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2021-2027 IPA III cross-border programme

Bosnia and Herzegovina – Montenegro

**Situation Analysis**

Final report, November 2020

Cross-border Institution Building – CBIB+3

The IPA Multi-beneficiary Programme

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# 1. Situation analysis

## 1.1 The programme area

The programme area comprises territories in the south-eastern part of Bosnia and Herzegovina and the north-western part of Montenegro. It stretches over 30 022 km2, of which 20 782 km2 (69 %) belongs to Bosnia and Herzegovina and 9 240 km2 (31 %) to Montenegro. The territories represent 40 % of the territory of Bosnia and Herzegovina and 67 % of the territory of Montenegro.

Figure 1: Map of the programme area (source: 2014-2020 IPA II CBC programme Bosnia and Herzegovina - Montenegro)

Map

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There are 70 cities and municipalities in the programme area, of which 56 in Bosnia and Herzegovina and 14 in Montenegro.

Bosnia and Herzegovina:

Federation of Bosnia and Herzegovina (FBiH, 35 cities and municipalities):

* Zeničko-dobojski kanton: Breza, Olovo, Vareš, Grad Visoko
* Bosansko-podrinjski kanton: Foča (FBiH), Grad Goražde, Pale (FBiH)
* Srednjobosanski kanton: Fojnica, Kiseljak, Kreševo
* Hercegovačko-neretvanski kanton: Grad Čapljina, Čitluk, Jablanica, Konjic, Grad Mostar, Neum, Prozor-Rama, Stolac, Ravno
* Zapadno-hercegovački kanton: Grude, Grad Ljubuški, Posušje, Grad Široki Brijeg
* Kanton Sarajevo: Centar Sarajevo, Hadžići, Ilidža, Ilijaš, Novi Grad Sarajevo, Novo Sarajevo, Stari Grad Sarajevo, Trnovo, Vogošća
* Kanton 10: Kupres, Grad Livno, Tomislavgrad

Republika Srpska (RS, 21 cities and municipalities):

Berkovići, Bileća, Višegrad, Gacko, Istočni Mostar, Istočna Ilidža, Istočni Stari Grad, Istočno Novo Sarajevo, Pale, Sokolac, Trnovo, Kalinovik, Kupres, Ljubinje, Nevesinje, Novo Goražde, Rogatica, Rudo, Grad Trebinje, Foča, Čajniče.

Montenegro (14 cities and municipalities):

* Northern region: Berane, Bijelo Polje, Kolašin, Mojkovac, Petnjica, Pljevlja, Plužine, Šavnik, Žabljak
* Central region: Danilovgrad, Nikšić
* Coastal region: Herceg Novi, Kotor, Tivat

Table 1: The programme area in figures

|  | **Area** (km2) | **Population census**  (number) | **Population density** (inhabitants/km2) | **Share of urban population**  (%) |
| --- | --- | --- | --- | --- |
| **Bosnia and Herzegovina** | **51 201** | **3 531 159** | **69** | **46.6** |
| **Federation of Bosnia and Herzegovina** | **26 110** | **2 219 220** | **85** | **43.33** |
| **4- Zeničko-dobojski kanton** | **3 344** | **364 433** | **109** | **34.83** |
| Breza | 73 | 14 168 | 194 | 21.27 |
| Olovo | 408 | 10 175 | 25 | 24.23 |
| Vareš | 390 | 8 892 | 23 | 32.80 |
| Grad Visoko | 231 | 39 938 | 173 | 28.06 |
| **5- Bosansko-podrinjski kanton** | **505** | **23 734** | **47** | **49.74** |
| Foča (FBiH) | 169 | 1 933 | 11 | 0.0 |
| Grad Goražde | 249 | 20 897 | 84 | 56.50 |
| Pale (FBiH) | 86 | 904 | 10 | 0.0 |
| **6- Srednjobosanski kanton** | **3 189** | **254 686** | **80** | **30.23** |
| Fojnica | 306 | 12 356 | 40 | 28.89 |
| Kiseljak | 165 | 20 722 | 126 | 17.15 |
| Kreševo | 149 | 5 273 | 35 | 19.44 |
| **7-Hercegovačko-neretvanski kanton** | **4 401** | **222 007** | **50** | **42.46** |
| Grad Čapljina | 256 | 26 157 | 102 | 22.07 |
| Čitluk | 181 | 18 140 | 100 | 18.26 |
| Jablanica | 301 | 10 111 | 34 | 40.12 |
| Konjic | 1 169 | 25 148 | 22 | 42.68 |
| Grad Mostar | 1 175 | 105 797 | 90 | 56.90 |
| Neum | 225 | 4 653 | 21 | 64.75 |
| Prozor - Rama | 477 | 14 280 | 30 | 23.58 |
| Stolac | 331 | 14 502 | 44 | 26.31 |
| Ravno | 286 | 3 219 | 11 | 0.0 |
| **8-Zapadno-hercegovački kanton** | **1 362** | **94 898** | **70** | **21.90** |
| Grude | 221 | 17 308 | 78 | 25.12 |
| Grad Ljubuški | 293 | 28 184 | 96 | 14.27 |
| Posušje | 461 | 20 477 | 44 | 30.61 |
| Grad Široki Brijeg | 388 | 28 929 | 75 | 21.26 |
| **9- Kanton Sarajevo** | **1 277** | **413 593** | **324** | **85.90** |
| Centar Sarajevo | 33 | 55 181 | 1 672 | 96.19 |
| Hadžići | 273 | 23 891 | 87 | 20.90 |
| Ilidža | 143 | 66 730 | 465 | 95.20 |
| Ilijaš | 309 | 19 603 | 64 | 25.10 |
| Novi Grad Sarajevo | 47 | 118 553 | 2 512 | 99.38 |
| Novo Sarajevo | 10 | 64 814 | 6 547 | 98.67 |
| Stari Grad Sarajevo | 51 | 36 976 | 719 | 98.28 |
| Trnovo | 338 | 1 502 | 4 | 4.46 |
| Vogošća | 72 | 26 343 | 367 | **40.12** |
| **10- Kanton 10** | **4 934** | **84 127** | **17** | **26.94** |
| Kupres | 570 | 5 057 | 9 | 57.01 |
| Grad Livno | 994 | 34 133 | 34 | 23.22 |
| Tomislavgrad | 967 | 31 592 | 33 | 17.68 |
| **Republika Srpska** | **24 617** | **1 170 342** | **48** | **45.7** |
| Berkovići | 250 | 2 041 | 8 | 0.0 |
| Bileća | 632 | 10 607 | 17 | 76.1 |
| Višegrad | 448 | 10 118 | 23 | 55 |
| Gacko | 736 | 8 710 | 12 | 64.3 |
| Istočni Mostar | 85 | 244 | 3 | 0.0 |
| Istočna Ilidža | 28 | 14 437 | 517 | 96.5 |
| Istočni Stari Grad | 70 | 1 116 | 16 | 3.4 |
| Istočno Novo Sarajevo | 35 | 10 401 | 300 | 80.4 |
| Pale | 86 | 20 359 | 236 | 66.4 |
| Sokolac | 693 | 11 620 | 17 | 49.2 |
| Trnovo | 116 | 1 983 | 17 | 49.7 |
| Kalinovik | 681 | 1 962 | 3 | 53.9 |
| Kupres | 48 | 293 | 6 | 0.0 |
| Ljubinje | 319 | 3 319 | 10 | 78.2 |
| Nevesinje | 877 | 12 542 | 14 | 42.2 |
| Novo Goražde | 119 | 2 915 | 24 | 0.0 |
| Rogatica | 645 | 10 302 | 16 | 63.9 |
| Rudo | 348 | 7 578 | 22 | 24.5 |
| Grad Trebinje | 855 | 28 239 | 33 | 87.6 |
| Foča | 1 135 | 17 580 | 15 | 67.4 |
| Čajniče | 275 | 4 679 | 17 | 49.1 |
| **Bosnia and Herzegovina programme area** | **20 782** | **1 141 317** | **55** | **-** |

|  | **Area** (km2) | **Population census**  (number) | **Population density** (inhabitants/km2) | **Share of urban population**  (%) |
| --- | --- | --- | --- | --- |
| **Montenegro** | **13 888** | **620 029** | **45** | **63.23** |
| Berane | 499 | 33 970 | **68** | 32.60 |
| Bijelo Polje | 924 | 46 051 | **50** | 33.44 |
| Danilovgrad | 475 | 18 472 | **39** | 37.09 |
| Herceg Novi | 234 | 30 864 | **132** | 63.30 |
| Kolašin | 906 | 8 380 | **9** | - |
| Kotor | 336 | 22 601 | **67** | 55.67 |
| Mojkovac | 359 | 8 622 | **24** | 41.64 |
| Nikšić | 2 087 | 72 443 | **35** | 78.64 |
| Petnjica | 174 |  | **0** | - |
| Pljevlja | 1 343 | 30 786 | **23** | 63.30 |
| Plužine | 853 | 3 246 | **4** | 41.31 |
| Šavnik | 556 | 2 070 | **4** | 22.80 |
| Tivat | 47 | 14 031 | **299** | 72.96 |
| Žabljak | 447 | 3 569 | **8** | 48.28 |
| **Montenegro programme area** | **9 240** | **295 105** | **32** | - |
|  |  |  |  |  |
| **TOTAL PROGRAMME AREA** | **30 022** | **1 436 422** | **48** | **-** |

Sources: Institute for Statistics of the Federation of Bosnia and Herzegovina (Kantoni u brojkama), Institute of Statistics of the Republika Srpska, Monstat (Statistički godišnjak 2019).

**Geographical features**

The area is predominantly mountainous, with many mountain peaks above 2 000 m accompanied by glacial lakes and canyons. The main rivers in the area are Neretva, Bosna, Drina, Sutjeska, Tara, Piva, Lim and Ćehotina, flowing either into the Adriatic or the Black Sea. There are around forty natural and seven artificial lakes in the area. Besides water, the area is also rich in forests.

The coastal areas include 20 km of coast (Neum), which is the only access of Bosnia-Herzegovina to the Adriatic Sea, and 164 km of coast in Montenegro (Herceg Novi, Kotor and Tivat).

The area has different climates; in general, the northern part is characterised by continental climate, with cold winters and hot, relatively humid summers with well distributed rainfall patterns and heavy inland snowfall, while the southern part enjoys a Mediterranean climate with hot, dry summers and autumns and mild winters.

