

**Interreg
IPA Programme
2021-2027**

TERRITORIAL AND SOCIO- ECONOMIC ANALYSIS OF THE PROGRAMME AREA

Interreg - IPA CBC
Croatia - Serbia

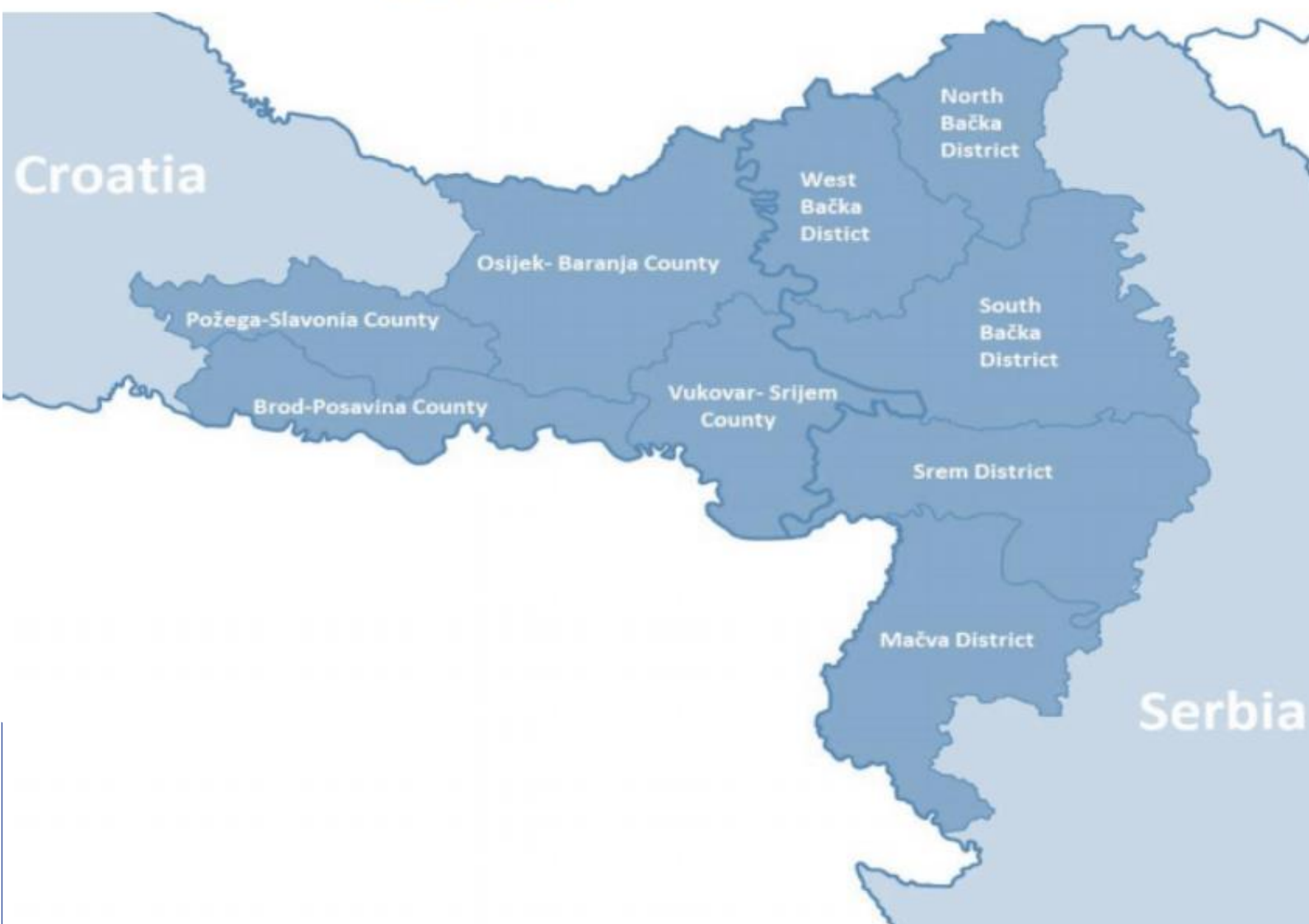


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1. Executive summary

Territorial and socio-economic analysis of the programming area Croatia - Serbia within Interreg IPA programme was developed as an analytical basis that provides guidance and recommendations with prioritisation of policy objectives to be funded in the next programming period of Interreg IPA CBC 2021-2027. The methodological framework was developed in order to provide elaboration for the Interreg IPA CBC Programme calls for proposals by answering questions posed within the analysis related to challenges, strengths and potentials of the programming area. The spatial scope of the analysis included 4 counties in the Republic of Croatia and 5 districts in Serbia. The analysis was conducted for each of the specific objectives within the policy objectives of European Regional Development Fund which are: Smarter Europe, Greener Europe, Connected Europe, Social Europe, Europe closer to citizens and two additional Interreg objectives, Safer and more secure Europe and Better Cooperation governance.

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

Within the Policy objective “Smarter Europe” both countries are not making the most of their potential regarding economic development. It is necessary to activate the existing untapped development potentials (especially small and medium enterprises and manufacturing, trade and agriculture), but also to encourage the modernization and innovation of industry and the economy as a whole and general investment in knowledge and activities based on it especially research and development activities (R&D). The focus should be on agriculture and ICT development in all sectors together with trade. The advantage of the region is in the strong ICT scene that covers all aspects from quality education, to start ups and formed SMEs on both sides of the programme area. In addition, the business support infrastructure is already in place, although it could be more present and provide additional services to SMEs together with financial support. This strong ICT scene can be used for better integration of ICT in other sectors of the economy (e.g., smart city, smart food production, etc.) and public sector as well (digital services in local government, IoT, etc.). A key segment in the prosperity of the region is to develop and better connect the education sector and the labour market in order to have young people that will be able to get a well-paid job after finishing school and have skilled workers that can develop the business sector and be trained for real work needs. In this context a dual education model with ties to the industry has to be further developed with clear links and practices.

Within the Policy objective “Greener Europe”, made obligatory for financing by the legislation, there are capacities and needs for further development that could be beneficial to the whole economy. Both countries have not achieved the set goal of reducing CO2 emissions, with values still being high. There is a clear need for the increase in use of renewable energy sources and reduce reliance on fossil fuels together with the increase in energy efficiency of public buildings and the number of "green projects" in the economy. Adaptation to climate change in both program areas is necessary, to determine the impact of climate change, the degree of vulnerability and priority measures. The concept of the circular economy is also relatively new, but present an opportunity to adapt certain industries, e.g., tourism to new circumstances. Finally, with great

biodiversity of the programme area (rivers, mountains, nature parks, etc.) enhancing protection and preservation of nature, biodiversity and green infrastructure is seen as vital for the long-term sustainability of the area.

Within the Policy objective “Connected Europe” it is evident that connections between cities and countries are not developed to their fullest extent. The worst situation is in the railways sector, that has been left unmodernised and inefficient with clear need for improvement. The road system is better developed in the programme area in both countries. Migrations are predominantly connected to centralization, and urban – rural day migrations of workers. This can be made more efficient with better public transport and investment in sustainable mobility, i.e., multimodal forms of transport, that would reduce the degree of reliance on personal vehicles and increase the use of public transport.

The data processed within the Policy objective “Social Europe” tackles the unemployment and poverty issues, brain drain and demographic trends, marginalised communities, health care and tourism and culture. The demographic trend in both countries shows that the population is in decline due to emigration, an aging population is increasing, and all this poses a danger to the pension system and economy in general. This makes a strong argument towards better development of existing services and introduction of new ones, non-institutional social welfare services since there is a low percentage of non - institutional social service especially for the elderly. The health systems are in place but pose a question of sustainability with debts and public investment being high, so investment in this sector seems mandatory. Tourism and culture play an important role in the economies of both countries thus it is vital to create a cross-border offer of tourist products and services and provide new destination management tools, especially taking into consideration the potential of data driven decision making. In addition, connection between tourism and health infrastructure should be more emphasized and developed. Finally, there is a clear opportunity for the development of projects that would be aimed at educational programmes for lifelong learning, especially VET programmes for the unemployed.

Within the Policy objective “Europe closer to citizens”, both countries are keen to foster the integrated and inclusive social, economic, and environmental development, culture, natural heritage, sustainable tourism, and security, having adopted a positive attitude towards implementing a strategic framework into the planning processes of development. However, according to the policy objective legislation, in order to foster and develop the integrated territorial development approach, investments in the form of territorial tools such as integrated territorial investments ('ITI'), community-led local development ('CLLD') or any other territorial tool under policy objective "Europe closer to citizens" for investments programmed for the ERDF should be based on territorial and local development strategies which presumes that creation of common strategies is a prerequisite for the usage of funds under this objective. Since such strategies are not planned or developed, it is evident that this PO is not to be taken into account.

