**ANNEX II SWOT analysis**

**2021-2027 IPA III cross-border cooperation programme**

**Serbia – Montenegro**

1. **SWOT structured around clusters**
   1. **Improved employment opportunities and social rights**

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| **Strengths** | **Weaknesses** |
| * Slight increase in the employment rates * Active employment measures exist * Civil sector is active in the areas of social inclusion * Social inclusion of vulnerable groups is relatively improved thanks to relevant projects and initiatives * Existing network of basic educational, social and healthcare institutions * Tertiary education institutions present in the programme area (number of faculties increased) * Lifelong learning support programmes available in urban centres * Some municipalities have a substantial young population * Long history of Serbian -Montenegrin cooperation * Tradition of respect and coexistence in a multicultural society | * Population in the programme area dramatically decreasing - 22 municipalities recorded a population decline (ageing, emigration of young people to urban centres and abroad) * High unemployment rates (higher than at national level) * Long-term, youth and structural unemployment * High share of population at risk of poverty (especially in rural areas) * Limited access to social and health services especially for the elderly population in the rural areas * In some areas poor condition of educational facilities (old school buildings, inadequately equipped) * Many branches of higher education are not easily accessible to students in the programme area * Urban - rural divide (differences in quality of living) * Discrepancy between the supply and demand on the labour market (lack of know-how and people with required skills) * Educational curricula are not adapted to meet the requirements of the labour demand and entrepreneurship * Grey economy plays big role in economic activities * Lifelong learning support for the population in rural areas is poor * Low labour force mobility * “Chances” for inclusion of vulnerable groups in social activities and labour market are insufficient * Social entrepreneurship is underdeveloped * Young people not involved in social activities |
| **Opportunities** | **Threats** |
| * Support to active employment measures targeting youth * Reinforcing the connection and cooperation between education institutions and businesses * Promote the entrepreneurial culture especially among young population * Provide necessary funds and know-how to support the start-ups * Support the projects that have social innovation and social entrepreneurship components to strengthen social inclusion * Building the network that will provide long-life learning opportunities * Support the creation of joint initiatives within the programme area that will increase the relevant skills of the labour force and their employability, including vulnerable groups * Strengthen the role of the CSOs in the social areas and increasing their cooperation with public and private sector to achieve sustainability of services * Improvement of education, health care, labour and social infrastructure and services * Increase the information flow regarding the employment opportunities within the programme area * Promote cross-border mobility, networking and cooperation in the areas important for the young population (education, employment opportunities) | * Further depopulation trends due to ageing and (e)migration of young and educated people * Potential decline of the economy caused by the effects of COVID 19 * Insufficient financial support for the improvement of the education, social, health and employment services * Increase of informal economy * The political agenda of priorities at local, regional and national level does not meet the interests of youth and vulnerable groups * Connectivity and accessibility among remote regions not improved |

**1.2 Greener and improved resource efficiency**

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| **Strengths** | **Weaknesses** |
| * Relatively well-preserved environment * Relatively large protected areas of nature and landscapes (4 important and unique national parks) * Rich geo and biodiversity * Water resources with potential for energy production * Large areas covered by forests in good condition * Urban areas covered with public utility services * Plans and regional projects for improvement of wastewater and solid waste management in the programme area (in process of preparation and/or implementation) * Potentials for energy production from alternative and renewable energy sources * Increased number of wastewater treatment facilities * Existence of joint initiatives regarding common risk management issues | * Pollution hot spots threatening sustainable development in the area * Lack of awareness of the population on environmental threats * Lack of sewerage, solid waste recycling and wastewater treatment systems increases environmental pollution * Environmentally degraded areas due to industrial activities, deforestation * Lower level of valorisation of nature and natural resources not exploited adequately * Lack of communal infrastructure in rural areas * Insufficient number of wastewater and solid waste treatment facilities * Pollution of rivers– solid waste illegally dumped in rivers, landfills located by the rivers, wastewaters from industry and households untreated * Illegal solid waste dumps * Lack of monitoring on air, water, soil pollution * Lack of coordinated risk management * Low level of implementation of environmental regulations in private and public sectors |
| **Opportunities** | **Threats** |
| * Raising awareness of the population on the importance of the conservation of nature and environmental protection in general * Joint actions for establishment of Natura 2000 sites * Building joint risk assessment and management plans for protection of people and nature against climate change caused disasters (floods, wildfires, draughts, etc.) * Increase capacity for monitoring and exchange of information related to environment * Sharing best practice and exchange of experience between regions with regard to resource efficiency and circular economy * Removal of illegal waste dumps * Development of public utility service in rural areas * Joint monitoring of main rivers * Improvement of the risk management and preparedness (flood protection, firefighting, pollution, early warning systems, joint emergency centres) * Promotion and usage of renewable sources of energy (water, biomass, wind, solar, etc.) in towns and rural areas * Control of main polluters | * Climate change leading to increased extreme meteorological events (floods, rainfalls, forest fires, droughts, etc.) * Insufficient control on the use of natural resources * Illegal exploitation of nature resources * Outdated technology used in industry * Lack of finance for investment in public service, infrastructure and risk management * Endangered biodiversity due to further pollution of rivers * Slow implementation of national strategies for environmental protection * Environmental policy priorities being affected by the fight against the economic consequences of the Covid-19 pandemic |