In general, the programme area is **predominantly rural** with dispersed small towns and rural settlements. The population density of the programme area on both sides is below their country averages. The territory in the northern part of Montenegro is very sparsely populated, with less than 10 inhabitants/km2, in contrast to the much denser coastal part. Dispersion of small and middle-sized settlements is also characteristic for most of the territory in Bosnia-Herzegovina.

The programme area however includes the country capital Sarajevo, a large **urban agglomeration** with approximately 275 000 population within its administrative units and about 555 000 with its nearby municipalities. Other important urban centres in the programme area are Mostar with 105 000 and Nikšić, the second largest city in Montenegro, with 69 000 inhabitants. The share of urbanisation is also high in the cities/municipalities of Bileća, Ljubinje, Trebinje, Pale, Goražde, Kupres and in the coastal municipalities of Tivat, Herceg Novi and Neum.

**Identification of challenges and needs**

The programme area stretches over 30 000 km2 and has 1 384 000 inhabitants (2019 estimates) living in 70 municipalities. In terms of territory and population, the programme area is much larger on the side of Bosnia and Herzegovina, which includes the capital of Sarajevo, a densely populated urban agglomeration. Due to its mix of urban and rural, the programme area faces different development challenges and will need to find out how to optimise the use of its assets for sustainable development. It should be noted that there are different capacities among local and regional actors to engage in cross-border cooperation and that those actors on the Montenegrin side are relatively few.

## 1.3 Demography

According to the last census (2013-BiH, 2011-MNE), in total there were **1 436 422** people living in the programme area. The population on the Bosnian-Herzegovinian territory amounted to 1 141 317 (79 %), which was 3.8 times larger than the size of population on the Montenegrin side (295 105 inhabitants; 21 %). The imbalance is partly due to a bigger territory within Bosnia and Herzegovina, but also due to the inclusion of the country capital Sarajevo, where the concentration of population is the highest.

The programme area has been facing a **general decline of population**. According to population estimates, the number of inhabitants in 2019 decreased by 21 312 or 1.52 % compared to the year 2014. The decrease is most notable on the Montenegrin side (- 3.65 %). The population is estimated to have increased only in the municipalities of Tivat (5.48 %), Kotor (0.6 %) and Petnjica (0.98 %). The decrease of population in Bosnia and Herzegovina in the same period was - 0.96 %.

A population increase was noted in Grad Široki Brijeg (0.19 %), Hadžići (2.58 %), Ilidža (4.33 %), Ilijaš (4.16 %), Novi Grad Sarajevo (2.68 %), Vogošća (6.89 %), Istočni Mostar (0.41 %), Istočno Novo Sarajevo (10.89 %), Trnovo (1.54 %) and Grad Trebinje (0.49 %). The highest decrease of population in the programme area took place in the municipalities of Šavnik (-16.77 %), Plužine (-11.81 %), Novo Goražde (-11.21 %), Kalinovik (-9.95 %) and Vareš (-10.09 %).

**The natural increase** of the population is negative in the programme area. Some municipalities however still show positive values (Posušje, Grad Široki Brijeg, Hadžići, Ilidža, Ilijaš, Novi Grad Sarajevo, Vogošća, Livno, Tivat).

**Ageing of population** is one of the key demographic trends in Europe, which brings new challenges to socio-economic development. Looking at the share of population aged 65+ compared to the population aged up to 14 years, substantial **differences between municipalities** of the programme area exist. On the part of Bosnia and Herzegovina, the population in the FBiH has a relatively favourable age structure across most of its cantons. The population is relatively young in the municipalities of Sarajevo agglomeration, where the ageing index is far below 100, with the exception of Stari Grad Sarajevo (255). In all municipalities of the Republika Srpska the ageing index is above 100, whereas Kupres (608), Trnovo (386) and Kalinovik (322) have significantly higher shares of 65+ aged people. Such an unfavourable age structure is also characteristic for most of the territory on the Montenegrin side of the programme area. Data on population estimates for Montenegro are not available. According to the 2011 census, the ageing index was the highest in the municipalities of Šavnik (139), Žabljak (135), Pljevlja (120) and Kolašin (105), while in all other municipalities the share of the young up to 14 years was higher than those of 65+, the highest in Danilovgrad (59) and Bijelo Polje (63).

Negative population trends are more intense in rural municipalities, where the quality of life is usually lower and job opportunities are scarce, what results in emigration of (young) population to more dynamic urban centres or even abroad.

**Identification of challenges and needs**

The overall population growth in the programme area is negative and this trend is more acute in rural areas. However, in Sarajevo’s agglomeration and the coastal towns of Montenegro, the population growth is still positive. Depopulation and ageing in rural areas are linked with socio-economic challenges, including an increasing demand of social and health care services for the elderly.

## 1.4 Economy

### 1.4.1 Overall economic profile at country level

The gross domestic product (GDP) per capita has been increasing in both countries in recent years. The GDP p.c. measured in purchasing power parity (PPP) compared to the EU-27 average shows that both countries made progress with faster growth being recorded in Montenegro, reaching 50 % of the EU-27 average and 32 % in Bosnia and Herzegovina in 2019.[[1]](#footnote-1)

Table 2: GDP per capita in Euro

|  | **2014** | **2015** | **2016** | **2017** | **2018** |
| --- | --- | --- | --- | --- | --- |
| **Bosnia and Herzegovina** | **3 967** | **4 155** | **4 355** | **4 578** | **4 891** |
| Federation of Bosnia and Herzegovina | 4 113 | 4 322 | 4 528 | 4 771 | 5 118 |
| Republika Srpska | 3 894 | 4 050 | 4 254 | 4 469 | 4 757 |
| **Montenegro** | **5 561** | **5 873** | **6 354** | **6 908** | **7 495** |

Sources: Agency for Statistics of Bosnia and Herzegovina (BHAS), Institute for statistics of the Federation of Bosnia and Herzegovina (FIS), Institute of Statistics of the Republika Srpska (RSIS), Monstat, Eurostat.

Table 3: GDP per capita in PPP; data from 1 June 2020

|  | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| --- | --- | --- | --- | --- | --- | --- |
| **Bosnia and Herzegovina** | 30 | 31 | 31 | 31 | 32 | 32 |
| **Montenegro** | 41 | 43 | 45 | 46 | 48 | 50 |
| **EU-27** | 100 | 100 | 100 | 100 | 100 | 100 |

Source: Eurostat

The gross value added (GVA) structure at country level and its comparison with the EU-27 in 2019 shows above average contribution of agriculture, forestry and fishing. Both countries also have above average shares of trade, transport, accommodation and food service activities. The table below illustrates a comparison of the GVA by economy sector at country level in 2019[[2]](#footnote-2).

Table 4: GVA per capita in Euro

|  | **Agriculture, forestry and fishing** | **Industry** | **Construction** | **Trade, transport, accommodation and food services** | **Information and communication** | **Financial and insurance activities** | **Real estate activities** | **Scientific, technical, admin. and support services** | **Public administration, defence, education, human health and social work** | **Arts, entertainment and recreation, other services** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **B&H** | 7.1 | 23.2 | 4.6 | 23.4 | 5.0 | 4.6 | 5.7 | 4.3 | 19.2 | 2.8 |
| **MNE** | 8.2 | 12.5 | 7.0 | 29.5 | 4.5 | 4.9 | 6.6 | 6.2 | 17.3 | 3.4 |
| **EU-27** | 1.8 | 19.7 | 5.6 | 19.3 | 5.0 | 4.5 | 10.8 | 11.3 | 18.7 | 3.3 |

**SMEs are important creators of value added and employment**

According to the country Small Business Act Factsheets 2019, in both countries, nearly 70 % of value added is created by SMEs. The share of jobs generated by SMEs – 80 % (BiH) and 75 % (MNE) – is above average compared with 56 % of value added and 66 % of national employment in the EU-28.

**Business support environment**

Business support environment in the programme area is improving, but, in general, those favouring conditions are stronger in Montenegro than in Bosnia and Herzegovina.

According to the **SME policy index,** the busines environment in Bosnia and Herzegovina was scored below the average in the Wester Balkans and Turkey region (WBT) in many dimensions. It has the lowest score in the WBT regarding the operational environment for SMEs (digital government services for enterprises, company registration, business licencing and tax compliance procedures for SMEs). In terms of support services for SMEs, the country has improved its performance. It has the lowest score in the WBT region for innovation policy for SMEs, with a score of 1.86, which is well behind Kosovo (2.40) and Albania (2.48). It is one of the few WBT economies to increase its score in SMEs in green economy – up slightly from 2.29 in 2016 to 2.40 in 2018. Although SME greening seems to be gaining momentum, its overall performance is still low.[[3]](#footnote-3)

Montenegro also made progress and scored better than the WBT average in several dimensions, improving legal and regulatory environment. It is slightly above the WBT average in provision of support services to SMEs as well as in green economy and entrepreneurial learning and women’s entrepreneurship.

According to the **Global Entrepreneurship Index 2018**, Bosnia and Herzegovina ranked 95th and Montenegro 60th out of the 137 countries analysed.[[4]](#footnote-4)

The strongest areas in Bosnia and Herzegovina are internationalisation (do entrepreneurs want to enter global markets: 49 %) and technology absorption (is the technology sector large and can businesses absorb the new technology: 40 %), while the lowest is risk acceptance (are individuals willing to take the risk of starting a business: 2 %). Quality of institutions supporting the entrepreneurship reaches 33 % and the entrepreneurial qualities of people in the ecosystem reach 58 % of the total score.

The overall score for Montenegro is higher for entrepreneurial qualities of people and the quality of the support institutions. The strongest areas are the perception of the population of possessing the skills necessary to start a business and the availability of tertiary education (84 %) and internationalisation (84 %). Similarly, as in Bosnia and Herzegovina, the risk acceptance is very low (1 %).

**Smart specialisation strategies**

Smart specialisation strategies were designed in both countries. An overview of the specialisation areas is presented in Table 6, indicating potential common cooperation themes, such as in the field of agriculture and food production, energy, engineering and new materials. Potential cross-cutting topics could also be found through creative industries and humanities.

