with those outside the EU, this greatly facilitates the process of returning illegal migrants.

¹⁸⁶ EC: Bosnia and Herzegovina report 2020, 40.

¹⁸⁷ EC: Montenegro report 2020.: 51-53.

¹⁸⁸ DTM Mediterranean – Western Balkans Overview 2019

3.8.1.3. Protection, economic and social integration of third country nationals including migrants

Given that the vast majority of migrants during the migrant crisis arrived from war-affected, unstable areas where human lives are endangered and cannot be returned to the country they came from, there was a need to determine a strategy for migrant protection and integration. When dealing with migrants, it is crucial to take into account their fundamental human rights, to provide humanitarian and health assistance when needed, and to ensure that their integrity remains intact.

In Croatia, in 2019, 1.986 people requested international protection (most of them from Iraq, Afghanistan, Syria and Iran), while 158 people were granted international protection. In the Croatian part of the programme area, there is a reception center for refugees in Kutina, where vulnerable groups are usually housed. Reception centers in Croatia provide health and social services, as well as primary and secondary education for children, which is sought to be included in the education system as soon as possible.¹⁸⁹ In 2017, an Action Plan for the integration of persons granted international protection was adopted, but by 2019 there was little effect in implementation, so in October the Ministry of the Interior issued an offer to include civil society organizations in integration. Those granted international protection in Croatia were housed in 28 state-owned apartments (25 of which were in Požega, Sisak and Karlovac), while others sought private accommodation. Aside from free legal aid, various social workshops, language courses and social and medical aid, refugees are offered the possibility to attend six-month employment assistance programs (e.g. for kitchen work, construction and elderly care).¹⁹⁰

In Bosnia and Herzegovina, there are serious obstacles to ensuring effective access to asylum procedures. The Foreigners Service and the Border Police do not have sufficient capacity, in terms of staff and facilities, to register those who intend to seek asylum when entering the country. The Asylum Sector of the Ministry of Security has very limited human resources and operational capacity, and only four employees work on the registration and assessment of asylum applications. In the programme area, there are five reception centers - one in Mostar (Herzegovinian-Neretva Canton) and the other four are temporary and are placed in Una-Sana Canton.¹⁹¹ By the end of August 2020, there were about 10.000 migrants and asylum seekers in Bosnia and Herzegovina. Around 6.500 of them were placed in seven temporary reception centres funded by the EU, located in Una-Sana Canton and Sarajevo Canton. However, those centres are not enough to provide shelter and protection to those in need. International protection seekers are accommodated in the reception centres, where access to services varies. This results in unequal treatment of migrants, depending on which reception center they are located in. Since the authorities have not yet claimed legal accountability for the main reception centres in Una-Sana Canton, these centers are not

¹⁸⁹ Annual Report on Migration and Asylum in Croatia 2019.: 23-25.

¹⁹⁰ Annual Report on Migration and Asylum in Croatia 2019.: 35-42.

¹⁹¹ UNHCR - The UN Refugee Agency - Bosnia and Herzegovina

recognized as valid residential addresses in asylum applications. This fact exposes the applicants to legal uncertainty and the risk that they will not receive protection. In 2019, 784 persons applied for international protection, of which 3 persons were granted refugee status (for the first time since 2014) and 8 persons received subsidiary protection.¹⁹²

The newest Asylum Act of Montenegro was adopted in 2019 and is in accordance with EU regulations. Despite the increase in the total number of migrants in 2019, the number of applicants for international protection decreased compared to 2018 by 38% to 1.921. Most of the asylum seekers came from Morocco, Algeria, Iraq and Syria, but most of them left the country before the procedure was finished, which is why the number of processed and accepted requests is very small. In the first 7 months of 2020, only 394 applications were submitted. Montenegro's capacity to receive migrants is under pressure and requires expansion if the trend of increasing refugee arrivals continues. In July 2019, new integration measures were adopted, including language learning, financial aid, assistance in employment and education for children. However, the number of people covered by the integration measures so far remains small. Only 28 people located in Montenegro are under international protection and are being given integration services. Given the small number of users, the experience of public servants remains scarce in this area.¹⁹³

In all three countries, there is a very small number of applicants for international protection compared to the total number of migrants, which indicates that the countries of the programme area are not appealing to migrants and their destinations are still the countries of Western Europe. The number of migrants passing through the programme area is on the rise and the capacities to care for them and provide humanitarian assistance are generally unsatisfactory. In Bosnia and Herzegovina, there is an administration problem when it comes to processing international protection requests. There is a need for increasing human capacities, including translators and cultural mediators, so as not to rely solely on external international support¹⁹⁴, but also, capacities for integration policy development. In Montenegro, on the other hand, there is a problem in the capacities of reception centres that are financed exclusively from state funds, so the need for international support should be pointed out in order to provide adequate assistance and accommodation to refugees.

3.8.2. Conclusions and recommendations

In relation to the challenges and differences between the programme countries, there are differences in human capacities at the borders (in Bosnia and Herzegovina and Montenegro there is a lack of border police). There is also an issue of the increasing number of illegal immigrants in all three countries, as well as underdeveloped administration capacities to process international

¹⁹² EC: Bosnia and Herzegovina report 2020, 41.

¹⁹³ EC: Montenegro report 2020, 53.

¹⁹⁴ EC: Bosnia and Herzegovina report, 42.

protection requests (especially in Bosnia and Herzegovina). Integration policy implementation is poor and in Bosnia and Herzegovina, there is an issue of unequal treatment of migrants in the reception centres.

The key advantage, among other things, is an important strategic position of the region, which can serve as an incentive for extra funds from the European Union. This can also encourage further cooperation with Frontex and other European border protection organizations. Developed readmission agreements represent another advantage that the programme area has.

During the analysis, the following potentials for cross-border cooperation were highlighted: continuation of interregional cooperation of border police, assistance of Croatia and the EU to other countries in modernizing technology and infrastructure at borders and cooperation in improving the system for identification and registration of migrants.

In relation to “A safer and more secure Europe” objective, the following recommendations stand out:

- Additional efforts are needed to reduce the large disparity in the total number of migrants and those seeking international protection
- Establishing control over the influx of illegal immigrants
- Increasing the capacity to process applicant requests
- Increasing the level of implementation of integration measures in all countries

4. SWOT analysis

Smarter Europe	
Strengths	Weaknesses
<ul style="list-style-type: none"> ● Increase in R&D investments (Croatia, Montenegro) ● Successful project applications within the Horizon 2020 ● Significant involvement of SMEs in Horizon 2020 (Croatia and Bosnia and Herzegovina) ● Low level of innovation in Croatia regardless of the Horizon programme ● Usage of online e-government services increase, by individuals and business sector ● High percentage of SME in added value and employment (exceeding the EU average) ● Great number of entrepreneurial support institutions in the programme area ● The number of Internet users is growing; roaming price reduction agreement has been made 	<ul style="list-style-type: none"> ● R&D staff category recorded stagnation ● Modest research and innovative result, especially related to commercialisation of innovation ● Universities and research lack relevant research projects in regards to market ● Low cooperation between universities and businesses ● Lower involvement of SMEs in Horizon 2020 (Montenegro) ● Bosnia and Herzegovina not included in the European innovation scoreboard, lack of data record ● Low R&D allocations in Bosnia and Herzegovina ● Montenegro performance levels in R&D are below 50% of EU average ● Lack of broadband strategy in Bosnia and Herzegovina ● Low rank in terms of Starting a business ● Bureaucratic burden on entrepreneurship ● Mismatch between education and labour market ● Lack of S3 strategy in Bosnia and Herzegovina ● Poor broadband coverage (except Croatia) and poor development of ICT infrastructure in general
Opportunities	Threats
<ul style="list-style-type: none"> ● Significant number of universities in the programme area ● Share of households equipped with ICT increase 	<ul style="list-style-type: none"> ● High cost of digital transformation of public administration, society and business sector