Within the Policy objective “Better Cooperation Governance” and to ensure better local and regional governance it is necessary to put in place an appropriate legal, institutional and regulatory framework for supervision of local authorities’ activities. There is a clear progress in local governance with good examples of city led development in different areas and an increase in

governance transparency, especially related to budget planning. The trend of digital services on a local level is also becoming more important. However, the specificity of this policy objective that focuses mainly on key actors and their capacity is not as relevant as other areas of development in the area. In addition, key specific objectives of this policy objectives should be included in other POs and financed through other projects, such as better cooperation with CSOs, as they are considered highly relevant actors especially in social and greener themes.

Within the Policy objective “A safer and more secure Europe” the themes of border crossing management and mobility and migration management are high on the priority in the area. However, there is a lack of jurisdiction of local and regional governments to be fully involved in changes of the situation in the area. Furthermore, there are a variety of funds in the future perspective that are targeting border related issues, so this cross-border programme should not focus on the issue.

Finally, regarding future financing and following the analysis above, it can be concluded that in accordance with relevance and feasibility of specific objectives, the programming period 2021-2027 should take into consideration the following Policy objectives:

1. SMARTER EUROPE

- a. Research and innovation
- b. SME competitiveness
- c. Digitisation of society

2. GREENER EUROPE

- a. Renewable energy sources
- b. Energy efficiency
- c. Climate change adaptation
- d. Circular economy
- e. Nature protection and biodiversity
- f. Multimodal mobility

3. SOCIAL EUROPE

- a. Education and training
- b. Access to health care
- c. Tourism and culture

2. Methodology

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

The spatial scope of the analysis includes:

- four counties in the eastern part of Croatia and five districts in the north-western part of Serbia.

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

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

The analysis of all documentation enlisted in the tender documentation, as well as, other relevant strategic and programme documents, are conducted following the mapping of strategic basis. Data is collected answering the key questions set within the methodological framework following the structure of the 5 policy objectives of ERDF + 2 Interreg specific objectives. A list of desired key data was predefined, according to their availability in all countries involved.

Comparative analysis of user needs, along with the analysis of the current situation based on secondary research, is one of the key backbones of the proposed methodology and is based on the experiences of existing users of the Interreg IPA CBC programme. To ensure methodological triangulation and representation of stakeholder perspectives, the key stakeholders at the EU, national, regional and local levels were defined, and 2 focus groups were organized, as well as an online survey that was filled by 49 organisations.

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

The results of the analysis are linked to 5 ERDF policy objectives and 2 specific Interreg objectives focusing on key challenges, needs, potentials of functional areas and preliminary recommendations of thematic topics, as well as potential interactions and synergies in selecting specific combinations of thematic topics. The analysis was based on the knowledge gained through the experience of the activities of the previous financial period, supporting the conclusions with statistical data, findings on stakeholder attitudes and examples of good practice.

Policy objectives of the European Regional Development Fund:

1. Smarter Europe - a more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity.
2. Greener Europe - a greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility.
3. Connected Europe - a more connected Europe by enhancing mobility.
4. Social Europe - a more social and inclusive Europe implementing the European Pillar of Social Rights
5. Europe closer to citizens - a Europe closer to citizens by fostering the sustainable and integrated development of all types of territories and local initiatives.

Additional two Interreg objectives:

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

Research questions:

By analysing the situation in accordance with the given methodological framework, the analysis provides answers to the following key questions that will enable an understanding of the needs and potentials of the programme area for the new Interreg IPA CBC programme Croatia-Serbia2021-2027.

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

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

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

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

3.1. General analysis of the area - key indicators

The cross-border cooperation programme between Croatia and Serbia includes the eastern most part of Croatia and the north - western part of Serbia. The proposed programme area is identical to the one of the previous programming period 2014-2020 and is defined by NUTS 3 regions - counties in Croatia and Districts in Serbia. The area includes four counties in Croatia: Osijek-Baranja, Vukovar-Srijem, Brod-Posavina, Požega-Slavonia and five districts in Serbia: North Bačka, West Bačka, South Bačka, Srem, and Mačva. The border counties on the Croatian side are Osijek - Baranja and Vukovar-Srijem counties, and on the Serbian side, West Bačka, South Bačka and Srem Districts. The problem settlement of not yet determined state border between Republic of Croatia and Republic of Serbia is the subject of bilateral negotiation process.

Table 1. Geographical and population characteristics of the program area in both countries¹

Region	Area / ha	Number of settlements	Population - 2019 estimates		Population 2011 census	Change	% change
			Total	Per km			
West Bačka District	2.488,00	37,00	171.054,00	69,00	188.087,00	-17.033,00	-9,06%
South Bačka District	4.026,00	77,00	618.829,00	154,00	615.371,00	3.458,00	0,56%
North Bačka District	1.784,00	45,00	178.294,00	100,00	186.906,00	-8.612,00	-4,61%
Srem District	3.485,00	109,00	297.197,00	85,00	312.278,00	-15.081,00	-4,83%
Mačva District	3.270,00	228,00	277.560,00	85,00	298.931,00	-21.371,00	-7,15%
SERBIA programme area	15.053,00	496,00	1.542.934,00	98,60	1.601.573,00	-58.639,00	-3,66%
Požega-Slavonia	1.823,00	287,00	66.256,00	36,34	78.034,00	-11.778,00	-15,09%
Brod-Posavina	2.030,00	213,00	137.487,00	67,73	158.575,00	-21.088,00	-13,30%
Osijek-Baranja	4.155,00	305,00	272.673,00	65,63	305.032,00	-32.359,00	-10,61%

¹ Croatia: CBS, Statistical Information, https://www.dzs.hr/Hrv_Eng/StatInfo/pdf/StatInfo2019.pdf

Serbia: Statistical Office of the Republic of Serbia, Statistical Yearbook, 2019, <https://publikacije.stat.gov.rs/G2019/PdfE/G20192052.pdf>

Vukovar-Srijem	2.454,00	116,00	150.98,00	61,53	179.521,00	-28.536,00	-15,90%
CROATIA programme area	10.462,00	921,00	627.401,00	57,81	721.162,00	-93.761,00	-13,00%
PROGRAMME AREA	25.515,00	1.417,00	2.170.335,00	85.061.140,51	2,322.735,00	-152.400,00	-16,66%

The programme area extends over 25.505 km² thus representing 18,4% of Croatian territory and 17% of Serbian territory. The northern part of the programme area borders with Hungary, while the southern Croatian and south-western part of the Serbian programme area borders with Bosnia and Herzegovina. The total population of the area is somewhere around 2,1 million people (based on estimates for the year 2019) which shows a rapid decline in population, which is more visible on the Croatian side of the programme - there is a decline in population by over 16%. When compared to the national decline in population, for the Serbian part of the programme this is more or less the same, but the Croatian side of the programme shows a significantly higher percentage than the national average. The data shows that the population number in both countries has also crossed over the symbolic line of under 7 million for Serbia, and nearly under 4 million people for Croatia. This clearly shows that the future programme should take into consideration the issue of demographic decline.

Table 2. Change in population per country²

Serbia - total 2019 estimate	Serbia - total 2011	Change	% change
6,945,235.00	7.186.862,00	-241.627,00	-3,36%
Croatia- total 2019 estimate	Croatia - total 2011	Change	% change
4,065.253,00	4.284.889,00	-219.636,00	-5,13%

The main towns are, in Croatia, Osijek, Slavonski Brod, Vinkovci, Požega and Vukovar; in Serbia - Novi Sad, Subotica, Šabac, Sombor and Sremska Mitrovica.

The Danube, Drava, Sava, and Tisa rivers are mostly navigable. In addition to rich agricultural soil, woodlands and fluvial-wetland plains, significant natural resources include oil and gas fields, clay, sand and gravel excavation fields, and areas of high biodiversity. The programme area contains one of the few mountains in the whole Pannonia plain: Fruška Gora (situated mostly in the Serbian part of the Programme area) and the mountain plexus of Papuk, Psunj, Krndija, Dilj and Požeška gora (Croatia).

² Croatia: CBS, Statistical Information, https://www.dzs.hr/Hrv_Eng/StatInfo/pdf/StatInfo2019.pdf

Serbia: Statistical Office of the Republic of Serbia, Statistical Yearbook, 2019, <https://publikacije.stat.gov.rs/G2019/PdfE/G20192052.pdf>

Looking at the economic scale and rate, the programme area is below the average of each of the belonging countries, with the difference being more visible in the Croatian part of the programme, with only around 60% of GDP per capita of the national average. Still, the lowest GDP per capita in Croatia is still higher than the biggest in Serbia, which shows the difference in economic power. The major difference is that the Croatian part of the programme is considered to be one of the less developed regions of the country, and the Serbian part of the programme area being considered one of the most developed (excluding Belgrade region). This fact has to be taken into account when preparing the programme objectives and priorities.