Table 5: Smart specialisation overview

|  | **Area of specialisation** |
| --- | --- |
| **Bosnia and Herzegovina** | |
| Federation of Bosnia and Herzegovina | |
| Agricultural sciences | Scientific research and development, Agricultural forestry impact on environment, Agriculture, forestry and fishery |
| Engineering | Architectural and engineering activities; technical testing and analysis, Scientific research and development, Engineering Sciences |
| Humanities | Scientific research and development, Humanities (history, archaeology, languages, literature, philosophy, ethics, religion and art) |
| Medical and health sciences | Scientific research and development, Medical sciences |
| Natural sciences | Scientific research and development, Biological sciences, Chemical sciences |
| Social sciences | Scientific research and development; Social sciences (psychology, economics, business, sociology, law, political science and geography) |
| Republika Srpska | |
| Food production | Crop and animal production, hunting and related service activities; Manufacture of food products, sustainable agriculture |
| Creative Industries | Creative, arts and entertainment activities, cultural services, development of regional cultural and creative industries, support to link cultural & creative industries with traditional industries, |
| ICT | Computer programming, consultancy and related activities; Information service activities; Mathematics, computer and information sciences, ICT trust, cyber security & network security |
| Energy | Electricity, gas, steam and air conditioning supply; Energy efficiency – consumption; Energy production and distribution efficiency; Other power and storage technologies |
| **Montenegro** | |
| Renewable Energy Sources and Energy Efficiency | Energy efficiency, improvement of energy balance, reduction of energy consumption and of CO2 emissions (renewal of buildings, implementation of LED technologies, eco active/passive facilities); Thermal anemometry research; Turbulent current fields research; Protection of electrical energy systems from atmospheric discharges; Hydro-energy; Wind energy |
| Sustainable Agriculture and Food Value Chain | Wine and beer; Creation of new and innovative fruit, vegetable and honey products. |
| New Materials and Sustainable Technologies | Processing and use of eco-materials; Sustainable technologies in processing metals and alloys. |
| Sustainable Health and Tourism | Innovative and standard therapeutic and rehabilitation programmes for patients with chronic non-communicable diseases, convalescents after orthopaedic interventions, neurological patients, drug addicts, children with autism, athletes; Medical services including multidisciplinary diagnostics, dentistry, products and services of balneotherapy, thalassotherapy, heliotherapy, salt therapy, psamotherapy (sand) aerotherapy and mineral water therapy. |
| ICT | Telecommunications; Software engineering. |

Source: [Federation of Bosnia and Herzegovina](https://s3platform.jrc.ec.europa.eu/map?p_p_id=captargmap_WAR_CapTargMapportlet&_captargmap_WAR_CapTargMapportlet_non-eu-country=true&_captargmap_WAR_CapTargMapportlet_non-eu-region=true&_captargmap_WAR_CapTargMapportlet_regionids=537), [Republika Srpska](https://s3platform.jrc.ec.europa.eu/map?p_p_id=captargmap_WAR_CapTargMapportlet&_captargmap_WAR_CapTargMapportlet_non-eu-country=true&_captargmap_WAR_CapTargMapportlet_non-eu-region=true&_captargmap_WAR_CapTargMapportlet_regionids=603), [Montenegro](https://s3platform.jrc.ec.europa.eu/regions/ME/tags/ME)

### 1.4.2 Economy of the programme area

The **economy of the programme area** is characterised by agriculture, coal mining, energy production, processing industries, construction and services. Trade constitutes the main proportion of services, whereas tourism is particularly dominant on the coastal areas on the Montenegrin side of the programme area.

**Enterprise development**

There were **48 019 business entities** registered in the programme area in 2019, of which 10 955 (23 %) on the Montenegrin and 37 064 (67 %) on the side of Bosnia and Herzegovina.

Data on new-born enterprises are currently available only for the Federation of Bosnia and Herzegovina and Montenegro. In total there were **5 079 new-born enterprises** registered in the corresponding municipalities of programme area in 2019, which is 8 % more than in 2015. On the contrary, the Montenegrin part of the programme area shows a decrease by 8 % and also reflects the trend at national level. In line with the existing yearly records, the highest increase was noted in the City of Ljubuški (+148 %), the City of Mostar (+ 60 %), Olovo (+52 %) and Tivat (46 %).

According to the indicator ‘**new-born enterprises per 1 000 inhabitants’**, the municipalities of Jablanica (45), Olovo (16), Ravno (11), Herceg Novi and Tivat (10) registered in 2019 the highest entrepreneurial activity. The average rate in the programme area amounted to 4 new-born enterprises per 1 000 inhabitants.

With regard to the creation of a business support environment, a number of state and donor sponsored business support structures have been established at several locations in the programme area; however, their accessibility and quality are still insufficient (business incubators, business support centres, advisory services). SMEs are an important generator of jobs in the programme area, despite their lack of access to finance.

Business incubators function in Mostar, Sarajevo, Trebinje, Jablanica, some as part of municipal structures. Technology parks are established in Mostar (INTERA) and an initiative also exists in Sarajevo. In the Montenegrin side business support is more concentrated outside the programme area with a few initiatives being planned within the programme area. Business support measures in smaller municipalities are weak, both in terms of access to professional advice and funding.

In both parts of the programme chambers of economy and crafts are active.

Some cities and municipalities have recently invested in new business zones and efforts are being put to attract foreign direct investments, what are also priorities at national level for both countries.

**Agriculture and rural development**

Agriculture play an important part in the economies of the two countries as seen from the structure of GVA in Table 4.

The majority of agricultural land comprises meadows and pastures. Cattle, sheep and goat breeding is developed in these parts. Beekeeping and herb collection are also important for the area.

In the plains and coastal parts, the land is optimal for vegetable production and fruit growing, including subtropical fruits and olives, wine and field crop production. Vineyards are mainly represented in the municipalities of the Hercegovina-Neretva and West Herzegovina Cantons and coastal parts on the Montenegrin side.

Both countries have a good basis for processing of agricultural products.

The agriculture in the programme area is based on **family holdings**, which are relatively small and offer limited quantities of agricultural products for the market. In addition, an unfavourable age structure, along with a low level of knowledge and use of modern technologies, results in low productivity. The potentials for creation of local value-added chains, including organization of producers for marketing of agricultural products through tourism are not yet sufficiently seized.

Organic farming is being promoted in the area also with support of the national and EU funds, however the organic production is still fairly underdeveloped and substantially lagging behind the EU average at 7 %.

As the economic potential of farms is weak and job opportunities in rural areas are relatively scarce, many young people migrate to urban centres and the share of older workers at farms is increasing. Diversification of economic activities is a common potential of the programme rural areas.

Agriculture and food production were the most frequently mentioned ‘development opportunity’ by respondents to the survey carried out during the preparation of this CBC programme.

**Forestry and wood processing**

Forests are an important natural resource of the programme area in terms of economy, ecosystem services, biodiversity, recreation, etc. Forests in both countries cover 55 % of the land in BiH and 70 % in Montenegro (2017)[[5]](#footnote-5).

Forests are vulnerable to climate changes (particularly forest fires in Herzegovina and Montenegro) but also to human made damages, such as illegal logging. One of the common challenges of both countries is land abandonment followed by urbanisation, which also changes the landscapes and affects the management of forest (and agricultural) land.

Around 80 % of the forest land in Bosnia and Herzegovina is state owned in both entities (FBiH and RS)[[6]](#footnote-6). According to the proposal of a 2014-2023 forestry strategy in Montenegro, out of the 675 389 ha of forests for use, about half is state owned, while the privately-owned share is increasing due to denationalisation. In the northern part of the programme area forests are predominantly state owned, while in the southern part they are predominantly private.

Wood processing is an important part in the total export of goods, both of logs and sawmill products and furniture in Bosnia and Herzegovina. The level of processing and production finalisation is rather low, in particular in Montenegro. The biomass is not sufficiently used. In order to increase the economic value of forests, the value chains on both sides of the border need to improve.

**Tourism**

Tourism has been in expansion in recent years, particularly in Montenegro where it has become the country’s key industry.

The programme area has around **40 000 beds** and generated approximately **1.9 million tourist arrivals and 6.9 million overnight stays** in 2019[[7]](#footnote-7), of which 85 % of the arrivals and 90 % of the overnight stays were made by foreign tourists. 38 % of the arrivals and 66 % of the overnight stays were generated on the Montenegrin side of the territory.

The coastal municipalities of Herceg Novi, Tivat and Kotor alone generated around 61 % of all overnight stays in the programme area, while Žabljak is the 4th most visited tourist destination on the Montenegrin side of the programme area. In Bosnia and Herzegovina, 1.5 million (21 %) overnight stays were recorded in Ilidža, Neum, Centar Sarajevo, Pale, Čitluk, Grad Mostar, Novo Sarajevo, Trebinje, Novi Grad Sarajevo. Tourism in other municipalities is currently less significant, especially in some municipalities in the Republika Srpska for which data is not available in official statistics.

Comparing recent data with those of 2015, a significant rise in the arrivals (146 %) and overnight stays (135 %) was recorded in the programme area. In Hadžići, the registered overnight stays increased almost 18-times. High growth rates were also noted in municipalities where tourism is not yet so important in the overall economy of the programme area; e.g. Danilovgrad (575%), Grad Ljubuški (487 %), Jablanica (474 %), Tomislavgrad (382 %), Berane (333 %), Mojkovac (313 %), Visoko (294 %), Kiseljak (293 %), Livno (214 %), Nevesinje (212 %) and Nikšić (209 %).

**The main tourist destinations** in the programme area are currently linked to **urban/city tourism** (Sarajevo, Mostar and other smaller towns) and **coastal tourism** (Neum, Herceg Novi, Tivat and Kotor). There are initiatives in the development of outdoor, green and rural tourism in the mountainous areas around Jahorina, Bjelašnica, Igman, Zelengora, Durmitor and Bjelasica and the related national parks.

The international hiking trail ‘Via Dinarica’ crosses the programme area. Tourist products in the programme area are promoted in a rather dispersed way, including some of the most recognised destinations in both countries (e.g. Sarajevo, Mostar, Trebinje, Ostrog Monastery, Medjugorje, Boka Kotorska Bay, national parks, canyons, etc.). Potentials for creation and promotion of thematic cross-border offers are not yet sufficiently explored.

Rural tourism enables the valorisation of agricultural areas, natural resources, cultural heritage, religious monuments, traditional local customs, etc. Rural tourism makes up the identity of the area and meets the needs of guests in terms of accommodation, food, drink, leisure activities and events.

The IPA II CBC programme supported six projects in tourism under two calls for proposals, focusing on activation of cultural heritage and traditions, rural cycling routes, rural tourism in mountain destinations, medieval fortresses, outdoor adventure, and museums cooperation. Some municipalities have in the last five years also supported investments in tourist infrastructure.

Covid-19 pandemics has however changed the tourism figures in 2020 and it will be important for the future to take into account new opportunities and visitors’ requirements and expectations.

**Energy production**

The region is rich in water resources and the hydropower potentials are exploited in Plužine and Nikšić in Montenegro and in Čapljina, Jablanica, Trebinje, Višegrad, Rama, in BiH. Coal thermo power plants (TPP) are located in Gacko (BiH) and Plevlja (ME). Recently a wind farm started operating in Nikšić.