<ul style="list-style-type: none"> • Further development of e-services and broadband • Fast growing technology development • venture capital investments • commercialisation of innovative research on universities • further digitisation and transformation • development of VET qualifications and curriculum • Opportunity for interregional cooperation in the introduction of broadband network (especially in border rural areas), Croatia as a model 	<ul style="list-style-type: none"> • Fragmented system of strategic and regulatory framework in Bosnia and Herzegovina • COVID-19 related consequences, economic crisis • Unwillingness and reluctance of the population to digitize and modernize (relatively large share of those who have never used the Internet)
Greener Europe	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Favourable geographical location of all countries • Energy potential for the use of renewable energy sources • Rich resources of clean and drinking water • Increasing use of biomass as a source of energy used for heating in Bosnia and Herzegovina • Development of smart solar-powered energy systems on Croatian islands • High biodiversity that has a positive impact on the environment, the economy and tourism 	<ul style="list-style-type: none"> • The diversity of energy resources used • Insufficient use of renewable energy sources • Excessive reliance on fossil fuels - particularly pronounced in Bosnia and Herzegovina where most energy is produced in thermal power stations • Insufficiently developed recycling systems in Bosnia and Herzegovina and Montenegro • Poor flood and fire protection systems and generally poor climate change adaptation systems • The uneven development of water supply infrastructure and waste-water collection and treatment • Low waste reuse nature rates
Opportunities	Threats
<ul style="list-style-type: none"> • Universities as places with highly qualified professionals and new potentials that are crucial for a 	<ul style="list-style-type: none"> • Pollution of rich water resources due to inadequate waste disposal and untreated wastewater

<p>sustainable society and innovative research</p> <ul style="list-style-type: none"> • Energy renovation of buildings • Modernization of public transport that can achieve energy efficiency • Development of hydropower plants • Joint flood protection strategy in border areas • Interregional water supply and sewage systems • Joint protection of flora and fauna in border areas 	<ul style="list-style-type: none"> • Drainage of smaller local water resources • Unwillingness and lack of initiative for the transition to renewable energy sources • Danger of natural disasters in high-risk program areas • Deforestation and illegal logging as threats to biodiversity
<p>Connected Europe</p>	
<p>Strengths</p>	<p>Weaknesses</p>
<ul style="list-style-type: none"> • The diversity of transport networks due to the geographical location • Road transport in the state of progress • The availability of RES in the programme area • The implementation of e-bike systems in Croatia and Bosnia and Herzegovina • Developed cycling 	<ul style="list-style-type: none"> • Poor railway infrastructure and poor road safety • Traffic jams on border crossings and state roads during tourist season • Poorly developed intermodal transport and weak use of alternative fuels • The lack of integration of multiple forms of transport • Great reliance on personal vehicles caused by the lack of well-organized public transport • Underdeveloped use of public transport
<p>Opportunities</p>	<p>Threats</p>
<ul style="list-style-type: none"> • Joint workshops and joint approach at solving cyber security problems • A joint solution to the problem of border congestion, which would benefit all three countries; an opportunity for better connectivity of ports 	<ul style="list-style-type: none"> • Irresponsibility of drivers on the roads • The scope of railway reconstruction needs too great for financial possibilities • High costs of intermodal transport development • Preventing integration of multiple forms of transport due to underdeveloped railways

<ul style="list-style-type: none"> ● Potential for the production of alternative fuels from domestic materials already used in other sectors ● Interregional cooperation through a unified system of e-bikes that is already shared by BiH and Croatia, and is planned to be introduced in Montenegro 	<ul style="list-style-type: none"> ● Continuing preferation of personal vehicles due to greater comfort
<h3>Social Europe</h3>	
<p>Strengths</p>	<p>Weaknesses</p>
<ul style="list-style-type: none"> ● reduced unemployment rate (Croatia) ● labour market infrastructure that helps with the unemployment is in place ● health infrastructure locally in place ● strong cultural heritage, locally rooted ● unique nature reserves in the programme area 	<ul style="list-style-type: none"> ● overall employment rate in Croatia remains one of the lowest in the EU ● discrimination of marginalized groups being still very visible ● Roma people are not fully integrated into the community ● accessibility and mobility not ensured fully for people with disabilities ● social services on local level not adequately financed ● no long-term care plans and strategies ● fragmented public administration and governance, lack of coordination in Bosnia and Herzegovina
<p>Opportunities</p>	<p>Threats</p>
<ul style="list-style-type: none"> ● potential of lifelong learning and education ● better linkage of VET education with dual education models in place in both countries ● better development of existing social services and introduction of new ones - non-institutional ● better cooperation in health services 	<ul style="list-style-type: none"> ● Covid-19 related consequences, unemployment rise ● further regional disparities ● continuation of emigration of young people ● aging of population that poses a risk to the pension and economy system ● new wave of migrants ● collapse of health system due to high debts and increased public funding

<ul style="list-style-type: none"> ● digitalisation of tourist attractions and new technology ● local products for tourists ● development of cross border destination management 	<ul style="list-style-type: none"> ● dependence on tourism as primary source of income (Croatia)
Europe closer to citizens	
Strengths	Weaknesses
<ul style="list-style-type: none"> ● Recent uptake in the number of strategic documents in programme countries ● Regional development agencies play an important part in sustainable development ● Recent trends in implementing smart city projects regionwide 	<ul style="list-style-type: none"> ● Existing strategic documents relate, at most, to the national level and not to the international programme area ● Lack of more sectoral strategic documents ● Underdeveloped rural areas ● Poor demographic condition in both urban and other areas ● Underdeveloped CSO sector
Opportunities	Threats
<ul style="list-style-type: none"> ● More foreign investments in the development of rural tourism ● Implementation of European best practices in program areas specific to urban and rural development ● Networking of stakeholders in sustainable development 	<ul style="list-style-type: none"> ● Continuation of unequal and unsustainable development trends ● Expiration of existing strategies and not setting new strategic frameworks for the future period ● Administrative problems at the national level leading to a lack of investments ● Continuation of depopulation trends
Better Cooperation governance	
Strengths	Weaknesses
<ul style="list-style-type: none"> ● Increase in governance transparency, especially related to budget ● Transparency increase in Croatia and Montenegro ● CSO registries established 	<ul style="list-style-type: none"> ● Low participation scope in decision making in Bosnia and Herzegovina ● Lack of transparency in the distribution of public funds in Bosnia and Herzegovina

<ul style="list-style-type: none"> • Experience with capacity building and administration twinning project • Strategies for capacity building and professional development 	<ul style="list-style-type: none"> • Responsibilities of lower governance levels don't match the capacities of the public officials • Surplus of employees, unfavourable age and qualification structure • Lack of personalized development in the public administration • no up-to-date data • no systematic collection of data on NUTS 3 level • low financial capacity • fragmentation of government • lack of cooperation between neighbouring governments
<p>Opportunities</p>	<p>Threats</p>
<ul style="list-style-type: none"> • Public administration reform implementation • Better cooperation of cities and local development agencies • Further twinning project regarding public capacities between countries in different areas • Strengthening the institutional framework and procedures that should make the strategic plans operational 	<ul style="list-style-type: none"> • Fragmented governance structures in Bosnia and Herzegovina, lack of coordination • Legal barriers to governance optimisation, lack of incentive for better administration • Historical barriers and traditions in administrative regulation
<p>A safer and more secure Europe</p>	
<p>Strengths</p>	<p>Weaknesses</p>
<ul style="list-style-type: none"> • Croatia's borders with Bosnia and Herzegovina and Montenegro are of great strategic importance for the EU because they represent the (longest) external borders of the Union 	<ul style="list-style-type: none"> • Limited capacities of border patrols in Bosnia and Herzegovina and Montenegro • Insufficient technology and infrastructure for border protection • A great influx of illegal immigrants

<ul style="list-style-type: none"> • Good handling, coordination and border cooperation in the midst of a pandemic • A large number of readmission agreements, both with the EU member states, as well as with the countries outside of the EU 	<ul style="list-style-type: none"> • Insufficient administrative capacity to communicate and process asylum seekers' requests • Poor implementation of the integration policies
<p>Opportunities</p>	<p>Threats</p>
<ul style="list-style-type: none"> • Continuation and expansion of cooperation in the deployment of border patrols • Cross-border cooperation in establishing control over the influx of illegal immigrants 	<ul style="list-style-type: none"> • Uncontrolled influx of illegal migrants at green borders and the sea • Unsuccessful integration of asylum seekers due to insufficient capacity

5. Conclusions and recommendations

Following the analysis in all above mentioned areas, done in accordance with the legislation for the new financial period 2021 - 2027, the following text summarises the relevance and feasibility of financing certain projects in each of the policy objectives.

Smarter Europe

In the policy objective “Smarter Europe”, the current situation is seen as insufficiently developed when compared to the EU countries and unevenly developed between three countries. This policy objective could prove to be key in the future development of the programme area since it focuses on the cooperation between entrepreneurship, the public sector and educational and research institutions.

Key strengths recognized within this policy objectives can be divided into three elements:

- Those related to SMEs in all three countries, the share of SMEs in regards to employment, their highly use of internet, and in particular in relation to BiH and Croatia, involvement of SMEs in the Horizon2020 programme. SMEs thus represent the backbone of economic development and should be cooperated with more closely.
- Those related to potentials of significant number of entrepreneurial and development supporting institutions in the programming area.
- Those related to potentials of significant number of higher education institutions in the programme area.