Table 3. Trends in domestic products in Croatia and Serbia

	GDP per capita - EUR CRO - 2017 SRB - 2018 RSD to EUR = 0,0085	Index - CRO, SRB = 100
REPUBLIC OF CROATIA³	€11,893.00	100
Požega-Slavonia County	€6,649.00	55.9
Brod-Posavina County	€6,687.00	56.2
Osijek-Baranja County	€9,069.00	76.3
Vukovar-Srijem County	€6,974.00	58.6
AVERAGE - Croatian programme area	€7,344.75	61.75
REPUBLIC OF SERBIA⁴	€5,108.50	100
West Bačka District	€3,689.00	72.2
South Bačka District	€6,043.50	118.3
North Bačka District	€4,539.00	88.7
Srem District	€4,777.00	93.5
Mačva District	€3,111.00	60.8
AVERAGE - Serbian programme area	€4,431.90	86.7

³ Croatian bureau of statistics, Gross Domestic Product for Republic of Croatia, NUTS 2013 – 2nd Level and Counties, 2017, https://www.dzs.hr/Hrv_Eng/publication/2020/12-01-03_01_2020.htm

⁴ Statistical Office of the Republic of Serbia, Working paper, REGIONAL GROSS DOMESTIC PRODUCT Regions and areas of the Republic of Serbia, 2018, <https://publikacije.stat.gov.rs/G2020/PdfE/G202010111.pdf>

3.2. Smarter Europe

Description of current state in key analysis areas

The smarter Europe specific objective of the new period is mainly focused on innovative and smart economic transformation. It will therefore be aimed at enhancing research and innovation capacities and the uptake of advanced technologies in different industries. It is intended to reap the benefits of digitisation for citizens, companies and governments and firstly enhance the growth and competitiveness of SMEs in focus.

3.2.1. Research and innovation

a. Croatia:

Using the European Innovation Success Scale, i.e., European Innovation Scoreboard (EIS) as a tool for comparative evaluation of research and innovation results in EU countries, the Republic of Croatia, based on the results for the year 2020 is classified as a 'moderate innovator'. In parallel with other countries in the group of 'moderate innovators', Croatia ranks last in this category. Over time, performance has increased relative to that of the EU in 2011. Innovators and Firm investments are the strongest innovation dimensions. Croatia scores well on Non-R&D innovation expenditures, SMEs with marketing or organizational innovations, Innovative SMEs collaborating with others, and Enterprises providing ICT training. Intellectual assets, Sales impacts and Finance and support are the weakest innovation dimensions. Croatia's lowest indicator scores are for Exports of knowledge-intensive services, Design applications, Venture capital expenditures and Lifelong learning. Croatia shows the highest positive difference to the EU in Enterprise births, Average annual change in GDP and Total Entrepreneurial Activity, and the biggest negative difference in Top R&D spending enterprises, Employment shares high and medium high-tech manufacturing and GDP per capita.⁵

It must be said that R&D investments in the Republic of Croatia have grown significantly, from 0.86% of GDP in 2017 to 0.97% of GDP in 2018, primarily thanks to European structural and investment funds (ESIF). However, Croatia still lags significantly with regards to the objectives set out in the National Reform Programme and the EU-27 by average. In the category of employees in high-tech manufacturing and knowledge of intensive service sectors (as a % of total employment), there was a shift from 33.3% in 2010 to 38.2% in 2018 (EU-27: 45.8%). Furthermore, the R&D staff category recorded stagnation, and only 0.65% of employees actively work in R&D, in parallel with the continuously growing EU-27 average of 1.3% in 2018. In the intellectual property segment, Croatia delivered some of the weakest results in the European Union, with just 4.8 patents reported to the European Patent Office, compared to the European average of 106.8 patents per million inhabitants.⁶

⁵ Croatia - country report, Innovation Scoreboard 2020

⁶ Eurostat, <https://ec.europa.eu/eurostat/web/science-technology-innovation/data/database>

Croatia attained the best results in innovation outside of the research and development, precisely, with SMEs with marketing and organizational innovations, innovative SMEs in collaboration, start-ups and overall entrepreneurial activity. The weakest dimensions of innovation impact are intellectual property, export through intensive services knowledge and venture capital investment. The innovation system is characterised by modest research and innovative results, in scientific and economic terms, poor results come from the commercialisation of innovation, low sales effects of innovation and low talent-attracting capacity.⁷

Concerning the European Commission's recommendations on how to increase research and innovation capacities suggestions for the Republic of Croatia focus on the following activities:

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

b. Serbia:

In Serbia, more than half of business entities have been characterized as innovative with a significant upward trend in innovative enterprises in the last 7 years (according to the European Community Innovation Survey 2016-2018 conducted by the Statistical Office of the Republic of Serbia). Enterprises, on the other hand, invest very little in R&D, while innovations are generally incremental in nature, i.e., there are very few businesses that have made radical innovations and developed a worldwide product through investing in R&D. This situation in the business sector is also reflected in the relatively low number of patents compared to other countries. Businesses in Serbia have low investment in external R&D, indicating that there is room for improved cooperation between the business and scientific and research sectors. Generally speaking, the business sector has a relatively low level of employees with a university degree, indicating that the domestic economy is unprepared for the transition to a knowledge based economy. The number of patent applications of domestic inventors in the Republic of Serbia is at a relatively low level. In the last 8 years, the number of patent applications has ranged from 200 to 160 and has been steadily declining.⁸

⁷ European Commission, <https://rio.jrc.ec.europa.eu/country-analysis/Croatia>

⁸ Ministarstvo prosvete, nauke i tehnološkog razvoja Republike Srbije, SMART SPECIALISATION STRATEGY OF THE REPUBLIC OF SERBIA FOR THE PERIOD 2020 TO 2027, Appendix 1, <https://pametnaspecijalizacija.mpn.gov.rs/wp-content/uploads/2020/09/Smart-Specialization-Strategy-of-the-RS-for-the-period-2020-to-2027.pdf>

The country report of the European Commission for Serbia in 2020 shows that R&D spending has increased for 8% compared to the year before but remains low at 0.92% of GDP with only one third of this amount coming from the private sector. Government funding is stable at around 0.4% of GDP, providing close to half of total R&D financing in 2018. The number of scientific research organisations was broadly unchanged. To support innovation, Serbia established an innovation fund and introduced specialised instruments - collaborative grants for joint business-academia projects to promote and support collaboration and innovation vouchers. 4 years after a science and technology park was established in Belgrade, 3 more are being built in other cities - 14 million EUR for the construction of BioSense Institute and 24 million EUR for the construction and equipment of Science and Technology Park Novi Sad - building surface is 31.350 m²⁹. The newly opened facility covers an area of 30,000 square metres, giving 3,000 students and 400 professors, lecturers and assistant lecturers of the Faculty of Technical Sciences the most up-to-date working conditions.

In the European Innovation Scoreboard, Serbia is, as Croatia, also classified as “Moderate Innovator”, and over time, performance has increased relative to that of the EU in 2012, with an increase in performance of 13.3%. Innovators, Firm investments, and Innovation-friendly environment are the strongest innovation dimensions. Serbia scores high on Enterprises providing ICT training, SMEs innovating in-house, Non-R&D innovation expenditures, and SMEs with product or process innovations. Intellectual assets, Attractive research systems and Finance and support are the weakest innovation dimensions. Low-scoring indicators include Venture capital expenditures, Design applications, Public-private co-publications, and R&D expenditures in the business sector.

c. Programme area level:

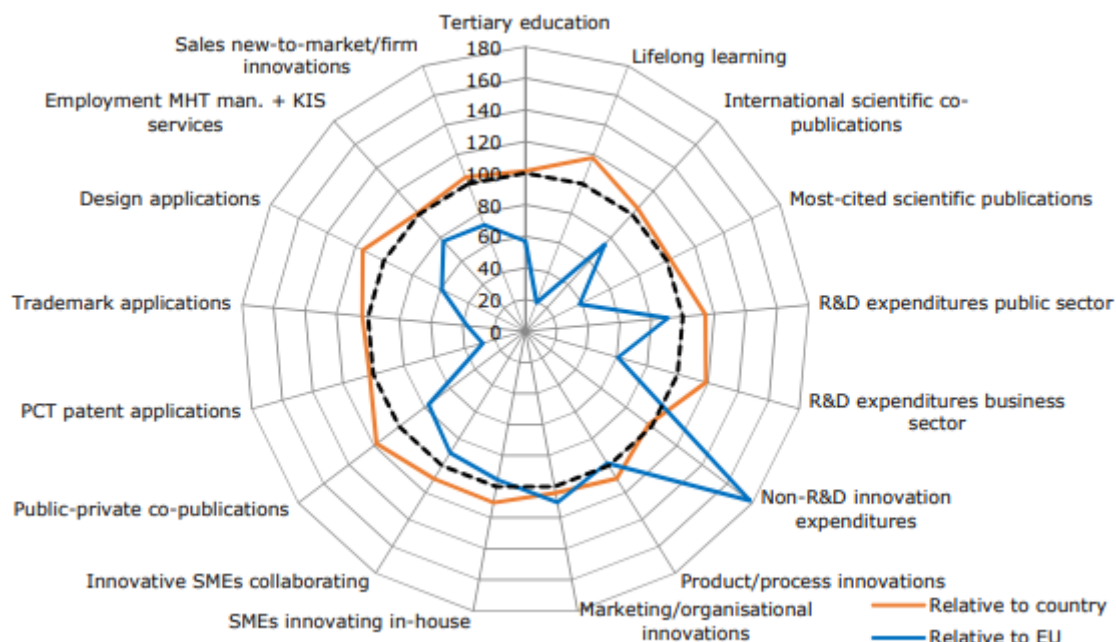
The Innovation Scoreboard also gives information on the NUTS 2 region about the innovation and research field, marking significant trends. Although the NUTS 2 regions are different than the programme area, it is nevertheless the best data in this aspect and can be used for the programme area.

Continental Croatia (HR04)¹⁰ is a Moderate Innovator; innovation performance has increased over time (1.7%). The radar graph shows relative strengths compared to Croatia (orange line) and the EU (blue line), showing relative strengths (e.g., Non-R&D innovation expenditures) and weaknesses (e.g., Lifelong learning).¹¹

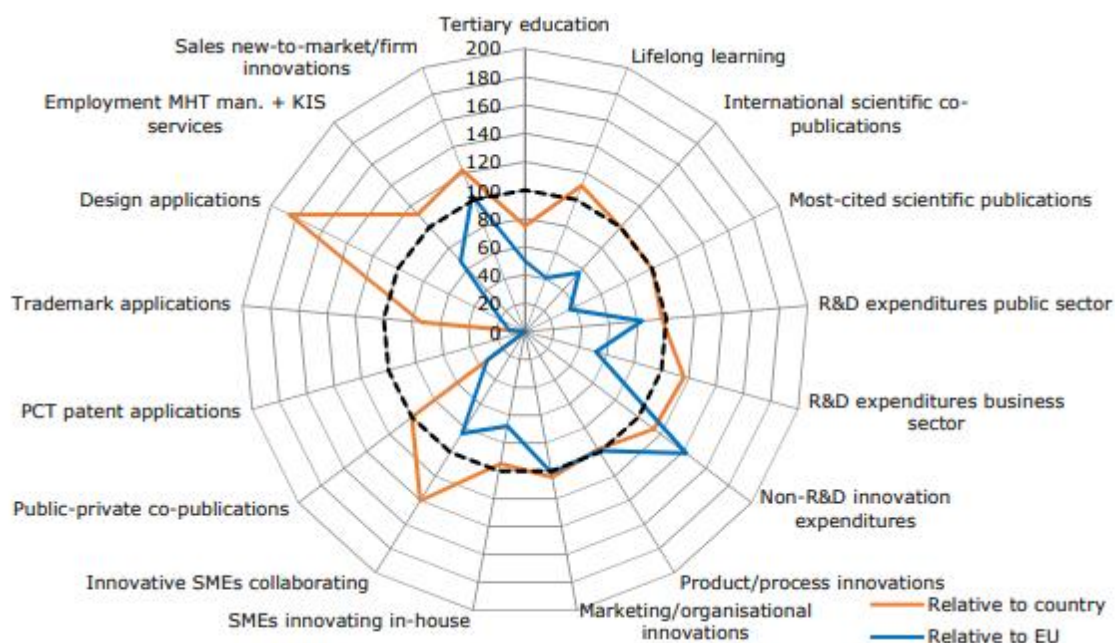
⁹ Dragan Satarić, Science Technology Park, Belgrade, Serbian Infrastructure support & ST Park initiatives, 2019, https://ec.europa.eu/jrc/sites/jrcsh/files/20191016-s3tt_serbia-sataric_en.pdf

¹⁰The following counties belong to Continental Croatia: City of Zagreb, County of Zagreb, County of Krapina-Zagorje, County of Varaždin, County of Koprivnica-Križevci, County of Međimurje, County of Bjelovar-Bilogora, County of Virovitica-Podravina, County of Požega-Slavonia, County of Brod-Posavina, County of Osijek-Baranja, County of Vukovar-Srijem, County of Karlovac, County of Sisak-Moslavina.

¹¹ Regional profiles, Innovation Scoreboard 2019



Vojvodina (RS12)¹² is also a “Moderate Innovator”; innovation performance has increased over time (21.6%). The radar graph shows relative strengths compared to Serbia (orange line) and the EU (blue line), showing relative strengths (e.g., Non-R&D innovation expenditures) and weaknesses (e.g., Trademark applications).



¹²Zapadnobačka oblast, Južnobanatska oblast, Južnobačka oblast, Severnobanatska oblast, Severnobačka oblast, Srednjobanatska oblast, Sremska oblast

3.2.2. Digitisation of society

a. Croatia:

In Croatia, the latest survey results from 2020 showed that the share of households equipped with ICT is slightly increasing compared to 2019. The share of households with personal computers increased by 3% and the share of households with internet access by 4%. Although the share of households with mobile broadband internet access increased by 1% compared to 2019, the share of households with fixed broadband internet access decreased slightly, so at the total level, there are no significant changes in overall connection rate. The youngest population still maintained the lead in computer usage and the number of users was decreasing proportionally with age. A similar trend was noticed in the employment status structure, where pupils and students, as the youngest group, were the most frequent computer users. Usage of online e-government services is higher than level in 2019 (an increase of 9% compared to 2019).¹³

Looking at the entrepreneur sector, the usage of information and communication technologies is an extremely important part of their business conduct. The survey showed that 94% of enterprises used computers with internet access in their daily work. The internet became a necessity for efficient business conduct, so 69% of enterprises had their own website. Usage of broadband internet access prevailed; 94% of enterprises used some type of fixed broadband internet connection and 86% of enterprises used mobile broadband internet access. The usage of the internet caused changes in the way business is conducted by enabling the integration of business processes at a higher level. The internet connection speed is becoming an important factor in business conduct. The increasing availability of broadband internet boosts data transfer speed. Data transfer speed of up to 100 Mbps is used by 86% of enterprises. Internet sales covered only 15% of the total sales of goods and services. Cloud computing internet service as a new technology is used by 39% of enterprises.¹⁴

The upgrade to a functional e-government has been one of the priorities in Croatia. The central "e-Citizens" project ultimately represents the construction of elements of the information society in the Republic of Croatia and the involvement of the Republic of Croatia in the construction of a European and global information society. The Government of the Republic of Croatia has launched the e-Citizens project in order to modernize, simplify and speed up communication between citizens and public administration and increase the transparency of the public sector thus creating the preconditions for the operation of the "paperless state".

The usage of the portal e-Citizens has steadily increased over the years, with the total usage amounting to over 25% of all citizens - the total number of different identification numbers that have registered at least once for any of the e-services via NIAS is 1,014.364.

¹³ Croatian Bureau of Statistics, Usage of ICT in households and individuals, 2020, https://www.dzs.hr/Hrv_Eng/publication/2020/02-03-02_01_2020.htm

¹⁴ Croatian Bureau of Statistics, USAGE OF ICT IN ENTERPRISES, 2020, https://www.dzs.hr/Hrv_Eng/publication/2020/02-03-01_01_2020.htm