**Identification of challenges and needs**

In terms of economic activities and challenges, both sides of the programme area have a similar structure with SMEs playing an important role in the generation of value added and employment. Agriculture and food production and ICT are among the common smart specialisation areas.

Even though the **business support environment** has been developed, in smaller towns and rural areas in general, the access, range and quality of these support services must be improved.

**Agriculture and forestry** are important activities of the programme area, not only from an economic point of view, but also from a social and environmental. The common challenges are multiple, namely: abandonment of farming activities, low productivity and value added, weak promotion of local value chains and insufficient diversification of economic activities on small farm households along with unsustainable farming practices.

The importance of **tourism** is becoming apparent beyond traditional tourist destinations. The sector has substantial potential and much room for improvement. Common needs and challenges relate to developing sustainable tourist products and their integration in visible destinations. The potential for expanding tourism outside traditional tourist centres into the rural hinterland must be activated. The capacities of the sector to advance the range and quality of products, services and related infrastructure, management and marketing of cross-border destinations also need to be raised.

The **energy sector** is well represented in the programme area. Its evolution is expected to be linked to cleaner technologies in coal-based energy production, more renewable energy sources and the transition to green economy.

## 1.5. Labour market

### 1.5.1 Employment

In 2017, the EU-28 activity rate of the working population aged 20-64 years was 78 %. Since 2007 the activity rates have been increasing in both countries and reached 69.3 % in Montenegro and 58.4 % in Bosnia and Herzegovina. Activity rates of men are higher than women’s.

Data on employment rates are accessible at national or entity levels. The employment rate of the population aged 20-64 years show an increase in the FBiH from 41.4 % in 2014 to 45.2 % in 2019, while in Republika Srpska the increase was much higher, from 47.5 % in 2014 to 58.7 % in 2019. The employment rate in Montenegro increased from 67.6 % in 2014 to 71.5 % in 2019 (Eurostat).

In 2018, there were **365 806 employed** in the programme area, out of whom the share of women was 45 %. In some municipalities, the share of employed women is much lower than the average of the programme area, e.g. Istočni Stari Grad (22 %), Kupres and Breza (26 %), Čajniče, Kreševo, Berkovići, Ilijaš (between 30-35 %). On the other hand, above average rates were recorded in Istočna Ilidža (57 %), Centar Sarajevo (53 %), Kotor (51 %) and Stolac (52 %) Stari Grad Sarajevo and Neum (50 %), Nevesinje (49 %) and Grad Mostar (47 %).

Looking at sectors of economic activates in the programme area, the majority of employment is generated in manufacturing, trade, public administration and public services.

One of the common challenges in the wider region is to improve labour skills and capacity to match the needs of the labour market. The concept of lifelong learning needs to be further developed in order to strengthen the employability of workers.

The programme area includes some of the most remote regions of both countries where employment opportunities are scarce. Labour mobility is rather low, in particular with regard to cross-border mobility of workers. The latter is to a large extent linked to issuing work permits for the non-residents needed on the Montenegrin coastal areas during the tourist season.

An additional challenge for the programme area can be found in the ‘brain drain’ of skilled workers either to urban centres or out of the Western Balkans region.

### 1.5.2 Unemployment

A favourable economic situation has contributed to decreasing unemployment in recent years. According to Eurostat, the unemployment rate in EU-27 decreased from 11.4 % in 2013 to 7.3 % in 2018. Unemployment in partner countries remained at much higher rates. Compared to 2013, the unemployment was down for 9.1 % in Bosnia and Herzegovina from 27.6 % in 2013. In Montenegro, the change was from 19.5 % in 2013 to 15.2 % in 2018.

**Young people** seem to be the most affected group. According to Eurostat, 16.8 % of young aged 15-24 were unemployed in 2017 in the EU, compared with 23.3 % in 2012. In Bosnia and Herzegovina, the unemployment rate in this age group was over 60 % and was reduced to app. 46 % in 2017. In Montenegro, the rate in 2012 reached around 44 % and decreased to around 32 % in 2017. In both countries the gender gap is high, the share of unemployed young women is higher than men’s.

Unemployment rate data are not available at the level of canton or municipality, however from available statistics it is evident, that the highest unemployment rate in 2019 was in the FBiH (18.4 %), while in the Republika Srpska this was much lower (11.7 %). Unemployment rate in Bosnia and Herzegovina decreased for 12 % in the last 5 years, whereas in Montenegro where the figures were much lower in 2015, the decrease was of 2.4 % was recorded.

Table 6: Unemployment rates, %

|  | **2015** | **2016** | **2017** | **2018** | **2019** |
| --- | --- | --- | --- | --- | --- |
| **Bosnia and Herzegovina** | **27.7** | **25.4** | **20.5** | **18.4** | **15.7** |
| Federation of Bosnia and Herzegovina | 29.1 | 25.6 | 20.0 | 19.2 | 18.4 |
| Republika Srpska | 25.2 | 24.8 | 21.0 | 17.2 | 11.7 |
| **Montenegro\*** | **17.2** | **17.3** | **16.0** | **15.2** | **15.2** |

\*Source: [Eurostat](https://ec.europa.eu/eurostat/databrowser/view/UNE_RT_A__custom_141064/default/table?lang=en)

At the end of 2019 and beginning of 2020, there were close to **160 000 registered unemployed** in the programme area, out of whom 141 000 (89 %) in the territory of Bosnia and Herzegovina. The absolute number on the Montenegrin part is much smaller, close to 18 000, however it represents 50 % of all unemployed in the country, reflecting a more severe situation in the northern region compared to the central and coastal.

Characteristic groups of unemployed in the programme area are long-term unemployed, workers with low level or incomplete education, young unemployed, women and disabled persons. E.g. in the FBiH, the share of women among registered unemployed in some municipalities reaches even up to 69 % and is below 50 % only in Neum and Ravno. The labour mobility and flexibility to adjust to the needs of the labour market is still low.

A comparison between the number of unemployed in 2019 and latest data in 2020 shows that in most parts of the programme area the **situation worsened**. It can be assumed that Covid-19 and its effects on local and regional economies contributed to a loss of jobs.

In both countries the employment services introduced active employment policy measures and have a relatively well-developed network of employment offices across the programme area. There is room to increase effectiveness of labour market measures with working across the borders and to promote the cooperation with education and lifelong learning institutions and business sector to improve skills intelligence and related measures to increase employability of job seekers, particularly in prospective sectors identified on both sides and focusing on rural and remote areas where job opportunities are scarce.

**Identification of challenges and needs**

A favourable economic situation in recent years had a positive effect on the labour market. The Covid-19 crisis is likely to adversely affect this market across the programme area with implications on the socio-economic status of the most vulnerable groups.

The creation of sustainable jobs, especially for the young and those living outside urban centres, remains a capital challenge. Long-term unemployment negatively affects the chances of finding a job in an environment where the necessary professional skills must change relatively quickly. Overall skill advancement and reskilling among the active population is most required to better match the existing and future needs of the labour market demand. The activation of local employment potentials involves cooperation of diverse actors.

## 1.6 Knowledge society

### 1.6.1 Education, research and innovation

The programme area has a relatively well-developed network of primary and secondary/vocational schools.

The education systems of Bosnia-Herzegovina and Montenegro are similar, with compulsory primary education and non-obligatory secondary education.

Tertiary level education is quite well developed, although the quality of education still has room for improvement in order to be more connected to labour market needs. Besides public universities and their faculties and academies, the offer of private universities and colleges has increased in recent years, especially in Bosnia and Herzegovina. There is a strong concentration of tertiary education institutions in Sarajevo and Mostar. Research institutes can be found within the most relevant higher education institutions providing an important base for research and innovation, in particular in the areas of smart specialisation.

Table 7: Overview of higher education in the programme area

| **Bosnia and Herzegovina** | **Montenegro** |
| --- | --- |
| **Public universities:** University of Sarajevo, University of East Sarajevo, Džemal Bijedić University Mostar, University of Mostar:  **Private universities:** American University, Int. BURCH University, Int. University of Goražde, Int. University of Sarajevo, Sarajevo School of Science and Technology, University of Herzegovina, | **Public universities: University of Montenegro**  Nikšić: Faculty of Philosophy, Faculty of Philology,  Faculty for Sport and Physical Education  Kotor: Faculty of Maritime Studies,  Faculty of Tourism and Management  **Private universities**: Adriatic University  Herceg Novi: Faculty of Management (member of Adriatic University)  Tivat: Faculty of Mediterranean Business Studies (member of Adriatic University) |

**Lifelong learning** **institutions** are getting more importance across the programme area. However, access to and range of non-formal education programmes (courses) is far more accessible in urban centres; e.g. according to the strategy for sustainable development of Montenegro, in the northern part of the region there is significantly less programmes organised for the young than in Podgorica.

In terms of education systems, there are still needs for improvement of education infrastructure at all educational levels as well as improving the teaching methods and teachers’ capacities, including the use of digital competence. There is also a need for more intense cooperation between the education and business sectors, as the competences of school graduates do not match real work requirements.

### 1.6.2 Educational structure of the population

The educational structure of the population is improving in both countries, although in the overall population the share of persons with completed only primary education remains high.

The share of early leavers from education and training aged 18-24 years in both countries is below EU-27 average at 10.5 %, being 4.6 % in Montenegro and 5.4 % in Bosnia and Herzegovina.

The proportion of 20-24 years old who have achieved at least secondary education attainment level (ISCED 3) was 83.3 % at EU-27 level 2018. In both countries these shares are above the EU average, reaching 95.1 % in Montenegro and 93.9 % in Bosnia and Herzegovina and there is no difference between men and women.

The tertiary education attainment of persons aged 30-34 years is below the EU-27 average at 10.5 %. In Bosnia and Herzegovina, the share was 5.4 % and in Montenegro 4.6 %. In Montenegro the share of women was slightly higher (4.9 %) than men’s (4.4 %), while in Bosnia and Herzegovina the share of men was 5.6 % and of women 5.2 %.

The ratio of students enrolled in tertiary education per 100 inhabitants in 2018 was 3.9 at EU-27, a bit lower in Montenegro (2.6) and 2.7 in Bosnia and Herzegovina.

One of the important indicators is also the share of young people aged 15-24 years neither in employment nor in education and training (NEET). According to Eurostat, in 2019, at EU-27 the share of NEET was 10.1 %. In Montenegro it was higher, 17.3 %. Data for Bosnia and Herzegovina is not available, but according to the 2018 Eurostat publication, it was slightly below 25 % in 2017.