**1.3 Improved business environment and competitiveness**

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| **Strengths** | **Weaknesses** |
| * Rich industrial heritage * SME creation and growth supported by the state policies and programmes * Large number of SMEs registered in the programme area * Basic SME support network exists * Developed instruments for attracting investments (e.g. free zone Priboj) * Further initiatives to support entrepreneurship (parks, incubators, etc.) * Existing cooperation and trade agreements * Diverse cultural and historical heritage * Major natural resources for tourism development: national parks, mountains, thermal springs, forests * Some established tourist destinations as brands Vrnjačka Banja, mountains Durmitor and Kopaonik * New tourist destinations emerging * Satisfactory tourist infrastructure exists in some parts of the programme area * Growth of tourist arrivals * Belgrade – Bar highway construction to be finished by 2022-2023 * Favorable conditions for agriculture and tradition in agriculture * Existing products with protected origin (cheese, meat products) * Increased number of faculties and innovation centers in the programme area * Vocational schools in the programme area (agriculture, medicine, tourism, economy, mechanical engineering, electronics) * National strategies take into consideration the importance of research, development and innovation (Strategies for Smart Specialisation and innovation funds) * Experience with research and innovation projects (Kraljevo, Nikšić) | * 7 “devasted” municipalities in the programme area * Very rare presence of medium and large enterprises * SMEs focused on local and national markets rather than international * Underdeveloped business support infrastructure (technology parks, business incubators) * Low entrepreneurial activity * Very few businesses involved in digital transformation * Innovation and technological competitiveness in business sector not emphasised enough * Cooperation between educational institutions and business sector on a low level * Education system lacks up-to-date applied knowledge and practices * Lack of cooperation between businesses and research institutions * Informal economy * Lack of qualified human resources (labour force with lack of skills in the relevant areas) * Cultural heritage locations in poor condition * Non existing or very poor complementary tourist services (e.g. nature interpretation, guiding, animation, etc.) * Low level of cooperation among tourist providers, public institutions, CSOs * Low visibility of the tourist offer * Tourist infrastructure in poor condition (hiking/biking trails, camping, ski terrains, etc.) * Poor accessibility in some areas of the programme, generally underdeveloped physical infrastructure * Agricultural farms are small and are operating with old technologies * Lack of cooperation between agricultural producers * Inadequately affirmed farm-to-table approach (poor organisation of the producers) * Not sufficient capacity for project development and implementation * Migrations of highly educated staff and inability to retain talent |
| **Opportunities** | **Threats** |
| * Identification and mobilisation of strategic sectors with relevant potential for cross-border cooperation * Regional focus on S3 potentials for cooperation (development of pilot-flagship projects) * Strengthening inter-sectoral cooperation and multidisciplinary arrangements * Potential of Serbian and Montenegrin community abroad: use of knowledge and skills of businesspeople, researchers, and scientists living abroad * Increase cooperation between SMEs in the cross-border area and exploring potential for creation of supply chains in the programme area (e.g. food and wood) * Boosting the existing tourist offer by activating available resources and potentials and increasing visibility * Building human capacities in the field of marketing, product development, tourism, agriculture, business support services and infrastructure management * Introduce a holistic approach for the development of rural areas, connecting everything that the area has to offer into one consolidated offer * Improving the complementary offer to increase the variety of options for tourists * Include young people (who are increasingly interested in IT and related fields) into developing and presenting attractive offers (festivals, artistic performances, etc.) * Targeting specific groups with tourist offer (e.g. sportsmen, young, elderly, disabled, etc.) * Improve capacities for R&D transfer of knowledge into business sector * Reinforcing the connection and cooperation between research and education institutions and businesses * Increased demand for sustainable tourism and organic products | * Potential decline of the economy caused by the effects of COVID 19 (tourism and hospitality industry is one of the most affected branches) * Informal economy * Lack of investment in tourist infrastructure, agricultural development, connectivity and environmental protection * Further emigration of the young and educated * Investment costs on a high level * Corruption * Lack of communication and cooperation between relevant stakeholders in the programme area |