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

Table 4. Most frequent e-services

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

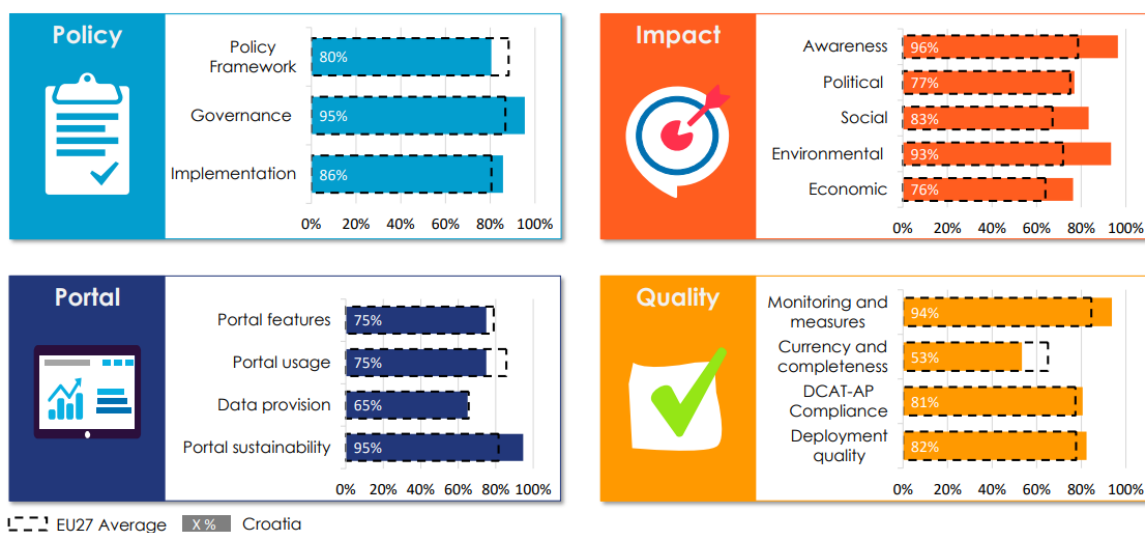
Regarding open data, the national open data portal of Croatia provides a designated area for open data use cases to provide further insight and inspiration into how open data can be used to create services, applications, and products. Currently, the page shows 21 applications that have been developed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

State-of-Play on open data - 2020

Croatia

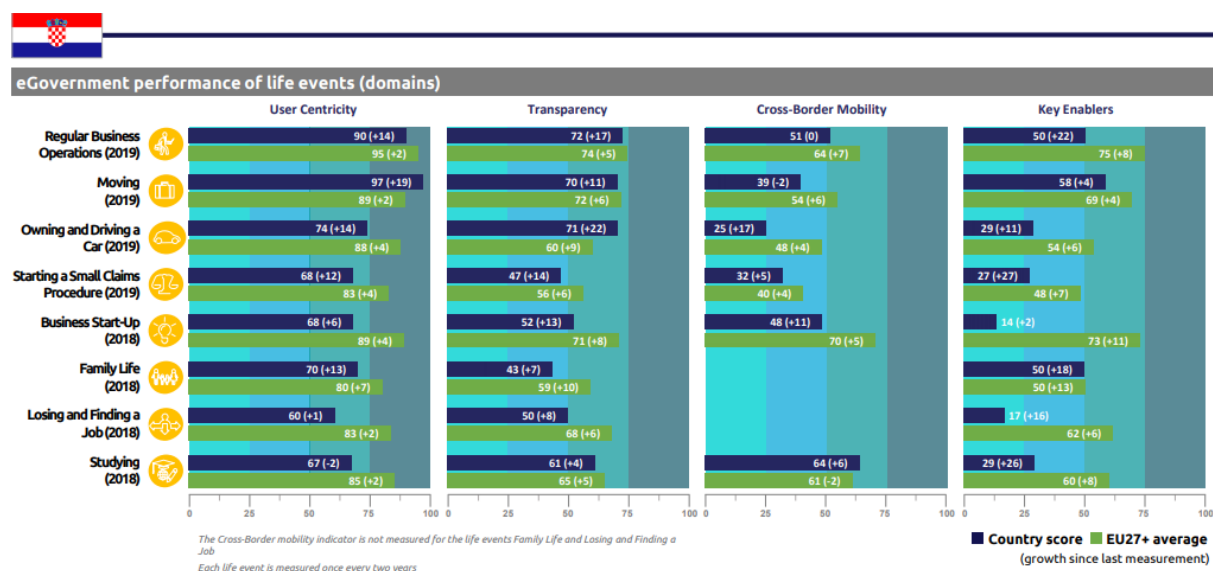


DIMENSION PERFORMANCE





¹⁵ European Commission, eGovernment Benchmark, 2020, https://ec.europa.eu/newsroom/dae/document.cfm?doc_id=62368



b. Serbia:

In Serbia, the results are similar to the ones in Croatia regarding the usage of computer and Internet, with visible upscale in nearly all categories. The main findings of the study of digitalisation of Serbian society indicate that 74.3% households in the Republic of Serbia own a computer, which is an increase of 1.2% compared to 2019, and 2.2% compared to 2018. Representation of computers in households varies depending on the territorial unit: in Belgrade it is 91.5%, but in AP Vojvodina it drops to 66.8%. Differences can be noticed when comparing the representation of computers in the city and other parts of Serbia: 81.6% versus 61.8%. Compared to 2019, this gap has slightly increased, because of the growth rates of computer representation in urban and other parts of Serbia - in urban parts of Serbia, the growth rate is 2.1%, while there is a decline of 0.3% in other parts of Serbia. In total, 72.4% of persons, in the last three months before the survey took place, have used a computer, 1.5% of persons have used a computer more than three months from the survey date, and 6.4% more than a year ago from the research date. As much as 19.8% of people have never used a computer. The number of computer users increased by 2% to 2019, by 3.1% compared to 2018, and by 6.4% compared to 2017.

As much as 81% of households have an Internet connection, which is an increase of 0.9% compared to 2019, and 8.1% compared to 2018. The share of internet connection is the highest in Belgrade and amounts to 94.1%. but drops to 75.3% in AP Vojvodina. As with computers, there is a significant difference regarding the representation of internet connections in the city and other settlements in Serbia: 87.1% versus 70.4%. Compared to 2019, in urban settlements in Serbia, the growth rate is 1.3%, while the decline in other parts of Serbia is 0.1%. Regarding internet connection and speed, in Serbia, 80.8% of households have broadband internet connection, which is an increase of 1.2% compared to 2019, and 8.3% compared to 2018. The representation of this type of internet connection is the largest in Belgrade and amounts to 93.9% but drops in AP Vojvodina to 74.7%. In total, 78.4% of persons used the Internet in the last three months, but as much as 17.4% respondents never used the internet. Nevertheless, the number of Internet users increased by 2% compared to 2019, by 6.8% compared to 2018, and by 8.2% compared to 2017.

Regarding the usage of the Internet by private users, research shows that 37.0% of the internet population uses internet services instead of visiting public institutions or administrative bodies. Over 1,415,000 citizens use the public administration website/application for obtaining information. The research also found that 34% of the internet population used the internet to obtain information from the website of public institutions, and 25.2% to download official forms, and less to do the whole process online.

Looking at the business sector, in the Republic of Serbia, 100% of companies have an internet connection. Regarding the way of accessing the Internet (connection types), out of the total number of companies that own the Internet connection, 98.4% of companies have a broadband internet connection. The website is owned by 84.4% of companies, which is an increase of 0.8% compared to 2019 and an increase of 1.8% compared to 2018. When looking at the structure of a company by size and owning the website, 95% of large companies own a website, while the percentage is lower for medium companies (89%) and small businesses (82%). There are also differences between regions in Serbia, in Belgrade, 89.5% of companies own a website, but in AP Vojvodina 86.3%. During 2019, 27.9% of companies sold products / services over the Internet, and 18.6% of companies pay for cloud services.¹⁶

76 028

e-services in December 2020.

47 964

Children enrolled in pre-care institutions online

1 026 347

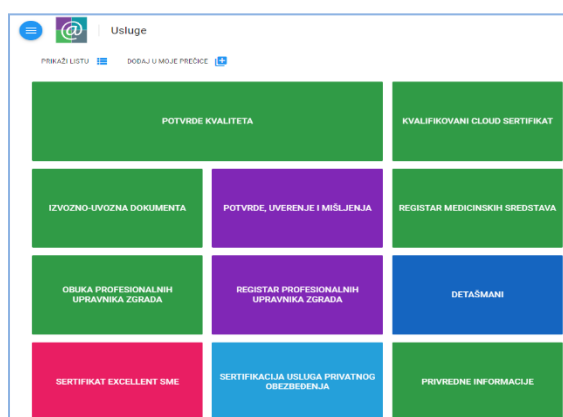
citizens use the eGovernment portal (E-Uprava)

Digitalisation continues to top the list of government priorities. Sub-legal acts related to the e-government law still need to be completed to ensure its full implementation. The strategic framework for e-government also still needs to be adopted. The government's main objective in this area is to improve the quality of public services by ensuring interoperability, efficient coordination, project management and legal certainty over e-government use and the use of open data. An upgraded e-government national portal (E-Uprava) was rolled out in 2020, serving as a one-stop shop for e-government services and as a central point of access for business and citizens alike. Some progress has already been made on public access to institutional data thanks to

the National Open Data portal (making data available from public institutions - still not that many). Based on data from 2016, among the most popular of the 300 different electronic services set up by 104 state bodies are online enrolment of children in preschool institutions in the City of Belgrade, scheduling appointments for ID cards and passports, ordering birth certificates and citizenship certificates, as well as vehicle registration at authorized technical inspections and replacement of driver's license.¹⁷