**Identification of challenges and needs**

In general, the R&D capacities in the programme area are low. The main R&D centres are in Sarajevo and Mostar. Relevant partners on the Montenegrin side would not be found in the eligible area but outside. The major challenges of the programme area in this respect would be how to increase the innovation and research capacities, strengthen knowledge transfer and add further value to existing economic activities.

In the field of education, the challenges are linked to promotion of lifelong learning and ensuring equal access to it for the population of urban and rural areas. Another challenge is linked to activation of the young NEETs who are left behind or may mainly be engaged in informal work.

## 1.7. Social and health care

In both countries the social care systems and services are in place. Overall, the risk of poverty rate is above the EU average.

In general, living standards of the population are still moderate. Most population has low income levels. According to Monstat, the risk of poverty in rural areas is twice higher than among the urban population.

The groups which are more vulnerable to social exclusion are the unemployed, persons with disabilities and elderly. In both countries informal work exists and contributes to maintaining inequality and poverty (social contributions not paid, low paid work). According to an UNDP report, in Montenegro, informal employment is the highest among those aged 15-24 (34 %) and among persons aged 65+[[8]](#footnote-8).

There are several NGOs active in the programme area who address the needs of specific groups, however they are to a great extent dependent on projects. Programmes for social activation and inclusion are better accessible in urban areas.

Data about the health of population were mainly accessible at national level. Figures 5 and 6 illustrate the most outstanding risk factors and causes of death in both countries[[9]](#footnote-9).

In both countries, the risk factors driving to most deaths and disabilities are similar, what reflects the need for promotion and improvement of a healthy lifestyle and encouraging the population to be more responsible for their own health.

The **life expectancy at birth** in both countries is below the EU average. Besides the gender gap in life expectancy, one can also assume that the health condition of the population depends on overall socio-economic development, education, differences in living standard, etc.

The health systems are below the EU-average in terms of availability of doctors and hospital beds.

The network of primary health centres and pharmacies in the region is relatively well developed; however, differences still exist in geographical accessibility, particularly in dispersed rural settlements. Municipalities in more remote areas are facing difficulties in attracting enough medical doctors.

The network of general hospitals is well accessible on the Montenegrin side in Berane, Bijelo Polje, Kotor, Nikšić and Plevlja. In the part of Bosnia and Herzegovina, the main hospitals are the Clinical Centre University of Sarajevo, Clinical Hospital Mostar, county hospitals in Livno and Goražde, and general hospitals in Istočna Ilidža, Foča, Nevesinje, Trebinje and Konjic.

Table 8: Health and social indicators

|  | **Life expectancy at birth (yrs, 2018)** | | **Physicians/ 100 000 inhabitants1)**  2018, 2017 | **Hospital beds/100 000 inhabitants 2)** | **At risk of poverty rate before social transfers, 2017** |
| --- | --- | --- | --- | --- | --- |
| **male** | **female** |
| **EU-28/ EU-27** | 78.2 | 83.7 | 306.4 | 509 | 43.8 |
| **Bosnia and Herzegovina** | n.a. | n.a. | 212.3 | 377 | - |
| Federation of Bosnia and Herzegovina | 75.1 | 79.3 | 178.4 | 258 |  |
| Republika Srpska | 74.3 | 80.0 | 225 | 454 |  |
| **Montenegro** | 74.5 | 79.3 | 264.1 | n.a. | 46.7 |

1) Data for RS (2018), EU & national levels (2017, Eurostat); 2) RS (2018), EU-2016, FBiH (Institute for statistics of the FBIH, 2018).

**Identification of challenges and needs**

A relatively high share of population at risk of poverty and social exclusion is particularly challenging for rural areas, affected by depopulation, ageing and poor offer, range and quality of services such as home and health care.

## 1.8. Cultural heritage

The programme area is rich in cultural heritage and traditions. Important cultural heritage includes old towns, fortresses, bridges, monasteries, churches, mosques, archaeological sites, ethnological heritage, and museum pieces.

Sites on the UNESCO World Heritage list:

* Old bridge area of the Old City of Mostar
* Mehmet Paša Sokolović Bridge in Višegrad, a masterpiece bridge construction built over the period from 1571 to 1577
* Stećci – medieval tombstone graveyards situated in several locations on both sides of the programme area
* Natural and culture-historical region of Kotor
* Durmitor National Park.

Municipalities in coordination with the relevant ministries and culture protection institutes have the primary responsibility to look after, maintain, use, and protect cultural monuments from the damaging impact of nature and human activities, and to make them publicly available.

The state of the immovable cultural heritage in the area has improved, but needs for renovation and valorisation are still significant.

The cultural heritage is an important tourism potential and the cross-border cooperation has been strengthened in recent years, and there are many opportunities for exchange of experience, capacity building and cooperation protection and valorisation of cultural heritage.

Cultural cooperation is of high importance for promotion of people-to-people cooperation between municipalities in the border area, which share many similar traditions and customs. One of the unique assets of multi-culturalism is the existence of a large number of cultural, minority associations trying to preserve local traditions.

Tourism, cultural and natural heritage were also identified among top strengths of the programme area by the respondents of the survey carried out during the programming exercise.

**Identification of challenges and needs**

The richness and uniqueness of the cultural heritage and traditions in the programme area are challenged by their current insufficient preservation and sustainable valorisation. Along with the scarcity of funds for larger scale renovation and/or protection, the programme area would benefit from an improved management of the cultural heritage that would attract new visitors, promote cross-sectoral cooperation (e.g. creative industries) and link cultural and natural heritage across the borders through sustainable tourism.

## 1.9. Nature, environment and climate change

### 1.9.1. Nature values and biodiversity

The programme area has an exceptional nature value and is one of the most biodiverse in Europe. There are several types of nature protection established on both countries, out of which one should single out national parks and nature park areas.

Figure 2: Protected areas in the participating countries

Map

Description automatically generated Map

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Sources: BiH: 5th National report to the United Nations Convention on biological diversity of Bosnia and Herzegovina, 2014.  
MNE: [Study on forestry and nature protection](http://d2ouvy59p0dg6k.cloudfront.net/downloads/study_on_forestry_and_nature_protection_in_montenegro.pdf), WWF, 2014.

Three national parks are located in the programme area:

* **Sutjeska National Park** is the oldest one in Bosnia and Herzegovina, founded in 1962. It lies along the border with Montenegro. It's home to the Maglić massive, which with 2 386 m is the highest mountain in the country. The Peručica Forest Reserve is important as being one of the only two surviving old-growth forests in Europe. Sutjeska, Piva and Drina rivers form the main waterways and nine glacial lakes along with the mountains are home to a wide variety of wildlife.
* **Durmitor National Park** is the largest of the Montenegro's designated parks. It was declared a National Park in 1952 and it has been on the UNESCO’s List of World Natural and Cultural Heritage since 1980. The park is also home to a remarkable biodiversity. It is bordered by three massive canyons – Komarnica River Canyon forms the southern border, Piva River Canyon forms the western border and the Tara River Canyon marks the border with Bosnia and Herzegovina. The Tara River Canyon is 1 300 m deep and is Europe’s deepest canyon. Durmitor National Park encompasses 48 mountains that are higher than 2 000 m.
* **National Park Biogradska Gora** is situated in the north-eastern part of Montenegro between the rivers Tara and Lim. It is the most forested national park in Europe while Bjelasica is the greenest mountain of Montenegro very rich with water. It is exceptional because it protects one of the only three remaining rainforests in Europe. Established in 1952 as the first national park in Montenegro, it has a long environmental history as the area of Biogradska Gora was declared a National Park just six years after it was declared the first National Park in the world. At the altitude of 1 094 meters, in the heart of the rainforest, there is Biogradsko Lake, the biggest and best known of the six glacial lakes in the area of the National Park.

Table 9: Nature parks in the programme area

| **Bosnia and Herzegovina** | **Montenegro** |
| --- | --- |
| * Bijambare Nature Park (protected landscape) * Hutovo Blato, a nature and bird reserve * Blidinje Nature Park | * Bioč-Maglić-Volujak * Ljubišnja * Sinjavina * Turjak &Hajla |

**UNESCO protected areas**: Kotor-Risan Bay, Tara River Basin, NP Durmitor with the river Tara

**RAMSAR sites**: Tivat’s salina, Hutovo blato, Livanjsko polje.

**Biodiversity**

Biodiversity in the programme area is exceptional, however both countries face several challenges. According to the [Convention on Biological Diversity](https://www.cbd.int/), the most intense pressures on biodiversity in Bosnia and Herzegovina are conversion of habitats, over-exploitation of resources, pollution, climate change and invasive species. Fires, activities (or lack thereof) in the agricultural, energy, mining and industrial sectors, and limited capacities for waste disposal are also relevant factors.

The main categories of anthropogenic threats in Montenegro include: uncontrolled urbanization and tourism development in natural habitats with associated infrastructure development; changes in land use practices, particularly in relation to agriculture and forestry; unsustainable and illegal use of natural resources (including illegal hunting, overharvesting, etc.); water, soil and air pollution from industrial and agricultural pollutants and municipal wastes; introduction of alien invasive species; impacts of climate change, especially the effects of hot and dry periods on forest habitats which need to be the focus of more attention.

The cumulative effect of the above threats to biological diversity is the loss of rare or endangered habitats and their associated (often endemic) species, particularly on the coast. This has the potential to cause a reduction in the functionality and stability of natural ecosystems, particularly of forest and water ecosystems.

Both countries have made steps towards alignment with the acquis on nature protection, in particular the habitat and birds directive, however still limited. There is lack of systemic data regarding the state of the ecosystem due to lack of monitoring. The use of ecosystem services or damage done to them is not adequately valued in decision-making, what can in the long-term lead to a serious degradation of ecosystem capacities. Increasing the capacities for cross-sectoral and cross-border cooperation in systematic monitoring and protection of habitats and species is needed.

According to the national strategy for sustainable development of Montenegro and the Bosnia and Herzegovina environment performance review (UNECE, 2018), the capacities and resources for conservation and management need to improve. For many of the existing protected areas the management structures do not exist yet and protection measures, outside protected areas, are rarely implemented. Awareness regarding biodiversity among population is still low.

Some actions and cooperation have already been supported under the IPA II CBC programme.

**Identification of challenges and needs**

The programme area’s exceptional biodiversity faces several challenges, ranging from climate change effects to pressures caused by unsustainable use of resources, which could produce the loss of rare or endangered habitats and their associated endemic species. There is a need to increase the awareness of the general population as well as to upgrade management capacities, including systemic monitoring and the introduction of relevant conservation measures.