Obstacles for the successful implementation of projects in the upcoming period that were recognized are: lower share of R&D investments than the EU average, not sufficiently effective VET training and a mismatch between education and labour market, and specifically in Bosnia and Herzegovina, a lack of strategic framework in particular for S3 and R&I infrastructure and a high brain drain.

The policy objective is relevant in the context of developing the programme area. There is a clear opportunity for the development of projects related to Research and innovation (1) and SME competitiveness (2) - both equally relevant:

1. The main focus within Research and innovation should be on inciting the cooperation between education and research institutions and SMEs in regard to knowledge transfer for product and service development and skills that are aligned with S3 areas, identified as key for the regional development (in Bosnia and Herzegovina, the basis for the projects of R&D should be guided with Strategy of Science Development in Bosnia and Herzegovina (2017-2022)).

2. SME support infrastructure should be more connected cross border, serving as a facilitator for new partnerships across industries that encourage modernization and sustainability.

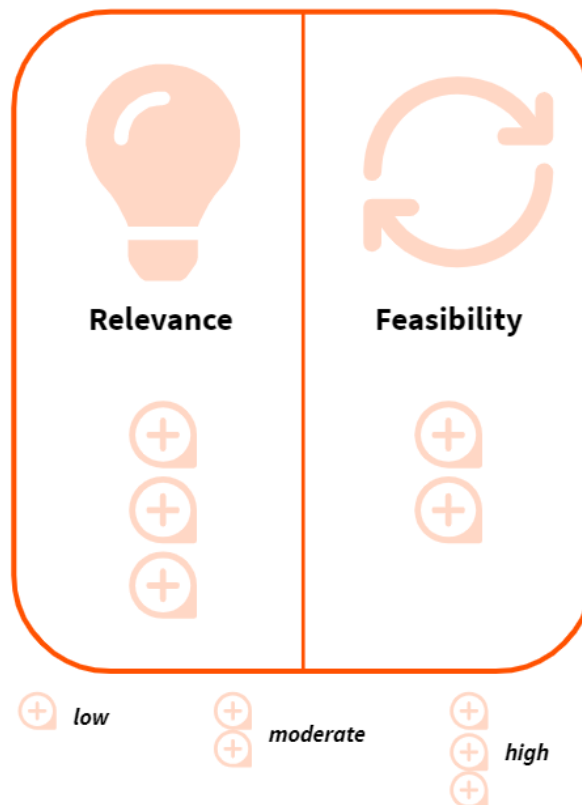
Regarding the feasibility of successful implementation of future projects in the policy objective “Smarter Europe”, the capacities are sufficient in terms of number of high education institutions, SMEs, and entrepreneurial support infrastructure. In the previous cross border programme similar projects have been financed such as project iNovaNET which aimed at delivering a new collaborative scheme between business support institutions, education/school and entrepreneurs/enterprises with a vision on a sustainable mechanism supporting the competitiveness of the programme area.

Even though digitisation of society in terms of highly needed interventions in infrastructure and interoperable digitisation of public administration as large-scope projects that relate mostly to state level initiatives, it is evident that people are more and more likely to use the digital services, with higher percentages of computer and internet usage across all three countries so within the funding opportunities for SME competitiveness, it is recommended to support digital transformation of SMEs.

Possibility for relevant cross border partnership in this policy objective is considered to be highly likely. The following specific objectives are most likely to be relevant in the upcoming period:

- developing and enhancing research and innovation capacities and the uptake of advanced technologies
- enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments
- reaping the benefits of digitisation for citizens, companies, research organisations and public authorities

PO 1: SMARTER EUROPE



Greener Europe

In the policy objective “Greener Europe”, the current situation differs in programme area. In spite of that, it is still necessary and required for further development. Croatia, Bosnia and Herzegovina and Montenegro have all developed strategic documents with the goal of controlled energy development and environment protection: Energy development strategy of the Republic of Croatia by 2030 with a view to 2050, Framework energy strategy of Bosnia and Herzegovina by 2035 and Energy development strategy of Montenegro by 2030. The key strengths, among other things, are the energy potential for the use of renewable energy sources in all three countries that need to be exploited. The rich resources of clean and drinking water that need to be preserved, work on water saving methods, prevention of source pollution and wastewater treatment mechanisms are also highlighted. A great advantage is the good geographical position of all countries with great tourist and cultural potential of natural resources, but which contain great biodiversity that needs to be preserved. The recognized obstacles for the successful implementation of projects in the upcoming period are the size and scope of projects in “Greener Europe” as well as different focuses and development aims of three countries. A common problem in all three countries is non-diversity of used energy resources and insufficient usage of RES. All three countries have different approaches in current usage of RES and in their plans for future usage due to each countries’ specific water potential.

The policy objective, especially some of its specific objectives are considered to be relevant in the context of developing the programme area. In other words, the whole goal of “Greener Europe” is crucial for further development and implementation. There is a clear opportunity for the development of projects that would be aimed at specific goals: promoting energy efficiency and reducing greenhouse gas emissions; promoting renewable energy; promoting climate change adaptation and disaster risk prevention, resilience, taking into account eco-system based approaches; promoting access to water and sustainable water management; promoting the transition to a circular and resource efficient economy; and enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution:

- Considering increasing energy demands and increasingly limited resources, the development of energy saving and energy efficiency enhancement methods needs to be a priority, not only for the programme area, but also for the rest of the world. Increasing energy efficiency will bring environmental benefits, reduce greenhouse gas emissions, enhance energy security, reduce the costs of energy and energy poverty.
- RES already has a significant share in the total production of energy in some parts of the programme area, but the main source is hydro energy, while the use of other renewable sources (such as wind and solar energy) hasn't yet become as frequent. The possibilities in using RES are numerous and very profitable in the long run, but they require a significant amount of financial means, as well as an extensive legal framework so they are mostly regulated on a national level.
- All three countries face similar problems whose roots can be found in global warming, melting snow and ice, temperature extremes and other consequences of climate change whose further spread needs to be prevented. In addition to preventing future consequences, the emphasis is on adapting to those that have already occurred. This includes improving flood defense systems, strengthening firefighting, which is underdeveloped in many programme areas, and renovating buildings (also mentioned in the context of energy efficiency) to be more resistant to ground vibrations. Strengthening efforts on climate protection, resilience building, prevention of preparedness in the region is therefore crucial.
- Interregional co-operation is particularly important for border areas, and there is a need to develop regional water supply systems to relieve local resources and reduce the risk of them drying out.
- The transition to a circular economy is necessary if greenhouse gas emissions are to be completely reduced, as half of the emissions come from resource extraction and processing. It is necessary to develop awareness of the need for a sustainable lifestyle, encourage small and medium-sized enterprises to develop innovative and more efficient production methods (and point out the benefits it brings) and encourage research and innovation.
- The programme area shows great interest in developing tourist aimed projects, and the opportunity is to link the tourism industry to the circular economy concept, apply the

circular economy as a new conceptual framework for guiding a sustainable, resilient and future proof recovery of the travel and tourism industry.

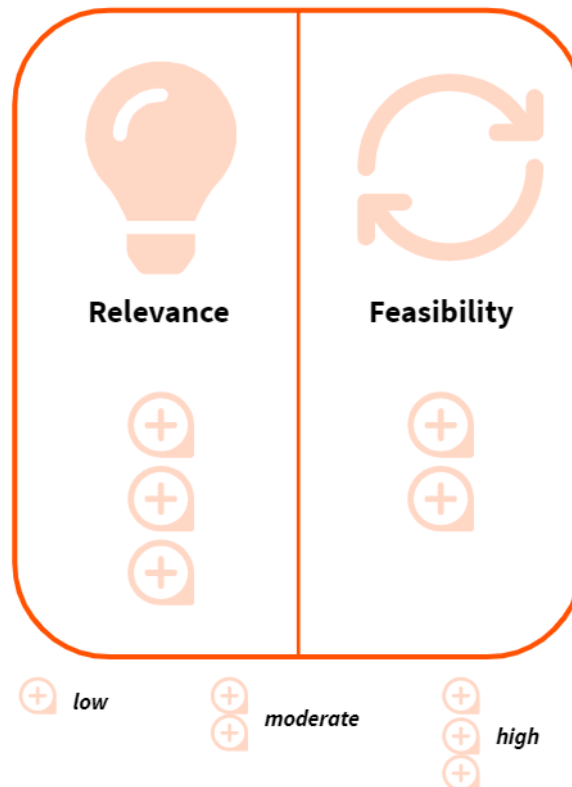
- Biodiversity conservation is a particularly important topic in the programme area given the richness and diversity of natural areas. Cooperation of all programme areas on the issue of nature protection and biodiversity is crucial. It is necessary to approach the issue strategically and work on raising the awareness of the local population about the need for ecological connectivity, maintaining biodiversity, maintaining the ecological quality of water surfaces, warning of invasive species and the danger of soil and water pollution.