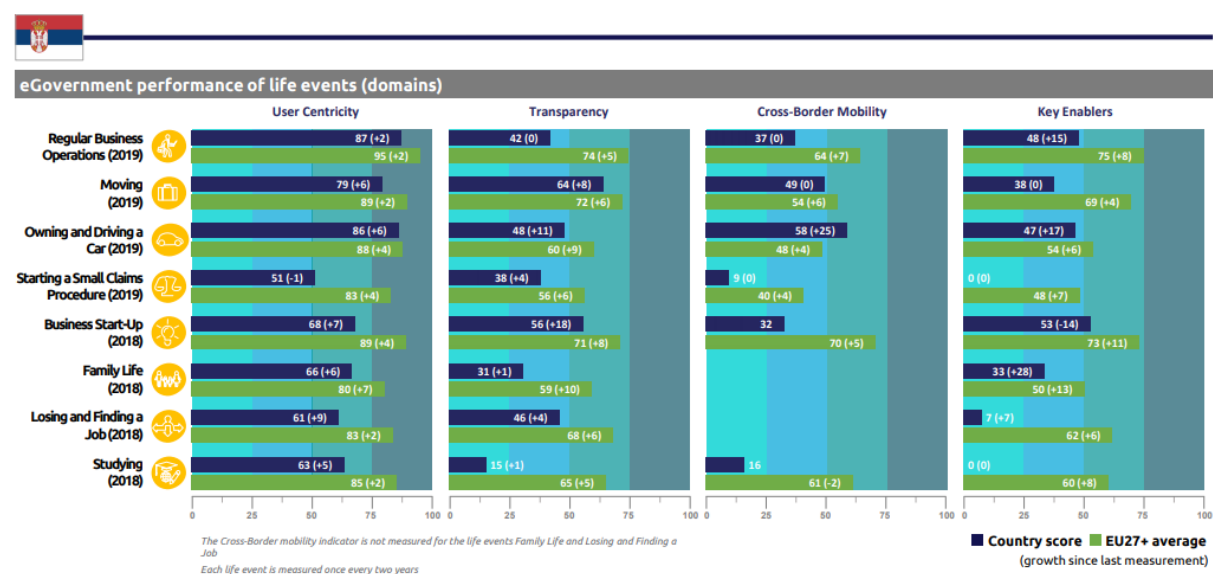
¹⁶ Republican Bureau of Statistics, USE OF INFORMATION AND COMMUNICATION TECHNOLOGIES IN THE REPUBLIC OF SERBIA, 2020. - <http://publikacije.stat.gov.rs/G2020/Pdf/G202016015.pdf>

¹⁷ BIZLife, The number of eGovernment users has tripled in one year, 2016



Like in Croatia, the chamber of commerce is one of the first public institutions to create a functioning e-portal for its services. The services will significantly improve the business environment, contribute to more efficient electronic exchange of information, as well as easier modern, cheaper, and faster business of entrepreneurs. There is a total of about twenty electronic services that cover different areas and activities, ranging from typical e-services (import export documentation, SME information) to statistical information, international business, education, start-up information, etc.

Looking at the eGovernment Benchmarking, Serbia is still a long way from EU average in terms of digitisation and penetration of digital technologies in life situations, scoring lowest in terms of cross border mobility and key enablers of digital transformation.



c. Programme area - best practice examples:

- The usage of e-Citizen portal is also high in the programme area, the highest in Osijek-Baranja county and lowest in Požega-Slavonia:

Table 5. The tabular presentation of the use of the e-Citizen portal

County	Number	Percentage in total users
Osijek-Baranja	56.411	5.56%
Vukovar-Srijem	27.153	2.68%
Brod-Posavina	24.486	2.41%
Požega-Slavonia	11.690	1.15%
TOTAL	1.014.273	99.99%

- HRK 1.5 million was invested in the new electronic voting system in the City Hall of Osijek and Osijek-Baranja County - with papers being abolished, and County savings up to HRK 300,000 per year. The realization of the project of informatization of the town hall in which the sessions of the County Assembly and the City Council of the City of Osijek are held is the only electronic voting system in Croatia that is mobile and uses wireless devices to vote.
- Cities in the programme area included in the research Analysis of digital readiness of Croatian cities 2020 were Osijek, Slavonski Brod, Vukovar, Vinkovci, and Đakovo. All of them showed a very low level of digitalization, with Vinkovci scoring the lowest (23,22%), followed by Vukovar (24,78%), Đakovo (26,35%), and Slavonski Brod (28,18%). Osijek scored the highest of all five cities at 33,37%. The City of Osijek upgraded its web page, adding numerous new forms for its citizens, as well as the new WebGIS portal. The highest scores overall were in the area of Service information and integrated payment systems, as well as Communication with citizens. Osijek was the only one to have developed a Smart City Strategy which includes a digital transformation plan.
- Digitalization of content that represents the cultural heritage of the City of Novi Sad is one of the priorities of the cultural strategy of the City and in accordance with the digitalization policy promoted by the European Union. The goal of this project is to preserve the cultural heritage of Novi Sad and make it accessible to citizens through its digitization and systematization into a single database and the creation of an online platform that will provide greater visibility of content.
- The Assembly of the AP Vojvodina and the Provincial Government initiated the installation of new software for the needs of the Provincial Parliament. In addition, an E-parliament platform is being developed that will increase the transparency and accountability of the Assembly of AP Vojvodina, because all decisions of the Assembly will be available to the public and the media immediately after the sessions. Significant savings will also be made, as documents are now available to MPs at all times, and no longer need to be printed.

3.2.3. SME competitiveness

a. Croatia

SMEs account for 59.4% of value added and 68.9% of employment in Croatia's 'non-financial business economy', exceeding the respective EU averages of 56.4% and 66.6%. In 2014-2018, SME value added in the 'non-financial business economy' increased by 28.1%, outperforming the 16.6% value added growth of large firms. The forecast for overall SME value added in 2018-2020 is a rise of 7.2%, marking a slowdown in value added growth.¹⁸

The SBA profile of Croatia continues to be relatively weak. It scores below the EU average in entrepreneurship, 'second chance', access to finance, single market, and skills & innovation, while for 'responsive administration' Croatia has the lowest performance in the EU. On the other hand, Croatia posted the third-best score for internationalisation and scores above the EU average for environment. However, more needs to be done for Croatia to become a SME friendly business environment - implementation of policy measures to improve the business environment needs to be continued and accelerated in particular for services market liberalisation and reduction of the administrative burden. There is a strong need for a more efficient judiciary and more stable regulatory system capable of providing a friendlier environment for SMEs. At the same time, financial sources necessary for SMEs' scaling up have to be further diversified.

¹⁸ European Commission, SBA Fact Sheet CROATIA, 2019



b. Serbia

Looking at the macroeconomic indicators in recent years, the Republic of Serbia has been recording economic growth, low and stable inflation, fiscal surpluses, declining public debt, and a recovery in the labour market. The structure of the economy is dominated by micro-enterprises, which account for over 86% of the total number of enterprises. On the other hand, the largest number of employees works in large enterprises (43%) and the largest share of gross value added is achieved in large enterprises (49.6%)¹⁹. In recent years, Serbia has recorded an increase in total value added in the manufacturing sector and is today the most industrialized country in the Western Balkans, with production contributing almost 20% to GDP, comparable to levels in some of the new EU member states.

Since 2014, Serbia has significantly improved its business environment and thus has progressed on the Doing Business list. From a distant 93rd place, it reached its best result of 43rd place in 2018. The following year saw a small decline by 5 places, only to advance by 4 places in the latest report (Doing Business Report 2020) and rank 44th in the world. According to the indicators in the areas that determine the overall assessment of business conditions, the Republic of Serbia is best ranked in the areas of Obtaining Construction Permit (9th place), Trading across border (23rd place) and Minority Shareholder Protection (37th place). According to the Global Economic

¹⁹ 21st International Scientific Conference SM2016, Strategic Management and Decision Support Systems in Strategic Management, 2016, <https://core.ac.uk/download/pdf/79431502.pdf>

Competitiveness Index (World Economic Forum), the Republic of Serbia is the leading country in the Western Balkans, but significantly lags behind the EU member states in the region. In 2019, the Republic of Serbia, compared to 141 countries, ranks 72nd (7 places lower than in 2018). By analysing the individual components of the Global Competitiveness Index, Serbia is best rated in the areas of Infrastructure, Business Dynamics, Labour Market, Skills and Innovation.