### 1.9.2 Environment and climate change

**Climate change**

The Western Balkans is one of the **regions in Europe most heavily affected by the impact of climate change** and this trend is projected to continue, with estimates of temperature increases of 1.7 – 4.0°C, and even exceeding 5.0°C by the end of the century, depending on the global effort in greenhouse gasses emission reduction[[10]](#footnote-10).

This can also be illustrated with and example: in Sokolac, the mean temperature in the period 1961-1990 was 6.38 C and 12.39 C in the period 2001-2014, in Sarajevo it raised from 9.55 C to 10.62 C in the same periods[[11]](#footnote-11).

Overall, analyses of the climate change in the region recognise that human health, safety and life quality are highly vulnerable to natural hazards and sectorial weather-related losses, while also identifying sectors that will experience the biggest impacts:

* Agriculture (food quality decrease, land erosion and degradation, etc.);
* Forestry (high risk of widespread forest degradation, disappearance of present taxa, etc.);
* Water resources (deficiency in drinking water, etc.); and
* Human health (increase of heat waves, intrusion of new vector-borne diseases, etc.)[[12]](#footnote-12).

**Communal infrastructure**

In recent years, the cities and municipalities in the programme area made progress in this field; however, further efforts should be invested to cover real needs.

**The water supply** network is relatively well developed in urban areas; however, water supply capacity and quality are still a concern in many rural areas. Many dispersed rural households have their own water supply (local springs, wells and cisterns), which is not (regularly) monitored, and the quality of water is not known.

Results of water quality monitoring done by the Institute of Public Health of Montenegro in 2018 show that drinking water in some municipalities in the programme area is inadequate. High share of inadequate samples well above the national average were found (e.g. Petnjica, Pljevlja and Berane stand out for physio-chemical analysis, while Petnjica, Plužine and Mojkovac have much higher than average shares of inadequate samples in microbiological analysis).[[13]](#footnote-13) Similarly, above average shares of samples of inadequate quality were reported e.g. in Nevesinje, Bileća and Ljubinje.

According to the survey conducted in the course of the programme strategy preparation, some cities and municipalities in Bosnia and Herzegovina invested in water supply networks in recent years and needs for more investment were also recognised on the Montenegrin side.

**Solid waste management**

The generation of waste in the Western Balkans has been steadily increasing over the last years due to economic development and increased consumption, currently being at around 1 000 kg per capita per year. While this is still lower than the EU average of 1 700 kg/capita, the very low recycling rates (below 3 %, in comparison to the EU average of 44 %) result in higher per capita amount of waste not being recycled[[14]](#footnote-14). The average amount of municipal waste generated per inhabitant in EU-28 was 489 kg in 2018, in Montenegro 530 kg and in Bosnia and Herzegovina 356 kg. [[15]](#footnote-15)

Waste management is of high relevance in sustainable local development strategies of cities and municipalities, but it is linked with relatively expensive investments. Also, integrated waste management solutions are of a regional character and demand shared responsibility at higher administration levels.

According to the 2019 benchmarking report on solid waste management in South-East Europe (NALAS), landfilling is still the predominant method of dealing with waste. In the programme area, regional sanitary landfills are located in Sarajevo, Mostar and Livno. In Montenegro, two new regional waste management centres are planned in Nikšić and Bijelo Polje, currently two are operating in Podgorica and Bar. According to the report, the remaining municipalities in Montenegro deposit their waste in non-compliant landfills.

According to Eurostat (2017), municipal waste collection services are provided to 74 % of the population in Bosnia and Herzegovina and to 80 % in Montenegro. Provision of municipal solid waste collection services is less developed in rural areas, still resulting in illegal waste dumps, what may cause soil and underground water pollution, but also inhibiting sustainable tourism development efforts.

Effective separation of solid waste is not sufficiently put in place and recycling rates are low; only a small fraction of total waste generated in the country is treated in mechanical-biological treatment (MBT) plants in the City of Mostar and the Municipality of Konjic. Circular economy principles have not yet been introduced in the waste management framework, the knowledge as well as operators at local level are insufficient.

Investments in solid waste management are supported also in the IPA II CBC programme.

**Wastewater management**

In the eligible area, **sewerage networks** are relatively well developed in urban centres. In many municipalities, the sewerage system is not capable of processing the volume of wastewater generated, which overflows as untreated sewage. In parts of the area direct discharging of untreated sewage into streams, tanks, and septic dumps occurs. Only a few larger municipalities possess efficient wastewater processing facilities. However, in recent years also national funds have been invested in the improvement of the communal infrastructure. Some municipalities reported investments in sewerage network and construction, or renovation of the wastewater treatment plants in the survey carried out during the preparation of the IPA III CBC programme.

**Air quality**

Air pollution in the Western Balkans remains one of the highest in Europe and has a direct impact on citizens’ health.

The very **high concentrations of particulate matter** pollution are mainly due to emissions from industrial installations (such as coal power plants), domestic heating (notably wood and coal fired stoves and boilers as well as domestic burning of waste) and traffic (older and technically obsolete vehicles)[[16]](#footnote-16).

Monitoring of the air quality in the programme area is limited and focuses on the main industrial centres.

Figure 3: Modelled annual mean concentration of PM2.5 in the WB region, 2016. Source: WHO

**Map

Description automatically generated**

**Water quality**

According to environmental performance reviews for Bosnia and Herzegovina (UNECE, 2018), the main problems are organic matter concentration and microbiological levels due to untreated municipal loads. Nutrients are also a problem. However, annual average values vary from river to river and from year to year without a clear trend and without a cause-effect relationship from agriculture or urban pressures. In general, lake water quality is satisfactory, although some water bodies may occasionally show eutrophication symptoms (e.g. Buško Blato). Other lentic freshwaters have a natural low transparency, not caused by algal blooms (e.g. Blidinje Lake).

Regarding river basin quality management in Montenegro, 40 % of its rivers had a designation of very good water quality in 2009, whereas about 45 % of its rivers had good water quality, 30 % were very good and 25 % were bad in 2012. Using biological indicators based on the saprobity index, rivers followed the trend of low pollution in their upper course, and in their middle and lower course they were moderately, critically or strongly polluted. Results show that the most polluted rivers include Ćehotina in Pljevlja and Lim near Bijelo Polje[[17]](#footnote-17).

**Ecological hot spots**

The town of Pljevlja is a dominant ecological hot spot on the Montenegrin side, but also Nikšić (due to waste disposal by the steel plant) and Tivat (waste grit deposit in the port)[[18]](#footnote-18). In the programme area of Bosnia and Herzegovina, Gacko with its thermal powerplant is a generator of air pollution.

**Circular economy**

The concept of resource efficiency and circular economy was introduced in the NSSD of Montenegro until 2030. Energy, civil engineering, agriculture and services (tourism) with potential for improvement of resource efficiency, all being represented also in the programme area. According to the Report on Circular Economy in Bosnia and Herzegovina (EU-supported ENV.Net project, 2018), these terms are not yet introduced in the related policies and regulations, however still some good practices were identified. Overall, the concept is underdeveloped in the programme area.

**Disaster risks**

According to the 2018-2025 programme for the development of protection and rescue of people and material goods from natural and other disasters of the FBiH, the programme area is most vulnerable to earthquakes (urban centres), flooding, landslides and high snow. The risk of fires in the recent years was the greatest in the forest areas of Zenica-Doboj, Herzegovina-Neretva, West Herzegovina and Canton 10. In Montenegro, the risk of fires is considered very high in the municipalities of Kotor, Herceg Novi and part of Nikšić and Danilovgrad, and high in Pljevlja, Žabljak, Mojkovac, Plužine, Bijlelo Polje, Berane and Kolašin[[19]](#footnote-19).

CSOs are of particular importance in raising awareness on disaster risks and prevention, including humanitarian organisations, firefighters, mountaineering rescue, speleology, etc. In this field, it is necessary to improve the technical capacities of the personnel and to modernise the intervention equipment.

There is an agreement between Bosnia and Herzegovina and Montenegro on the cooperation in the prevention against natural or other disasters.

**Identification of challenges and needs**

Increasing resilience to climate change represents one of the key challenges in the programme area, evident in several sectors and posing risks also to citizens’ safety and health. There is a need to raise awareness of the population in general and of the local authorities and relevant actors to plan for and implement climate change adaptation measures. For this, improving preparedness in case of natural or man caused disasters becomes imperative. In many parts of the programme area the increased number of visitors not only requires raising awareness on environment friendly behaviour in the nature, but also reinforcing the intervention capacity of rescue services.

Regarding environmental protection, the efficiency of the water supply system, the coverage of solid waste collection and wastewater management have made some progress. But public utilities cannot yet cater for all the environmental needs in their jurisdiction and their performance is far from efficient. Recycling and the requirements for having a circular and green economy remain greatly unattended.

## 1.10. Connectivity

The programme area itself is not generating any major transport and mobility flows compared to other more strategic connections within the countries; however, connectivity is an important aspect for the people living in the area and for tourism purposes.

**Road transport**

The land border between the countries is 225 km long[[20]](#footnote-20) and stretches mainly through a mountainous terrain. International **road border crossings** are Metaljka-Metaljka, Vitine-Šula, Hum – Šćepan Polje, Deleuša - Vraćenovići, Klobuk - Ilino Brdo, Zupci – Sitnica. Other border crossings for border traffic are Aranđelovo – Nudo, Biteljica – Biteljica, Krstac – Krstac, Meštrevac – Meštrevac[[21]](#footnote-21).

The main **road transport routes** connecting the programme area are the following:

* Sarajevo – Foča – Nikšić – Podgorica
* Mostar – Trebinje – Nikšić – Podgorica
* Sarajevo – Trebinje – Herceg Novi

The two countries are not connected with any highway. Although road conditions improved due to national investments in road modernisation, the needs are still significant. Respondents to the survey also indicated that difficult accessibility and deficiencies in road infrastructure was one of the barriers for establishing cross-border cooperation.

The programme area is part of the future **Adriatic-Ionian Motorway**, connecting the western coast of the Balkan peninsula with Italy in the north and Albania and Greece in the south.

**Air transport**

There are three **international airports** in the area: Sarajevo, Mostar and Tivat. All international airports have in recent years recorded growth in passenger transport. The Tivat airport, which serves the Montenegrin coastal towns, has high seasonality (peaks from May-September) and has in recent years been busier than Podgorica’s. However, due to the Covid-19 pandemic, the passenger transport dropped significantly (e.g. almost 80 % negative change compared to 2019 for the Sarajevo airport)[[22]](#footnote-22).