Regarding the feasibility of successful implementation of future projects in the policy objective “Greener Europe”, the capacities are considered to be favourable (public institutions which conduct energy renovation, development agencies and tourist boards that participate in nature protection projects). Nevertheless, in order to achieve better energy efficiency, reduction of pollution caused by the excessive usage of fossil fuels in transport and heating and better environment protection in general, further steps are required. This includes construction of new capacities of RES and further development and diversification of existing energy sources. In the previous cross-border programme, similar projects have been financed such as Smart Schools, Smart Schools 2, IRENE, Flood&Fire and many other projects. Possibility for relevant cross-border partnership in this policy objective is considered to be highly likely.

The following specific objectives are most likely to be relevant in the upcoming period:

- promoting energy efficiency and reducing greenhouse gas emissions
- promoting climate change adaptation and disaster risk prevention, resilience, taking into account eco-system based approaches
- promoting the transition to a circular and resource efficient economy
- enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution

PO 2: GREENER EUROPE



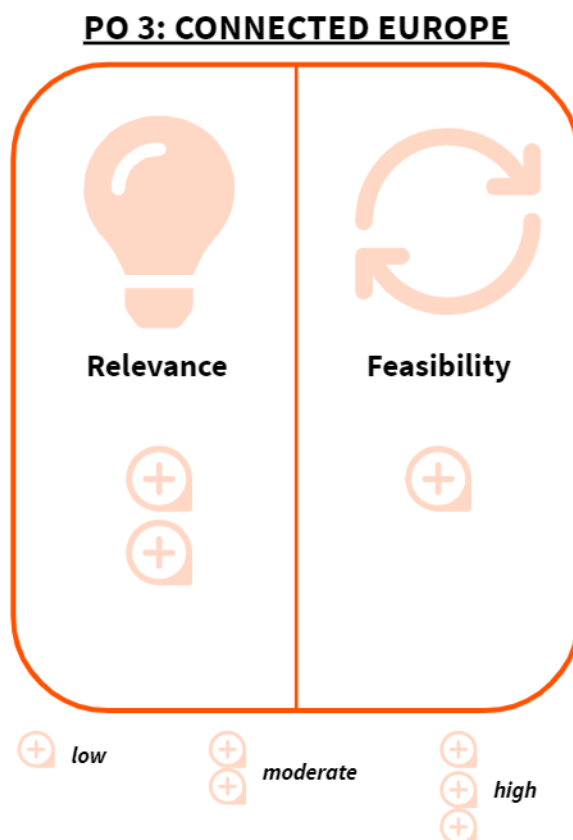
Connected Europe

In the policy objective “Connected Europe”, the current situation is not at a satisfactory level and further development is needed in this area. The key strengths of the development of the programme area are manifested through the potential for the production of alternative fuels from domestic materials already used in other sectors, well-developed road transport in Croatia that needs regular maintenance and monitoring and the potential for better integration of the railway system into existing public transport systems. The diversity of possibilities in terms of forms of transport, given the geographical location (maritime, air, road, rail) can create more opportunities for the integration of multiple forms of transport. The suitable terrain and temperate climate are favourable conditions for the development of active walking and cycling and encouraging sustainable mobility.

Obstacles for the successful implementation of projects in the upcoming period are recognized as the size and scope of projects in “Connected Europe” as well as different focuses and development aims of three countries. In all of the programme area countries, the biggest problem is the underdevelopment of railway transport, as well as its poor integration with other forms of transport. Given the limited financial resources of the programme area countries and the low level of awareness and knowledge about sustainable modes of transport, it is reasonable that the use of alternative, renewable energy sources in all three countries has not yet taken root. Developing

awareness and educating the population about the cost-effectiveness of sustainable transport is the first step that needs to be taken.

Following the analysis, the policy objective “Connected Europe” does not seem to be relevant enough for the programme area and should not be considered for financing in the upcoming period. The reasons for this are large scopes and high cost of traffic development projects (such as railway network expansion). Regarding the feasibility of successful implementation of future projects in the policy objective “Connected Europe”, the capacities, although growing, are considered to be insufficient. In the previous cross-border programme, similar projects have not been financed and a possibility for relevant cross-border partnership in this policy objective is unlikely to be fostered.



Social Europe

In the policy objective “Social Europe”, the current situation is seen as mostly undermanaged in terms of sustainability of health and social systems which show a decrease in medicinal employees while the aging population is increasing.

Key strengths are found within the recognized need for deinstitutionalization in health and social care, well-developed labour market infrastructure in the programme area and continuous increase in tourism demand. The health system has a well-placed infrastructure that can be modernised to

be more efficient. There are wide opportunities in terms of natural and cultural heritage and diversification of tourism needs and use of new technologies in planning tourism development.

Obstacles for the successful implementation of projects in the upcoming period are recognized as follows: mismatch between education institutions and labour market needs, demographic trends and an increase in aging population and brain drain, higher risks in poverty within elderly and people with disabilities and minorities and low sustainability of cross-border projects in tourism related to lack of clear management of jointly developed products.

The policy objective, especially some of its specific objectives are considered to be relevant in the context of developing the programme area and there is a clear opportunity for the development of projects that would be aimed at Labour market infrastructure, Access to Health and Tourism and culture, in particularly:

1. labour market support institutions that should work towards bringing closer the academic and the business sector, developing programmes that ensure a closer match between education and business and guiding the lifelong learning programmes, especially for youth, minorities and people with disabilities
2. access to health is perceived as a potential in terms of the possibilities for deinstitutionalization of services, cross-border cooperation with key enabling technology that would ensure the high standards of the services and staff but also health tourism
3. using new technology and social innovation to develop products and services in tourism, based on user experience and data driven decision making in order to guarantee sustainability of the sector.

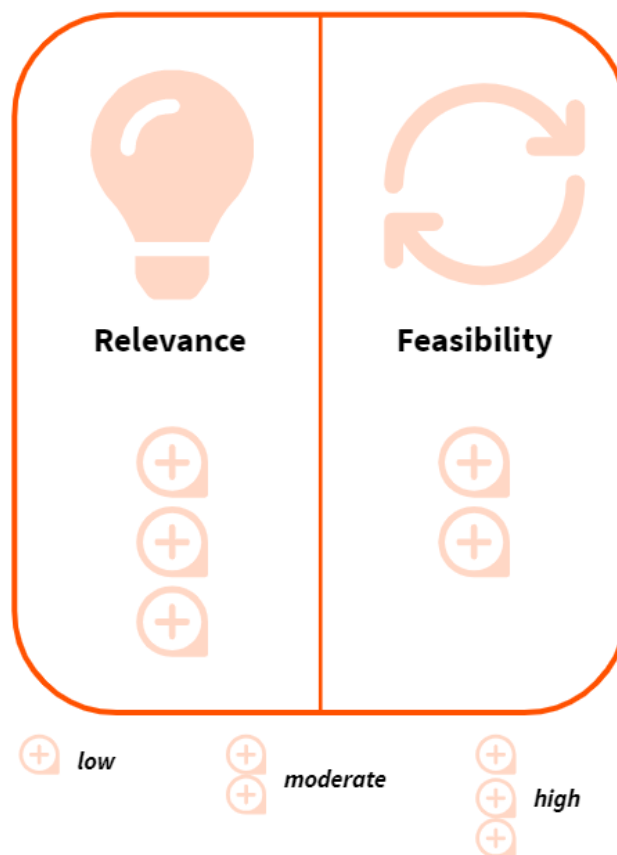
Following the analysis, the policy objective “Social Europe” seems to be relevant for the programme area and should be considered for financing in the upcoming period.

Regarding the feasibility of successful implementation of future projects in the policy objective “Social Europe”, the capacities are considered to be relatively sufficient, especially in regards to labour market support institutions and high education institutions. In the previous cross-border programme, similar projects have been financed, such as LAB-OP which aims at improving the quality of public health service, improvement of laboratory diagnostic and reduction of pressure on the system of secondary and tertiary health care. Also, project RACE which increased the availability and quality of the Emergency medical services (EMS) with cross-border cooperation in order to provide the framework for innovative and more flexible actions in the case of mass accidents. The COMPETE PLAMET project addressed the metal and plastic sector in Šibenik-Knin County in Croatia and Zapadno-Herzegovački Canton in Bosnia and Herzegovina in order to enhance services of business support institutions to SMEs in the specific metal and plastic industry, as existing programmes of these institutions did not respond to actual needs of entrepreneurs.