The sector of small and medium enterprises and entrepreneurs (SMEs) is an extremely important segment of the Serbian economy: in 2018, it comprises 99.9% of the total active companies, it employs almost 2/3 of employees in the non-financial sector and participates with 57.5% in the GVA of the non-financial sector. Positive trends in the recovery of the entrepreneurial sector in the period 2014-2018 show all key indicators of economic activity. During that period, the number of SMEs increased by 51,150 business entities, the number of employees increased by 155,577, and GVA increased by 35.9%. In 2018, there were 376,382 business entities, which is 18,627 (+ 5.2%) more than in 2017. Almost the entire number of economic entities belongs to the SME sector (375,842). In the structure of SMEs, the number of entrepreneurs increased by + 6.1% (15,702), small by + 6.0% (636), micro by + 2.4% (2,125) and medium enterprises by + 6.1% (145), while large companies recorded a growth of + 3.6% (19) compared to 2017.²⁰

²⁰ Ministry of Economy, REPORT ON SMALL AND MEDIUM ENTERPRISES AND ENTREPRENEURSHIP, 2018
https://preduzetnistvo.gov.rs/wp-content/uploads/2020/09/Izve%C5%A1taj_MSPP_za_2018_final.pdf

Finally, a document *Strategy to support the Development of SMEs, Entrepreneurship and Competitiveness (2015-2020)* emphasizes the following pillars of development:

- Improvement of business environment
- Improvement of access to sources of funding
- Enhancing the sustainability and competitiveness of SMEs by improving the efficiency of the institutional support to business operations and development of SMEs and entrepreneurship



c. Programme area

The development in the programme area is depending largely on SME development and their increase in business results. Strengthening the professional capacities and business skills of SMEs from the included area in the function of improving business results, is vital for the general economic situation in the region.

Table 6. Statistics for SMEs in Serbia

	Company number	%	Employment	%	Traffic	%	GVA	%	Export	%	Import	%
AP Vojvodina	94.526	25,1	238.735	17,2	2.069	17,6	373	14,4	252	13,3	298	11,7
Serbia	375.842	99,9	910.874	65,6	7.752	65,8	1.486	57,4	731	38,5	1.372	54,0

Table 7. Statistics for SMEs in Croatia

	Company number	Micro	Small	Medium
Programme area Croatia	9.513	8.390	973	150
Croatia - total	136.260	122.403	11.962	1.525
% of SME in country	7%	6,9%	8,1%	9,9%
% of SME per size in programme area	100%	88,5%	10%	1,5%

Based on the available data, an analysis has been made about the SME infrastructure in the programme area, that is relatively well developed. There are different entrepreneurial support institutions in both Croatia and Serbia, that are geographically well distributed (incubators, business centres, development agencies, etc.). Business incubators in Serbia and Croatia have been developing rapidly. The scope of services is increasing, and the services are of better quality. Most importantly, networking is becoming stronger, which opens up numerous opportunities for business development.

Požega-Slavonia County:

- ERA - d.o.o. European Development Agency - Kutjevo
- Lipik Development Agency LIRA d.o.o. - Lipik
- Local Development Agency (LO-RA) Požega
- LDA Entrepreneurship Center Pakrac d.o.o.
- Business Incubator Pleternica d.o.o.
- Business Incubator Donji Čaglic -Lipik
- Business Incubator Pakrac
- Business Incubator Pleternica
- Regional Development Agency of Požega-Slavonia County d.o.o.
- Business Incubator Lipik
- Business Incubator Požega

Brod-Posavina County:

- The Center of competences for advanced engineering Nova Gradiška d.o.o.
- Brod-Posavina County Development Center - Slavonski Brod
- Industrial park Nova Gradiška d.o.o.
- Development Agency of City of Slavonski Brod d.o.o.
- LAG WestSlavonija
- LAG Posavina
- LAG Slavonian Field

Osijek-Baranja County:

- RODA d.o.o.
- BARA - Baranja Development Agency of the Town of Beli Manastir
- Business incubator BIOS d.o.o. Osijek
- Business park BSRZ Dardanka
- Entrepreneurship Center- Osijek
- Entrepreneurship Center CLIP Našice
- Entrepreneurship Center DUGA - Donji Miholjac Culutral-development Center Bilje
- Belišće Local Development Agency d.o.o.
- Valpovo-Petrijevci d.o.o.
- Entrepreneurship Center LDA Donji Miholjac d.o.o.
- Našice Development Agency NARA d.o.o.
- Entrepreneurship Center Beli Manastir d.o.o.
- Entrepreneurship Center d.o.o. - Erdut
- Entrepreneurship Center Đakovo d.o.o.
- Business incubator Osvit - zadruga - Donji Miholjac
- Business incubator POLET d.o.o. - Belišće
- Poslovni plan d.o.o. - Donji Miholjac
- TERA TEHNOPOLIS d.o.o. - Osijek
- Entrepreneurship Center Valpovo d.o.o
- Cooperative and Entrepreneurial Network -Bilje
- Development Agency of Osijek-Baranja County - Osijek

Vukovar-Srijem County:

- Competence Center d.o.o. - Vinkovci
- ORA Otok Development Agency
- Agricultural business incubator Drenovci d.o.o.
- Development agency TINTL - Tovarnik
- Vukovar-Srijem County Development Agency -Vinkovci
- Vukovar Development Agency d.o.o.
- Technology park Vinkovci d.o.o.
- VIA d.o.o. - Vinkovci
- Local Development Agency VJEVERICA d.o.o., Drenovci
- LAG Bosutskiniz, Nijemci
- LAG Srijem, Lovas
- LAG Šumanovci, Drenovci
- Office for International cooperation, Tovarnik

Srem District:

- Regional Development Agency Srem d.o.o., Ruma
- Agency for Economic Development of the Municipality of Inđija
- Agency for Development of the Municipality of Pećinci
- Department of Economy and Budget, Ruma
- Office of Local Economic Development, Local self-government of Sremska Mitrovica
- Department of Economy, Stara Pazova
- Office of Local Economic Development, Local self-government of Šid
- Department of Local Economic Development and Economy, Sremski Karlovci
- LAG Stara Pazova

North Bačka District:

- Business incubator Subotica
- Free zone Subotica
- Regional Development Agency Panonreg
- Association for Development of the Municipality of Bačka Topola
- Office of Local Economic Development, Local self-government of Mali Idoš
- Office of Local Economic Development, Local self-government of Subotica

South Bačka District:

- Regional Development Agency Bačka d.o.o. - Novi Sad
- Business incubator Bački Petrovac
- Business incubator Novi Sad
- Free zone Novi Sad
- Local Economic Development Service, Local self-government of Beočin
- LAG Ravnica Bačke
- LAG Bačka Palanka
- LAG Bački Petrovac
- LAG Srce Bačke
- LAG Fruška gora - Dunav
- Department of Economy, Agriculture and Economic Development, Bač
- Department of Economy, Bačka Palanka
- Department of Economy, Urbanism, Communal-Housing and Inspection Affairs, Bački Petrovac
- Office of Local Economic Development, Local self-government of Bečej
- Office of Local Economic Development, Local self-government of Vrbas
- Office for Development and European Integration of the Municipality of Žabalj
- Office of Local Economic Development, Local self-government of Novi Sad
- Temerin Municipality Development Agency
- Office of Local Economic Development, Local self-government of Titel

West Bačka District:

- Free zone Apatin
- LAG Panonski Fijaker
- Office of Local Economic Development, Local self-government of Sombor
- LAG Sombor
- LAG Odzaci
- Office for Local Economic Development - LED Coordinator, Local self-government of Apatin
- Office of Local Economic Development, Local self-government of Odžaci
- Kula Municipality Development Agency

Mačva District:

- Regional Development Agency of Podrinje, Podgorinai Rađevina d.o.o. Loznica
- LAG Vladimirci
- LAG Šabac.

3.2.4. Skills for smart specialisation

Smart Specialisation is based on partnerships between businesses, public entities and knowledge institutions. Therefore, it is necessary to look at different policies in place for smart specialisation, and after that focus on the education capacities for the production of skills needed.

a. Croatia

In Croatia there is a clear need for smart specialisation, industrial transition, entrepreneurship and the acquisition of critical digital skills in order to foster the economy. The identified needs are addressed by the Smart Specialisation Strategy and strategic projects in the innovation system. The main goal of the strategy is to increase the competitiveness and transformation of the Croatian economy, concentrating knowledge resources and linking them to a limited number of priorities. Given the size of Croatia, which can be compared to the size of regions in large member states, the concept of smart specialization was applied at the national and not regional level. In the preparation phase, the strategy required an integrated and territorially based approach to programming in order to create conditions for the development of the Republic of Croatia as a whole, thus avoiding the possibility of unequal development of regions and respect for regional diversity.²¹ Croatia has chosen five thematic priority areas as its main focus for S3: Health and quality of life, Energy and sustainable environment, Transport and mobility, Safety and finally, Food and the bioeconomy. In addition, it has chosen two horizontal themes (key development technologies; information and communications technologies) which can contribute to increased added value to Croatian manufacturing and foster new economic activities, productivity and employment growth.