In the Montenegrin part of the programme area, small airports are located at Berane, Žabljak and Nikšić; and at Livno, Tomislavgrad, Trebinje, Visoko and Kupres in Bosnia and Herzegovina. These airports are however not equipped to handle larger aircrafts.

**Seaports**

Seaports are located in Kotor and Tivat. The Port of Kotor welcomes large cruisers and commercial boats, while the marina in Tivat has positioned itself as a major Adriatic gateway for yachts. The Port of Kotor is the most important for Montenegro (in 2018, 78 433 or 80 % of all passengers used this port)[[23]](#footnote-23). The most relevant ports for freight transport are located outside the programme area; in Montenegro the Port of Bar is the most significant, while for the needs of Bosnia and Herzegovina, the Port of Ploče in Croatia plays that role, connected by railway to Bosnia and Herzegovina.

**Rail infrastructure**

The road, rail and inland waterway connections in the Western Balkans are underdeveloped due to lack of sufficient investment and poor maintenance. Rail is still heavily dependent on fossil fuels with more than 30 % of the trans-European transport network core and approximately 50 % of the comprehensive networks not electrified.[[24]](#footnote-24) Railways however make up a less significant part of the overall transport infrastructure and connectivity as there are no direct rail connections between the participating countries.

**Telecommunications and internet use**

The telecommunication network in the programme area is composed of several systems offering both fixed and mobile telephony. The capacities of the fixed network are well developed, and the mobile network has good signal coverage, throughout the area.

Subscriptions to mobile phone were increasing rapidly in recent years. According to Eurostat, in the EU-2018 there was on average 1 367 mobile phone subscriptions per 1 000 inhabitants in 2016. In Montenegro, the share in 2017 was above the EU-28 average with above 1 600 (some people have more than 1 phone) and slightly below 1 000 in Bosnia and Herzegovina.

The number of households with access to computer raised as well and reached 64 % in Bosnia and Herzegovina and 36 % in Montenegro (whereby a decline was indicated). Access to internet in EU-28 was 89 %. Rapid expansion was recorded in Bosnia and Herzegovina, where the access to internet is available to around 70 % of households and about 72 % in Montenegro.

In the programme area it is assumed that internet is still less accessible in the remote and mountainous parts where commercial providers have less interest to provide broadband infrastructure.

**Identification of challenges and needs**

Connectivity on each side of the programme area is generally good, but not so much between the two countries. The main challenges relate to further modernisation of the road infrastructure and the introduction of sustainable public transport in urban centres and with their surrounding rural areas.

In terms of the ICT infrastructure, the provision of quality broadband access, especially in rural settlements, is regarded as fundamental.

## 1.11. Territorial governance and institutional cooperation

The two partner countries differ in their administrative structure. Bosnia and Herzegovina has a more complex governance system, at the state, entity/district, canton and municipal levels. Montenegro, as a smaller country, has a leaner structure operating at state and municipal level.

The programme area comprises in total **70 municipalities and cities** of different sizes as shown in the table below. In total, more than half of these municipalities (54 %) can be considered small, 37 % medium-sized and 9 % large.

Table 10: Clusters of municipalities by the size of population (2019)

| **Up to 5 000** | **5 001 – 15 000** | **15 001 – 50 000** | **50 001 - 100 000** | **100 000 +** |
| --- | --- | --- | --- | --- |
| 19 (27%) | 19 (27%) | 26 (37%) | 4 (6%) | 2 (3%) |

Municipalities and cities are organised in associations, through which they build capacities and exchange information, know-how and experience.

Local authorities have prepared their sustainable development strategies, many also have strategies for specific sectors or themes. However, a random internet research shows that many are outdated or not sufficiently monitored.

Smaller municipalities tend to have limited human and financial capacities for engaging in cross-border cooperation, but some have organised themselves and established project offices. In the survey, representatives of local authorities pointed out several difficulties in relation to implementation of EU projects, such as the use of English language, complicated tender procedures and lack of managerial skills. On the other hand, some have organised special project units and improved capacities for attracting EU and other donors’ funds.

Besides the municipal strategies, strategies for sustainable development or for some specific sectors (e.g. tourism) have been developed at canton level in Bosnia and Herzegovina and at regional level in Montenegro (northern, central and coastal).

In some parts of the programme area also regional development agencies were established, although they are not yet part of the official administrative systems of the countries.

**Civil society organisations** in the programme area are mainly established in urban centres. According to the IPA beneficiary overview[[25]](#footnote-25), there were 27 263 registered associations and foundations in the collective register of CSOs maintained by Bosnia and Herzegovina’s Ministry of Justice, which includes a significant number of inactive CSOs. In 2019, 5 669 CSOs were registered in Montenegro. The majority of them are networked in 256 associations, unions, clusters and coalitions.

Exact data on active CSOs in the programme area are currently unavailable; on the Montenegrin side it is estimated that over 2 200 NGOs were registered in 2019. Nevertheless, it is clear that the number of CSOs with capacities for cross-border cooperation is limited and mainly located in urban centres. Among the CSOs that responded to the survey, 64 % of them took part in regional initiatives and 45 % already established cooperation with entities in the partner country, and 30 % have a special unit for implementation of projects.

At present cooperation between actors of both countries is rather project based and **no formal cross-border cooperation structures** exist.

**Identification of challenges and needs**

The programme area is diverse in its administrative systems. At local level, the main challenges relate to increasing the capacities of the local authorities to effectively and efficiently cope with local challenges. This is of great importance for smaller municipalities with fewer human resources. In terms of EU-funded cross border cooperation, an additional challenge can be found in the complex procurement and implementation arrangements set by the programme.

## 1.12. Overview of the implementation of the 2014-2020 IPA II CBC programme

The 2014-2020 programme covered three thematic objectives that can be found in three of the current thematic clusters (TC1, TC2, TC4) according to the structure of the new generation of the IPA III CBC programmes.

Table 11: Programme structure of the 2014 – 2020 IPA II CBC Bosnia and Herzegovina – Montenegro

| **Thematic priority** | **Specific objective** |
| --- | --- |
| TP1: Promoting employment, labour mobility and social and cultural inclusion across the border | 1.1 The access to the labour market and the environment for new employment generation are enhanced |
| 1.2 Advisory support to and skills of the employment seeking population in the cross-border area are advanced |
| TP2: Protecting the environment, promoting climate change adaptation and mitigation, risk  prevention and management | 2.1 Cross-border coordination and joint actions improve the management and energy efficiency of local water supply, wastewater and solid waste systems, and the protection of environment |
| 2.2 Climate change adaptation and mitigation measures and risk prevention and management measures are improved |
| TP5: Encouraging tourism and cultural and natural heritage | 3.1 The quality and diversification of the tourism offer building on natural and cultural heritage is improved |

Overview of its implementation:

Table 12: Implementation overview of the 2014 – 2020 IPA II CBC Bosnia and Herzegovina – Montenegro

| **Call for proposals** | **Specific objective** | **Concept notes received** | **Invited to submit full application** | **Approved applications** | **Themes addressed** |
| --- | --- | --- | --- | --- | --- |
| 1st call for proposals | SO 1.2 |  |  | 2 | Employment of people with disabilities; training and institutional capacity building  <https://zaposliosi.org/o-projektu> |
| Self-employment of persons with disabilities in beekeeping; training, equipment, marketing |
| SO 3.1 |  |  | 1 | Cultural and historical heritage; product creation, mapping, promotion, CB heritage management plans, rehabilitation  <https://www.heritage-bih-mne.com> |
| **Total** |  | **113** | **26** | **3** |  |
| 2nd call for proposals | SO 2.1 |  |  | 5 | Resource efficiency in water supply sector (standards, training, pilot demonstration, public awareness) |
| Waste management in 6 municipalities; awareness raising, institutional capacity building |
| Biodiversity: capacity building, biodiversity analysis, species management plan and protocols, pilot actions |
| Waste management (awareness raising, digital solutions) |
| Water supply management in urban areas (capacity building, awareness raising, physical infrastructure) |
| SO 3.1 |  |  | 6 | Cycling routes and outdoor tourism (mapping, promotion of bike friendly concepts, promotion) |
| Rural mountain tourism in protected zones, mapping and mobilising, capacity building, promotion of cult. heritage |
| Tourism development in border areas (preservation of cultural heritage, cultural management, CB-cluster, tourist infrastructure) |
| Outdoor tourism product development, branding, infrastructure, safety |
| Cultural and natural development of less developed tourism areas through rural tourism development |
| Cultural heritage sites - cluster development, interpretation capacities |
| **Total** |  | **75** | **15** | **11** |  |

# 2. SWOT analysis

### 2.1. Thematic cluster 1: Improved employment opportunities and social rights

| **Strengths** | **Weaknesses** | **Opportunities** | **Threats** |
| --- | --- | --- | --- |
| TP1: Employment, labour mobility and social and cultural inclusion across the borders | | | |
| * Similar sectors of economy developed on both sides of the border (agriculture, processing industry, construction, services) * Active labour market measures in place, including support for (self)employment * Absence of language barriers in cross-border mobility * Relatively young population in some parts of the programme area * Awareness of the situation of specific groups reflected in strategies and related measures (young, women, …) * NGOs in the field of social inclusion active in the programme area * CB-employment and social initiatives is a thematic priority of the IPA II programme | * Regional and urban/rural differences regarding job opportunities and employment * Migration of skilled workers to more developed regions/abroad * Shortage of jobs in rural areas, low participation of women in employment * Mismatch in the skills needs of workers * Lifelong learning not sufficiently developed * Low labour mobility in general, asymmetric seasonal cross border mobility (tourism) * Persistent long-term unemployment, high youth unemployment, including people with disabilities * Significant share of households at risk of poverty * Fast ageing of the population in some areas increases the risk of social exclusion of elderly * Informal and precarious jobs of the young | * Exchange and cooperation between labour market services, education and business sector in the areas of common opportunities (tourism, food, rural development, crafts) * Exchange of practices in the activation of long-term unemployed or other difficult-to employ groups * Cooperation in the area of lifelong learning to improve skills of both employed and unemployed * Sharing of experiences in developing new approaches to support vulnerable groups through social innovation and social economy * Sharing experience and promotion of opportunities for NEETs * Supporting the cooperation of youth across the border | * Continuing gap between more developed and less developed areas lead to further emigration and reduced availability of skilled workers in rural/less developed areas * Further loss of jobs due to covid-19 can lead to increased poverty and social exclusion |
| TP6: Youth, education and skills | | | |
| * Similar education systems * Suitable networks of primary and secondary schools * High concentration of tertiary education in Sarajevo and Mostar * In general, favourable education structure in specific age groups | * High youth unemployment * Above average share of NEET * Disparities in access to lifelong learning programmes * Below average level of persons with tertiary education attainment * Mismatch between the education and needs of the labour market and lack of practical experience during education | * Joint development of non-formal training programmes in areas of common needs * Increasing digital skills and taking advantage of the shift to online tools for increasing access to training in rural/remote areas * Supporting partnerships among education and businesses for increasing employability of youth | * Growing urban/rural disparities and outflow of the young * Rigid education systems do not follow the labour market demands |