Possibility for relevant cross-border partnership in this policy objective is considered to be highly likely, specifically for:

- improving equal access to inclusive and quality services in education, training and lifelong learning through developing accessible infrastructure, including by fostering resilience for distance and on-line education and training
- ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family- and community-based care
- enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation

PO 4: SOCIAL EUROPE



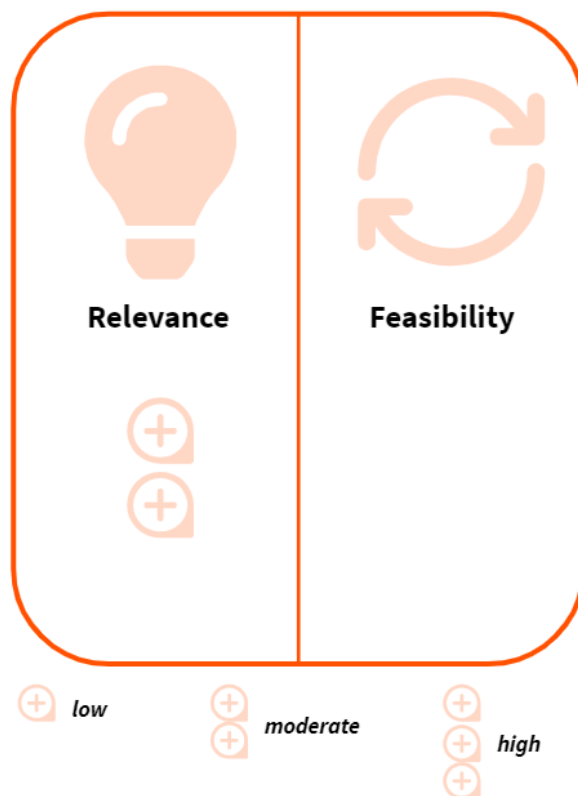
Europe closer to citizens

In the policy objective “Europe closer to citizens”, the current situation is promising, but in need of improvement. Key strengths are recent uptake in the number of strategic documents in programme countries as well as the growing role that regional development agencies play in sustainable development. The main obstacle for the successful implementation of projects in the upcoming period is certainly a lack of strategic documents related to the international programme area and the inability to produce them. Other obstacles are recognized as underdeveloped rural areas, poor demographic conditions in both urban and other areas and the underdevelopment of CSOs.

The policy objective, especially some of its specific objectives are considered to be relevant in the context of developing the programme area, specifically: fostering culture, natural heritage, sustainable tourism in both urban and rural areas. Additionally, there is a clear opportunity for the development of projects that would be aimed at developing rural tourism capacities in the programme area. Additional capacity is represented by a large number of LAGs and local development agencies that have the common goal of increasing the attractiveness of the development structure of the programme area, encouraging entrepreneurship, employment, raising the competitiveness of rural and urban areas. Following the analysis, the policy objective “Europe closer to citizens” does not seem to be relevant enough for the programme area and should not be considered for financing in the upcoming period. The reason for this is the absence of strategic documents that influence all three programme countries, which are supposed to be the primary prerequisite for financing and implementing projects in the programme area.

Regarding the feasibility of successful implementation of future projects in the policy objective “Europe closer to citizens”, the capacities, although growing, are considered to be insufficient. In the previous cross-border programme, similar projects have not been financed and a possibility for relevant cross-border partnership in this policy objective is unlikely to be fostered.

PO 5: EUROPE CLOSER TO CITIZENS



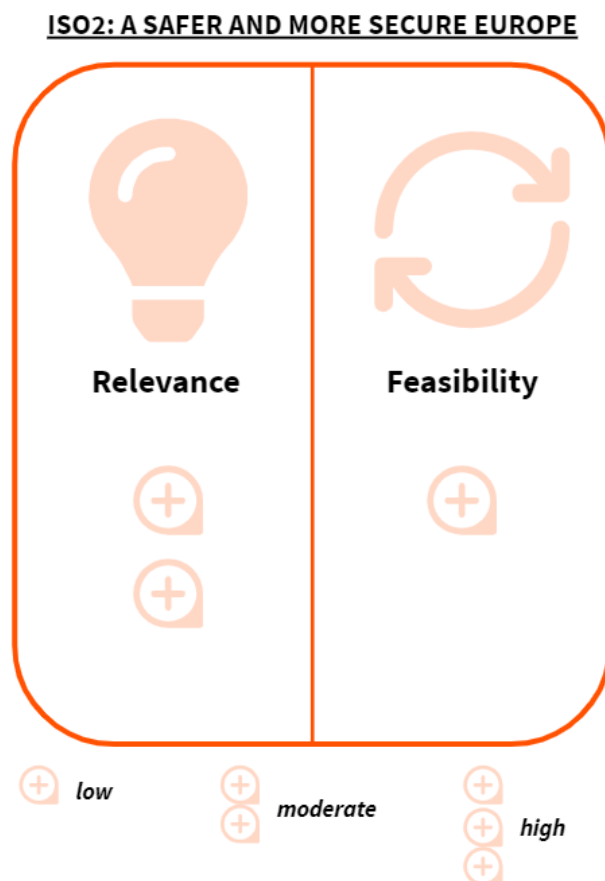
A safer and more secure Europe

In the Interreg specific objective “A safer and more secure Europe”, the current situation is promising, but in need of improvement. The issue of security has undergone a transformation in the programme area, but also in the whole of Europe in recent years. This happened with the outbreak of the migrant crisis, which requires increased border control and increased cooperation of all European countries. The programme area is of great importance because it represents the link between Greece and Turkey, where the largest number of migrants from the Middle East come from, and the rest of Europe, which is mostly their ultimate destination. This issue requires a large degree of interregional cooperation between the three programme area countries. Bosnia and Herzegovina and Montenegro represent the link between the region and the EU through its external borders (which in this case is Croatia).

The key strength, among other things, is an important strategic position of the region, which can serve as an incentive for extra funds from the European Union. This can also encourage further cooperation with Frontex and other European border protection organizations. Developed readmission agreements represent another advantage that the programme area has. Obstacles for the successful implementation of projects in the upcoming period are recognized as the lack of border police officers in Bosnia and Herzegovina, problem of illegal immigration and low number of international protection applicants out of total number of immigrants. There is also an issue of the increasing number of illegal immigrants in all three countries, as well as underdeveloped

administration capacities to process international protection requests (especially in Bosnia and Herzegovina).

Following the analysis, the Interreg specific objective “A safer and more secure Europe” does not seem to be relevant enough for the programme area and should not be considered for financing in the upcoming period. Regarding the feasibility of successful implementation of future projects in the Interreg specific objective “A safer and more secure Europe”, the capacities, although growing, are considered to be insufficient. In the previous cross-border programme, similar projects have not been financed and a possibility for relevant cross-border partnership in this policy objective is unlikely to be fostered.



A better cooperation governance

In the Interreg specific objective “A better cooperation governance”, the current situation is seen unsatisfactory, especially in regards to civil society development, good governance and transparency, but also in regards to public administration capacities. Key strengths that are recognized are the registries of civil society organisations and a relatively great number of organisation and good practice examples for cooperation between administration and funding possibilities for public administration capacity building on EU level. An increase in governance transparency, especially related to budget planning is noticeable.

Obstacles for the successful implementation of projects in the upcoming period are recognized as low achievements regarding political participation, political culture and civil liberties across countries, with Croatia showing the best results between all three countries. What has also been recognized as an obstacle are low financial capacities of certain municipalities and fragmentation of governance.

