**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
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| **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
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**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
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| **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
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**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
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| **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
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