### 2.2. Thematic cluster 2: Greener and improved resource efficiency

|  |  |  |  |
| --- | --- | --- | --- |
| **Strengths** | **Weaknesses** | **Opportunities** | **Threats** |
| TP2: Environment protection, climate change adaptation and mitigation, risk prevention and management | | | |
| * The territory is rich in water and forest resources * In general, relatively good quality of surface waters * High share of nature protected areas of exceptional biodiversity, including 3 national parks and areas of international importance (UNESCO, Ramsar) * Established management of national parks and their involvement in cross-border and transnational projects * Steps made towards aligning with EU acquis (birds and habitat directives) * NGOs active in the field of rescue, risk prevention, nature protection * Signed agreement between the countries on cooperation in nature and other risk prevention * Existence of sustainable development strategies at local and higher levels * Increased investments in solid waste and wastewater management in recent years with support of several donors | * High vulnerability of the area to climate change * High level of risk of fires, floods, earthquakes, high snow * Low level of cross-sector coordination in addressing climate change * Insufficient awareness of the population and resilience of communities to climate change and its consequences * Knowledge and resources for systemic monitoring of biodiversity and protection still inadequate * Unsustainable practices in use of nature resources, low resource efficiency * Insufficient access to waste collection services in remote rural areas, low level of waste separation and recycling * Overall low awareness on circular economy * Insufficient monitoring of environment and processing of data * Ecological hotspots in some industry centres * Pressures of tourism sector on coastal areas | * Use of the CBC instrument to increase capacities for disaster and risk prevention in the border areas * Promoting cross-sectoral and cross-border cooperation in strengthening resilience to climate change * Further cooperation and capacity building for integrated management of nature protected areas and valorisation of natural resources * Promoting resource efficiency and circular economy business models related to waste management and other sectors of economy in the programme area * Improving cross-border cooperation in sustainable forest management | * Climate change further increases the risk of natural disaster and its effects on the environment and agriculture (traditional crops) * Increased vulnerability of towns to climate change (temperature raise, heavy rain, …) * Loss of habitats due to abandonment of agriculture in mountainous areas * Environment and nature protection marginalised in the decision-making processes * Further uncontrolled and unsustainable use of resources adversely affect environment |

### 2.3. Thematic cluster 3: Improved public infrastructure/connectivity (transport, digital, energy, waste and water)

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| TP3: Sustainable transport and improving public infrastructures | | | |
| * Investments in modernisation of local and regional roads, relatively well-developed road network * International airports and seaport located in the programme area * Cities addressing sustainable mobility challenges * Improvement of communal public infrastructure (water supply, sewerage, WWT) * Potential for energy production from renewable energy sources | * Peripheral area in view of main transport connection corridors in the Balkans * Shortage of border crossings increases travel times between the two sides * Quality and safety of road infrastructure in many rural areas still inadequate, difficult terrains make maintenance more expensive * No direct rail connection between the countries * Poor public transport connections between urban centres and rural areas * Solid waste collection service not yet accessible in all parts of the territory, illegal dump fields still a problem * Sewerage and WWT solution not yet covering all households, especially in rural areas * Poor quality of drinking water in some areas * TPPs and transport among main air polluters (hotspots) | * Improved accessibility and economic opportunities due to future Adriatic-Ionian motorway * Introducing sustainable mobility solutions in urban areas * Availability of national and donor funding for investments in missing/inadequate road and communal infrastructure, and improving transport linkages between urban and rural areas * Promoting the production and use of removable energy sources (water, solar, wind) * Sharing of experience and good practices in spatial planning and integrated solutions | * High costs hinder implementation of key transport and public infrastructure investments * Unresolved property issues also hinder investments |
| TP4: Digital economy | | | |
| * High share of subscriptions to mobile phones * Increase in the access of households to computer and internet in recent years * Plans for investment in high speed internet infrastructure in place * Youth relatively well equipped with skills to use digital technologies * ICT as a common smart specialisation topic (RS, MNE) * Above average share of SMEs in Bosnia engaged in online trade * Growing demand for digitally skilled labour force | * Rural areas suffer from a poor network performance due to insufficient infrastructure * Shortage of digital skills in adult population * Insufficient level of use of ICT in administration (e-services) and low uptake of existing e-services by citizens * Low level of cooperation between tech universities and business sector | * Digital Agenda for Balkans offers new opportunities for the development of digital economy * Cross-border exchange and support in developing a start-up environment for creative industries in urban centres * Promoting capacities of local administration to improve digital skills and services to citizens * Promoting digital skills improvement in adult population * Promoting digital economy solutions for SMEs * Digitalisation may improve access to education outside urban centres | * High investments in ensuring high speed broadband access * Rural and remote areas increase the development gap due to inadequate ICT infrastructure * Brain drain of digitally skilled workers |

### 2.4. Thematic cluster 4: Improved business environment and competitiveness

|  |  |  |  |
| --- | --- | --- | --- |
| **Strengths** | **Weaknesses** | **Opportunities** | **Threats** |
| TP5: Tourism and cultural and natural values | | | |
| * Area rich in variety of exceptional cultural and natural values that is well relatively well preserved (mountains, sea, traditional architecture, intangible heritage) * Some destinations well recognised in the international community (coastal area, national parks, religious places) * Cultural and historical ties existing between the people on both sides of the borders * Sustainable tourism based on cultural and natural values has high priority in the development of cities and municipalities * Existence of quality regional products (wine, food, …) * Supported CB-tourism, culture and nature projects and investments in tourist infrastructure on the part of cities and municipalities * Positive trends in arrivals and overnight stays in less recognised tourist destinations | * Fragmentation of tourist products and lack of integration in visible (cross-border) destinations * Concentration of tourism flows in traditional tourist destinations puts pressure on the environment * High seasonality (coastal areas) * Quality of tourist infrastructure and services underdeveloped in some parts * Shortage of skilled labour force * Shortage of management and marketing capacities of the local tourist organisations * Low level of digital promotion and marketing * Low paid * Decrease of tourist visits due to Covid-19 | * Growing demand for sustainable (and undiscovered) destinations provides opportunities for cross-border integration of products along specific themes in particular in the hinterlands (nature, outdoor, food, culture) * Promoting tourist flows from the most visited destinations with high concentration of visitors to discover hinterlands * Adapting tourist offers to emerging needs related to increased health safety requirements and tackling niche markets * Integrating tourism and rural diversification * Cross-border skills development and supporting employment opportunities * Improving capacities for management of tourist destinations * Digital promotion of the offer and increasing the skills for digital marketing | * Reversed tourism trends due to Covid-19 epidemics * Further loss of jobs due to Covid-19 * Lack of cooperation culture may hinder the overall concept of integrated tourist products * High investment required for activation of the cultural heritage |

|  |  |  |  |
| --- | --- | --- | --- |
| TP8: Competitiveness, business and SME development, trade and investment | | | |
| * Similar business sectors developed on both sides (agriculture, processing, energy and coal mining, services) * Common areas of smart specialisation identified * SMEs are important in job creators beside key industries * Improving business support environment, mainly in urban areas * Good conditions for agricultural production and existing processing infrastructure | * Low competitiveness and added value (low productivity in agriculture, forestry, processing industry) * Low level of innovation, digitalisation and transition to green economy * Low level of clustering and cooperation networks among businesses * People less willing to accept risks linked with starting own business * Business support environment to a great extent dependent on donor supported projects, limited access to finance * Informal economy * Lack of entrepreneurial initiatives in rural areas | * Improving regional product quality, visibility (branding) and marketing through cross-border cooperation and capacity building * Tourism trends (authentic, local, sustainable) offers opportunities for diversification of activities in rural areas * Cooperation in upgrading the business environment – local and regional business support centres or hubs * Promoting entrepreneurial skills in young population * Promoting digital and green economy solutions for SMEs | * Administrative barriers hinder business development * Lack of access to financing for SMEs * Globalisation hinders local/regional initiatives * Further gap in technology development compared to more competitive regions * Further loss of jobs due to Covid-19 |
| TP9: Research, technological development, innovation and ICT | | | |
| * Concentration of R&D capacities in few urban centres, mainly in BiH * Smart specialisation strategies in place and some common themes, including ICT * Common strategic orientations in supporting R&D and technological development * Incubators, ICT centres set up in major cities, including technology parks in Mostar and Sarajevo (?) | * Large part of the programme area without significant R&D infrastructure and adequate human resources, * R&D activities seldom reach out to periphery * Insufficient cooperation between R&D and business sector in general * In general, low level of innovation in the region’s economy * Low level of awareness on the importance of investment in technological development, innovation and R&D in all sectors and activities | * Establishing CB-cooperation between R&D and businesses in smart specialisation fields * Cooperation between research and innovation in the promotion of ICT and technological development in SMEs * Promotion of R&D in regional product development (agriculture and food processing, forestry, processing, clean energy, tourism) * Cross-border promotion of innovation and research in schools | * Limited investment in R&D will further decrease competitiveness of the areas’ economy |

### 2.5 Thematic cluster 5: Improved capacity of local and regional authorities to tackle local challenges

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| TP7: Governance, planning and administrative capacity building of local and regional authorities | | | |
| * Local and regional authorities with experience in strategic planning * Similar development challenges of cities and municipalities across the border * Positive experience in tackling common challenges across the border in the field of environment protection * Low language and cultural barriers for cooperation * Associations of municipalities and cities play an important role in building governance capacities of local authorities * Some cities and municipalities with established project offices | * Strategies outdated and monitoring of implementation not sufficiently introduced * Insufficient financial and professional capacities of many local administrations to implement development policies * Small administrations lack managerial capacities to cooperate across borders * Insufficient level of cross-sectoral cooperation in addressing local challenges * Low number of potential cooperation partners on the Montenegrin side | * Cooperation in strengthening institutional capacities of local authorities to improve the quality of services for citizens * Improving capacities for strategic local and regional planning and implementation * Addressing jointly common challenges (climate change, disaster prevention, social care, etc.) * Increasing cooperation opportunities for local and regional CSOs across the border | * High administrative burden weakens the efficiency of local authorities * High turnover of the local senior administrative staff due to political changes |

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