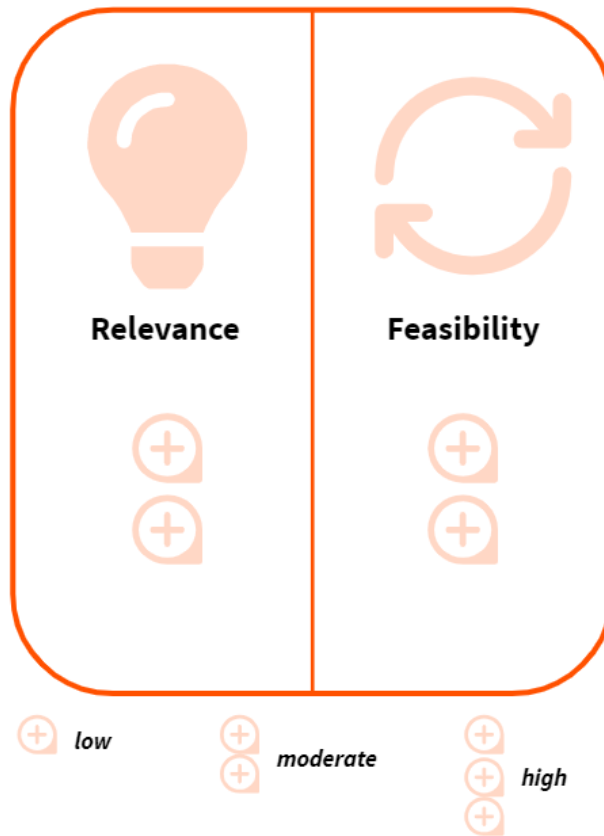
The Interreg specific objective is considered to be relevant in the context of developing the programme area and there is a clear opportunity for the development of projects that would be aimed at institutional and stakeholders capacities, thus should be considered for financing in the upcoming period.

This specific objective is considered relevant in terms of the overall development of the area and empowerment of the dialogue and interdisciplinarity of governing approach which can have a multiplier effect on other policy areas in need of further democratization. Further democratization can provide better knowledge of the needs in a specific sector and thus better policy. However, in relation to other policy objectives recommended for funding, this one is proposed as optional if in the programming phase there will be space for financing, and if not, it is recommended to integrate the principle of participatory and greater sectoral dialogue in public policy through other projects as much as possible.

Regarding the feasibility of successful implementation of future projects in the Interreg specific objective “A better cooperation governance”, the capacities are considered to be relatively sufficient in regards to civil society organisations as main stakeholders and the possibilities to knowledge exchange between the three countries. In the previous cross-border programme, similar projects have not been financed.

Possibility for relevant cross-border partnership in this Interreg specific objective is considered to be likely, especially for enhancing sustainable democracy and by supporting civil society actors and their role in reforming processes and democratic transitions.

ISO1: A BETTER COOPERATION GOVERNANCE



Annex 1: Consultation with stakeholders

In order to get the best possible feedback from key stakeholders in the programme area, a series of interviews was conducted and a survey was sent to multiple stakeholders in the area. The research served dominantly as an additional input from the field, since it was not methodologically representative to the fullest extent given the timeframe limitations and the extent to which this was relevant for the socioeconomic analysis.

The questionnaire collected the views of 108 respondents as key stakeholders from Croatia, Bosnia and Herzegovina and Montenegro. Also, interviews were conducted with 11 stakeholders from the programme area in 4 groups.

The organisations included were the following:

1. Ministry for European Integration and International Cooperation of the Republic of Srpska
2. Directorate for European Integration of the Council of Ministers of Bosnia and Herzegovina
3. National Tourism Organisation of Montenegro
4. Public institution RERA S.D. for Coordination and Development of Split-Dalmatia County
5. Public institution Regional Development Agency of Karlovac County
6. City of Slavonski Brod
7. University of Montenegro
8. Green Action
9. Herceg Novi Municipality
10. Public institution Geological Survey of Montenegro
11. Zadar County Development Agency ZADRA NOVA

Survey results and inputs from interviewed stakeholders in relation to policy objectives and Interreg specific objectives are set out hereafter.

Smarter Europe

In total, 61% of all respondents believe that the goal of "Smarter Europe" is a key priority. In regards to stakeholders perspectives on the thematic area, 36,1% emphasize the number of opportunities, ideas and the most professional capacities for further cross-border cooperation in the topic, while 35,2% recognize the greatest need in the future for financing. When asked about future needs and what should be financed, the respondents identified the greatest need in digitization of citizens, companies and public administration (44,4%). In an interview conducted with key shareholders, the policy objective "Smarter Europe" stood out as a key objective in relation to projects for entrepreneurs, innovations, digitalization and the need for "green" digital projects. What was further emphasized is lack of sustainability of cross-border projects that aim to establish different sectoral clusters of SMEs due to lack of management and funding schemes directed specifically to cross-border cooperation from the national levels.

Greener Europe

In total, 74% of all respondents believe that the goal of "Greener Europe" is a key priority. Respondents identified key themes in which they see the greatest number of opportunities, ideas and the most professional capacities for further cross-border cooperation in the financial period 2021-2027 with the goal of "Greener Europe". Furthermore, 18% of respondents believe that the key area is energy transition, 40% investment in green and blue energy, and 40% investment in renewable energy sources. During the interviews of key stakeholders regarding the goal of "Greener Europe", they pointed out that energy efficiency projects are key projects in particular because they provide 'quick wins' and visible results, both for the Managing Authority and the beneficiary, but also projects related to environmental protection and green digital projects.

Connected Europe

In total, 23% of respondents believe that the goal of "Connected Europe" is a key priority, which is also the lowest share compared to the remaining goals. Respondents identified thematic areas in which they see the greatest number of opportunities, ideas and the most professional capacities for further cross-border cooperation in the financial period 2021-2027 with the aim of "Connected Europe". 38% of the respondents believe that investments in digital infrastructure are the most important, 18,5% believe that investments in transport are the most important, and 6% of the respondents consider necessary investments in multimodal forms of transport. When interviewing key stakeholders regarding the goal of "Connected Europe", they pointed out projects that weren't specifically defined, but they were related to the development of urban and local transport public transport.

Social Europe

In total, 50% of all respondents believe that the goal of "Social Europe" is a key priority. According to the survey results, respondents identified the largest number of opportunities, ideas and the most professional capacities for further cross-border cooperation in the area of development of tourist offer with the aim of promoting cultural heritage (51,9%). When asked about future needs and what should be financed, the respondents identified the same area (45,4%). In an interview conducted with key shareholders, the policy objective "Social Europe" stood out as a key to development of projects, related both to tourism and healthcare. What was emphasized is the need for emergency healthcare for isolated areas.

Europe closer to citizens

In total, 28% of all respondents believe that the goal of "Europe closer to citizens" is a key priority. In regards to stakeholders' perspectives on the thematic area, the interest of their organizations is largely related to the areas of environmental protection and natural diversity (48,1%) and local development initiatives (39,8%). From these percentages, we can conclude that even though there is still a noticeable lack of strategic thinking in the aspect of rural tourism, that is definitely an area in which there is significant potential for improvement. In an interview conducted with key shareholders, the policy objective "Europe closer to citizens" did not stand out.

A better cooperation governance

In total, 78% of all respondents, believe that the goal of "A better cooperation governance" is a key priority in relation to Interreg specific objectives. According to the survey results conducted within the analysis with stakeholders, 27,8% of respondents identified the largest number of opportunities, ideas and the most professional capacities for further cross-border cooperation in the field of investments in local and regional self-government. When asked about future needs and what should be financed, the respondents identified the greatest need in strengthening the capacity of public bodies and stakeholders (18,5%). In an interview conducted with key stakeholders, the Interreg specific objective "A better cooperation governance" stood out in terms of capacity of public administration and capacity of the relevant stakeholders in strategic, interdisciplinary planning and project development.

A safer and more secure Europe

In total, 44% of respondents believe that the goal of "A safer and more secure Europe" should be co-financed by the new programme, i.e. a larger number of respondents believe that the more important goal is "A better cooperation governance". Among respondents, 48% believe that this goal needs to be co-financed because it is not sufficiently developed in the cross-border area, because there is a lack of cooperation between countries in the stated goal and because there are needs to solve acute problems. Also, 40% of respondents believe that there are capacities for project implementation. In the interview, the key stakeholder pointed out that the objective of "A safer and more secure Europe" is important and was recognized mostly in regards to cross-border issues related to migrants.

Conclusion

According to the survey results, it is concluded that following policy objectives should be financed for the period of 2021-2027: "Smarter Europe", "Greener Europe" and "Social Europe". Within survey results, in relation to Interreg specific objectives, "A better cooperation governance" objective stands out while the interviews also identified "A safer and more secure Europe" as a potential for the upcoming financing period. What was emphasized during the interviews with stakeholders, those mostly being the ones that had the opportunity in the prior financing period to prepare and implement an Interreg CBC project, was lack of capacity of stakeholders for project implementation and lack of financial schemes that could support potential applicants with less financial resources to apply.

Annex 2: good practices in thematic and territorial concentration in cross-border cooperation programme at the European level

Case study: territorial focus in INTERREG IPA Cross-border Cooperation Programme Croatia - Bosnia and Herzegovina - Montenegro (2021-2027)

1. The context: why territorial focus?

Possible importance in territorial focus comes out of the preamble of the Proposal for a Regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments, states that one of the changes expected in the 2021 - 2027 perspective in relation to the Interreg programmes is “Adapting the architecture of Interreg programmes to take better account of functional areas. Cross-border programmes will be better streamlined in order to concentrate resources on land borders where there is a high degree of cross-border interaction. Maritime cooperation will be reinforced by combining the cross-border and transnational dimension of working across sea basins in new maritime programmes.”

In technical terms, the new regulation proposes as a possible modality of territorial focus the options proposed by Article 22 of the new CPR, i.e. supporting integrated territorial development through territorial and local development strategies through integrated territorial investments; community-led local development or other territorial tools supporting initiatives designed by the Member State for investments programmed for the ERDF under the policy objective 5 “Europe closer to citizens”.

For Interreg programmes, the relevant urban, local or other territorial authorities or bodies responsible for drawing up territorial or local development strategies as listed in Article [22] of Regulation (EU) [new CPR] or responsible for the selection of operations to be supported under those strategies as referred to in Article [23(4)] of that Regulation or for both shall be either cross-border legal bodies or EGTCs. A cross-border legal body or an EGTC implementing an integrated territorial investment under Article [24] of Regulation (EU) [new CPR] or another territorial tool under point (c) of Article [22] of that Regulation may also be the sole beneficiary pursuant to Article 23(5) of this Regulation, provided that there is a separation of function inside the cross-border legal body or the EGTC.

A case study was undertaken in order to look at examples of territorial concentration that were present in the current period which can provide answers to the key questions that might arise in the programming period 2021 - 2027 for the Interreg IPA CBC programme Croatia - Bosnia and Herzegovina - Montenegro 2021-2027. (Interreg Italy-Slovenia, Gorizia-Nova Gorica-Šempeter Vrtojba region; Interreg Portugal-Spain, North Portugal - Galicia region and Interreg France-Italy, ALCOTRA, with a number of integrated programmes)

2. Findings of the Case Studies

The study has shown the following:

1. Of the 10-factor model presented by Eduardo Medeiros from Lisbon University in Interact Conference in Leuven in March 2020¹⁹⁵, the most prominent bases for the integration:
 - Cultural and historical: either similar cultures and languages (e.g. North-Portugal and Galicia) or a shared history which also bring lack of linguistic barriers due to bilingualism (e.g. on Italy-Slovenia border)
 - Spatial: often the examples analysed represent twining urban systems, such as the Nova Gorica - Gorizia
 - To some extent, all of the areas analysed have a high demographic connection involving great cross-border commuting and, to a lesser extent, ethnic minorities across the borders.
 - The demographic dynamics is interlinked with the economic ties as they mutually reinforce each other, by movement of workers and students and exchange of goods and services (both in POCTEP and in Italy-Slovenia examples).
 - 2 out of 3 examples analysed and a majority of other examples seen during the preliminary research demonstrates institutional connections in the form of the pre-existing Euro-region or EGTC.
 - To some level, the Italy-Slovenia example is based also on the environmental connection of the shared Soča river.

Other factors, such as availability of data, social services, and joint infrastructures have not played a significant role in the concentration, or such was not clear from the available resources.

¹⁹⁵ "Bringing more territoriality to Interreg CBC programmes via a 10-factor proposal to delimit their area", Leuven, 16 March 2020, available at: <https://www.interact-eu.net/download/file/fid/19034>

2. The examples show different modalities of integration of the cross-border functional areas into the programmes:

1. In the case of Italy-Slovenia, the highest degree of integration is seen. It implies: a specific ITI part of the Operational Programme with a separate financial allocation and a specific Intermediary Body (EGTC) that manages it.
2. In case of the ALCOTRA programme, ITI's aimed at territorial and thematic focus are part of the programme and as such, integrated in the programming documents, but they do not imply a specific implementing structure. They are directly managed by the Programme MA and coordinated as any project by the Lead Partner/Coordinator.
3. In case of the POCTEP programme, the territorial focus is not integrated to the Interreg programme - it is only supported. The programme allows for its financing as the EGTC and its members act as possible applicants.

3. Most of the programmes encountered in preliminary research and 2 out of 3 case studies have a pre-existing EGTC or Euroregion that manages and runs the territorially focused part of the cross-border programmes. There is in most of the cases a programme-level decision on the preference for the territorial focus and/or a limited competition. Formally, however, there are two options for introducing the EGTC into a programme, as it acts variably as a beneficiary (POCTEP) or as an Intermediary Body (Italy-Slovenia).

4. From the thematic perspective, there are no limits or specific rules for the topics to be covered by operations in the functional area and they cover areas of economy, education, environment, social services, and cultural cooperation. There are some limits in terms of transport components in relation to multilevel governance and the fact that stronger infrastructure investment are mainly managed on the national level, as justified in available resources¹⁹⁶. However, such considerations are applicable to cross-border cooperation in general and not specific to territorial concentration in the functional areas. Operations can function either as individual projects (e.g. Italy-Slovenia), or small programmes with a strategic basis (e.g. ALCOTRA).

As a conclusion, options for the Interreg IPA CBC programme Croatia - Bosnia and Herzegovina - Montenegro 2021-2027 in terms of territorial focus and functional areas within the programme will be limited predominantly with the lack of previously existing institutional arrangements for cooperation of the smaller functional areas. Furthermore, the challenges to management structures of specific arrangements of possible ITIs within the programmes should be taken into account and discussed. Finally, financial limits to “segmentation” of the programme into smaller financial envelopes dedicated to a specific area might be a basis for avoidance of ITIs and territorial concentration.

¹⁹⁶ Nauwelaers, C., K. Maguire and G. Ajmone Marsan (2013), “The Case of Helsinki-Tallinn (Finland-Estonia) – Regions and Innovation: Collaborating Across Borders”, OECD Regional Development Working Papers, 2013/19, OECD Publishing. <http://dx.doi.org/10.1787/5k3xv0lrt1r6-en>

A reason to possibly consider the functional territorial concentration even under the given circumstances is the possibility to pre-define bigger strategic projects that benefit a specific area with high level of spatial, cultural, historic and economic integration and allow stronger impact. Such decisions should depend on capacities of the Managing Authority and potential beneficiaries to develop respective integrated projects to a sufficient level during the programming period.

3. Possible options for territorial focus

3 geographical areas that have emerged as possible subjects to territorial focus in the Croatia - Bosnia and Herzegovina - Montenegro cross-border cooperation programme. Their scope is tentatively set here and subject to further discussion, narrowing or widening.

1. Southernmost multi-border area

- Dubrovnik-Neretva County in Croatia
- Municipalities/towns of Neum, Ravno, Čapljina and Trebinje in Bosnia and Herzegovina
- Municipalities of Herceg Novi, Kotor and Tivat in Montenegro

This area is highly intertwined and connected through physical proximity and interrelation of its position as a tri-border, and additionally in the fact that Neum is surrounded by Dubrovnik-Neretva County on both sides, i.e. the area represents a discontinuation in the territory of Dubrovnik-Neretva County). The area of Boka Kotorska and Dubrovnik have a historical orientation towards the sea, navigation and trade and cultural interlinkages and references. The area is ethnically interrelated, with significant proportions of ethnic Croats living across the borders (53% in Neretva Canton, in 2013, and between 2% and 16% in three Montenegrin municipalities) and smaller, but significant proportion of ethnic Bosniaks and Montenegrins living in Dubrovnik-Neretva County. Today, the whole tri-border area is marked by intensive orientation towards tourism and cross-border movement of tourists is on a high level, both on the sea and on the land side of the area. This is partly because of the fact that Dubrovnik and Tivat airport are often used for transit tourists continuing to the other part of the area. In terms of naval tourism, the area is also a well-integrated destination. Tourism depends on an already shared, if not fully regulated, labour market which in the high season attracts workers from outside of the tri-border territory. The ecological effects of tourism and climate change are shared across the area, as well as the need to jointly prevent natural disasters, fires in particular. The hospital in Dubrovnik is the nearest big hospital with relevant resources for the whole area. Part of the area on both sides of the border around Neum is connected to the same regional drainage system Komarna - Neum - Mljet Channel (municipalities of Komarna, Duboka, Klek, Neum and settlements in the Mali Ston Bay) and there is a contract between the Government of Republic of Croatia and Council of Ministers of Bosnia and Herzegovina on joint maintenance of the system.

If the area is to be considered for territorial focus, it has a capacity to function as a micro or sub-programme with emphasis on the following topics of cooperation:

Under PO 2:

- promoting climate change adaptation, risk prevention and disaster resilience
- promoting sustainable water management

Under PO 4:

- improving access to and the quality of education, training and lifelong learning across borders with a view to increasing the educational attainment and skills levels thereof as to be recognised across borders;
- enhancing the equal and timely access to quality, sustainable and affordable healthcare services across borders;
- improving accessibility, effectiveness and resilience of healthcare systems and long-term care services across borders;
- enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation

In relation to ISO 1:

- enhancing efficient public administration by promoting legal and administrative cooperation and cooperation between citizens, civil society actors and institutions, in particular, with a view to resolving legal and other obstacles in border regions.

2. Area of Kordun and Banovina and Bosanska Krajina

- Municipalities/towns of: Slunj, Cetingrad, Krnjak, Plaški, Saborsko, Rakovica and Vojnić (Kordun) and Glina, Petrinja Hrvatska Kostajnica, Donji Kukuruzari, Dvor, Gvozd, Hrvatska Dubica, Majur, Sunja i Topusko (Banovina) in Croatia
- Unsko-sanski kanton and municipalities/towns of Novi Grad, Bosanski Petrovac, Oštra Luka, Prijedor, Kozarska Dubica, Kostajnica i Krupa na Uni in Republic of Srpska (BiH)

Potentially a narrower segment of border area could be considered for stronger focus.

The area is geographically characterised by a curvature of the border line in a form of a pocket of Bosnia and Herzegovina of Unsko-sanski kanton and parts of Republic of Srpska area surrounded by Croatian territory. The area is a historical border of Ottoman Empire and Austria-Hungary and has lived as a border region, “Krajina”, for centuries. This implied both a heavy historical burden of warfare as well as a history of migrations, both within as well as outside of the area. The contemporary outward migration is related to its relatively poor economic performance, especially considering the Croatian part, which is one of the least economically prosperous parts of the country. On both sides of the border, the rural population is ageing and in need of an ever-stronger

support in terms of social and health services. Today, it is still an ethnically mixed area where representatives of Croatian, Bosnian and Serbian ethnicity live on each sides of the border. The whole area is marked by the issues of depopulation on the one hand and the fact that it is on the migration route of immigrants from war-affected areas in Middle East, Africa and Asia to European Union on the other. So this border area is jointly facing the need to address the humanitarian and security crisis with a significant number of third country nationals who are trying to find the path to the EU through the particular part of the border.

The whole region is rich in natural resources, especially of the rivers Una, Glina, Korana and Sava and has an unused tourism potential stemming from the Una River Nature Park, Rastoke in Slunj, Topusko Spa and other smaller attractions. The area is rich in forests with beautiful hilly landscapes. The need to preserve its ecosystems, however, is ever present. The area has proven to be very vulnerable to natural disasters, with recent earthquakes and floods presenting harsh damages to the public infrastructure, private property and safety of the inhabitants.

As such, this part of the programme area potentially represents a specific functional area marked by the need for improved safety and disaster prevention and damage control, prevention of further demographic and social decline, as well as preservation and valorisation of its natural resources.

If the area is to be a focus of territorial cooperation within the Interreg programme, the potentially important topics to be addressed in the area are:

In relation to PO2

- promoting climate change adaptation and disaster risk prevention, resilience, taking into account eco-system based approaches
- promoting access to water and sustainable water management
- enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution

In relation to PO4

- enhancing the effectiveness and inclusiveness of labour markets and access to quality employment through developing social infrastructure and promoting social economy
- improving equal access to inclusive and quality services in education, training and lifelong learning through developing accessible infrastructure, including by fostering resilience for distance and on-line education and training
- promoting the socioeconomic inclusion of marginalised communities, low-income households and disadvantaged groups including people with special needs, through integrated actions including housing and social services
- promoting the socio-economic integration of third country nationals, including migrants through integrated actions, including housing and social services

- ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family- and community-based care
- enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation

In relation to ISO1:

- build up mutual trust, in particular by encouraging people-to-people action

In relation to ISO2:

- border crossing management and mobility and migration management, including the protection and economic and social integration of third country nationals including migrants and beneficiaries of international protection

3. The area of Croatian and Bosnian Posavina

- Brodsko-Posavska County on the Croatian part of the border
- Municipalities/towns of Derventa, Brod, Odžak, Modriča, Šamac, Brčko, Orašje, Gradačac, Srebrenik, Doboj in Bosnia and Herzegovina

The area is geographically defined by the border that follows River Sava. As a historical and natural border, Sava is detrimental to the natural, economic and cultural development of the whole area. The area is ethnically mixed, with intensive migratory flows. A significant, even if a decreasing, proportion of ethnic Croatians live on the BiH side of the border and a small proportion of Bosniacs and Serbs in the Croatian. The Twin cities of Slavonski Brod and Brod (once called Bosanski Brod) have traditionally been directed to one another, with inhabitants commuting on a daily basis for work, education and social activities. State border now presents a limit to such daily migrations.

The area has been highly industrialised during the 20th century and has kept also its strong agricultural base. The new University of Slavonski Brod reflects the regional focus on industry and agriculture with its offer of programmes.

Posavina and particularly the area of two Brod cities have been marked by a need to jointly tackle the issues of environment protection due to industrial activity in the area and joint resource of Sava River. Also, Posavina has suffered greatly from floods and actions for prevention and emergency actions in natural disaster are highly relevant for this area.

If the area is to be a focus of territorial cooperation within the Interreg programme, the potentially important topics to be addressed in the area are:

In relation to PO2

- promoting climate change adaptation and disaster risk prevention, resilience, taking into account eco-system-based approaches
- promoting access to water and sustainable water management

- enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution

In relation to PO4

- enhancing the effectiveness and inclusiveness of labour markets and access to quality employment through developing social infrastructure and promoting social economy
- improving equal access to inclusive and quality services in education, training and lifelong learning through developing accessible infrastructure, including by fostering resilience for distance and on-line education and training
- ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family- and community-based care

4. Conclusions: pros and contras of territorial focus

Potential for territorial focus on specific functional areas that form pockets of purely geographical and/or thematic concentration in the programme does exist. However, the question of the added value and feasibility of such concentration is questionable, especially seeing that the programme already is a trilateral programme. However, the length of the borders in question and different geographic, spatial, economic and social characteristics of the separate parts of the programme area do suggest such concentration should be considered.

Thematic concentration might come in the format of specific subset of measures or one measure that is focused primarily on the functional area identified and managed by the programme bodies or, as seen in the examples from 2014 - 2020 period on the Member States borders, by a specifically designated joint body. While creation of additional implementing agents in the relatively small programmes is not a favourable option, a potential specific-targeted measures that are aimed at the narrower area might be considered, either:

- a. Certain proportion of funding should be reserved specifically for the functional region because it is of specific importance to the programme area. This implies a previous certainty that there indeed exists a potential and a likely project pipeline to support such separate allocation,
- b. or, specific needs and thematic areas of support in the functional region are different from those of the rest of the programme area and it might need funding for topics that are not financed in the other parts of the area.

In response to the two criteria, the conclusion that arise from the analysis are as follows:

1. While there are specific areas where potential and the need for cross-border cooperation is higher than in the rest of the programme territory, there is no unequivocal understanding expressed in the preliminary analysis as to the delimitation of such areas and the readiness to focus higher levels of funding into specific sub-regions. Since in particular there is no clear project pipeline or specifically strong institutional capacity which might ensure that specific functional areas might attract more funding, there is no particular rational a priori reserving part of the programme to them. The higher intensity of project funding for functionally closer border areas may arise spontaneously through open calls, without reservation of funding in a targeted measure. Since the programme area is long and diverse, however, if a wider consensus is reached on the scope and importance of functional areas, it might be advisable to consider reservations of the programme for those areas that are jointly identified as specifically significant.
2. The areas potentially identified as functional do somewhat differ in the thematic focus and this might be a reason to consider territorial concentration of the programme. For example, the importance of migrant crisis specifically touches on the middle section of the

programme area (Banovina-Kordun-Bosanska Krajina), the Posavina region is particularly touched by the threat of flooding and air pollution, while fire threats and intensive tourist activity might be more pronounced in the Southernmost part of the area. The concentrated approach might ensure that specific needs are better tackled by targeted Calls for proposals.

While there is no obstacle for territorial concentration of the programme, feasibility of such approach is questionable and would require a common understanding of the importance of identified functional areas to all the stakeholders, who would be willing to focus parts of the programme funding on limited parts of programme area.

The size and diversity of the programme area might better be addressed in a thematic focus that divides the whole programme area into the 3 functional sub-areas, so that no territorial unit is left behind. In such case, one might consider specific calls with specific thematic focus for the three sections of the programme: southern, trilateral section, and bilateral middle and northern parts of the area along the lines of the functional demarcation given in the above analysis but with broader territories involved.

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