Based on the chosen thematic priorities, so far 13 competitiveness clusters (CCCs) have been established nationwide in the following domains of economic activity: automotive, wood-processing, food-processing industry, defence, chemical, electro and production machinery and technologies, ICT, maritime, construction, textile, health, personalized medicine, creative and cultural industries. Members of CCCs are companies from business sector, business clusters, professional organisations, and science and regional/local government.²² Croatian competitiveness clusters represent the Triple Helix principle of networking with the purpose of improving Croatian industrial production by connecting all stakeholders, sharing knowledge and experience.

In addition to the above mentioned 13 national CCCs, there are also a number of clusters organised in different industries. The following have been recognized in the programme area:

- Wood cluster SLAVONSKI OAK
- Agricultural machinery cluster
- Slavonka cluster
- Regional beekeeping cluster ROJ
- Tourist cluster Slavonian basket
- Health tourism cluster.

²¹ Marija Bliznac, Master's thesis, HOMOGENEITY OF CROATIAN REGIONS AND EU REGIONS THE PROCESS OF APPLYING A SMART STRATEGY SPECIALIZATIONS, 2018
<https://repozitorij.efst.unist.hr/islandora/object/efst%3A2469/datastream/PDF/view>

²² Hrčak Portal hrvatskih znanstvenih i stručnih časopisa, COMPETITIVENESS CLUSTERS IN CROATIA, 2018, https://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=307206

Some other clusters that are not registered in the programme area, also have representatives from the programme area, e.g., Osijek Software City and Faculty of electrotechnics Osijek are part of the ICT cluster, some companies are part of the cluster for production machinery, etc. It is also visible that networking between countries is present, e.g., members of the Croatian cluster for creative industries are also Vojvodina ICT and KVIK. In this context, a good project example is “CBC Clusters” financed in the previous programme, that established two cross-border clusters: one in the agriculture sector in Sombor, and the other one in the paper and mechanical engineering sector in Belišće in order to promote cooperation between the government, industry, universities and civil society organizations from Croatia and Serbia.

b. Serbia

Serbia is at a good level of preparation in science and research. Some progress was made with the adoption of the first Smart Specialisation Strategy and the new Law on science and research. As the private sector continues increasing its investment in research, the government needs to make more decisive steps to support cooperation between businesses and academia. In this regard, Serbia should actively implement the new Smart Specialisation Strategy²³ and ensure that its findings are incorporated into the new industrial strategy.²⁴

In Serbia the national smart specialisation strategy recognises the following priority areas: (1) Food for Future, (2) Information and Communication Technologies, (3) Future Machines and Manufacturing Systems, and (4) Creative Industry. In addition to this, the last strategy of the Autonomous Province of AP Vojvodina (2015-2020) prioritises the following sectors: (i) agriculture and food industry, (ii) ICT and professional electronic, (iii) metal industry and (iv) tourism. In addition, it recognises the importance of the following sectors: environmental protection, energy efficiency, renewable energy resources and creation of regional and local innovation centres.²⁵

The following potential priority areas can be identified for the AP Vojvodina region, on the basis of the data and could serve as a basis for further consideration in a later, stakeholder-based process of programming priorities for the new INTERREG 2021 - 2027 programme priority areas:

- Automotive
 - Agricultural Economy (including processing industries)
 - Petrochemical Industry
 - Plastics Industry
- potentially emerging innovative:
 - Agricultural Machinery, Measurement Instruments
- Science

²³ The Smart Specialisation process in Serbia started in 2017, with the Ministry of Education, Science and Technological Development taking charge of the coordination of the process by establishing an Inter-ministerial working group for the development of the Research and Innovation Strategy for Smart Specialisation (RIS3). Serbia has initiated the RIS3 adoption process in February 2020.

²⁴ European Commission, Serbia country report, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

²⁵ Draft ORIENTATION PAPER, Danube Transnational Programme 2021- 2027, 2019, <http://www.interreg-danube.eu/uploads/media/default/0001/42/f1e6ba402168b1544910b841dd08bbd2209d85e5.pdf>

- Computer Science, Telecommunications

AP Vojvodina region can be characterised as part industrial, part agricultural. Also, it is the most externally oriented regional economy in Serbia. The prevalence of employees with university education is particularly high in the ICT sector, in financial services, scientific and technical activities, public administration and education where it partially reaches around 60% and, thus, does not significantly fall short of Belgrade. Contrary to Belgrade the share of persons participating in vocational education and training is above national average in engineering, manufacturing and construction (31%/30%) while it is below national average in business, administration and law (13%/15%).

Recognized clusters in Serbian programme area:

- Agro-industry cluster, Subotica;
- Vojvodina Organic Cluster, Novi Sad
- Vojvodina Metal Cluster, Temerin
- Vojvodina ICT Cluster, Novi Sad
- ECOPANONIA Cluster for Ecological Energy and Ecological Culture; Novi Sad
- Cluster ISTAR 21 – Tourism, Novi Sad
- Tourist Cluster Fund of the Subotica microregion, Subotica;
- Cluster of the Vojvodina Medical Tourism
- Creative Industries Cluster of Vojvodina, Novi Sad;
- Sremska Mitrovica Tourist Microregion Cluster Foundation, Sveti Dimitrije;
- Tourist Cluster Fund Srem, Ruma
- Association cluster "SREM.LAND" Sremska Mitrovica;
- Association "Cluster of successful businessmen of the municipality of Šid", Šid;
- Association of Entrepreneurs "Bistra", Stara Pazova;
- "Cluster of the tourist micro-region of the municipality of Irig", Irig;
- Association "Bio-scientific cluster", Subotica;
- AGRO-TECH cluster, Subotica;
- Company Association FRUIT LAND DOO, Subotica;
- The E.S.E. cluster ("Ecoenergy in Serbia and Ecological Cluster"), Bačka Topola;
- Vojvodina cluster of organic agriculture, Novi Sad;
- Cluster for ecological energy and ecological culture "Ecopanonia", Novi Sad;
- Association "Energy Efficiency Cluster", Novi Sad;
- Innovative cluster for improving the competitiveness of beekeeping production "PANONSKA PČELA", Novi Sad;
- Cluster "Green Vision" - ecology, energy, economy, Novi Sad;
- "Cluster for the development of rural tourism in Vojvodina", Novi Sad;
- "Cluster for the development of business manifestation tourism", Novi Sad;
- Fruška Gora Apple Cluster Business Association, Novi Sad;
- Business Association for Improving the Competitiveness of the Textile Sector of Vojvodina "Textile Cluster of Vojvodina", Novi Sad;
- "Cluster of sports centers in Vojvodina", Novi Sad;
- Pannonian Fruit and Vegetable Processors Cluster, Vrbas;
- "Center for Organic Production" Bač;

- "Business Association Cluster Bačagrar", Bač;
- Vojvodina cluster of organic agriculture, Novi Sad;
- Association "Cluster for Rural Development of Villages-Banoštor";
- "Innovative cluster of the Vojvodina fashion industry", Srbobran;
- Association "Cluster of the vegetable sector", Sombor;
- "Cluster K.O.S.A.", Sombor;
- Association "Cluster Milk" Sombor;
- Apatin Microregion Tourism Cluster Association;
- Association "Cluster of Agriculture; Prigrevica", Apatin.

c. Educating for skills

In the proposals for Cohesion Policy post 2020, education and skills for innovation are important priorities.²⁶ In this context, a special accent has been placed on the role of Vocational Education and Training (VET) in Smart Specialisation Strategies. Policymakers are urged to "integrate the VET offer into comprehensive skills and knowledge-based economic development strategies, particularly at regional and local level to attract investments, to clusters, innovation, Smart Specialisation strategies and sustainable growth strategies."²⁷ Educational institutions can improve the balance between labour market supply and demand. This requires labour market intelligence and sustained links with local businesses, communities and authorities. Work-based learning and entrepreneurship programmes can promote links between SMEs and education as well as giving students the appropriate skills to start their own business.

For the time being, there is no comprehensive analysis that would systematically examine the responsiveness of the education system to the labour market needs in any of two countries. Therefore, a general context of the education system in both countries is outlined, with special emphasis on the programme area educational statistics and the system of VET.

- Education in Croatia (focus on VET)

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

Education in vocational schools lasts from one to five years, and the duration depends on the type of education programme for a particular profession, i.e. the vocational curriculum for obtaining a qualification. After graduating from a vocational school, it is possible to enter the labour market or, subject to certain conditions, continue education at secondary or higher education institutions.

²⁶ European Commission, 2019, Skills and Smart Specialisation The role of Vocational Education and Training in Smart specialisation Strategies

²⁷ European Commission, 2017, Strengthening Innovation in Europe's Regions: Towards resilient, inclusive and sustainable growth at territorial level

In the context of VET education, Croatia has developed a network of regional competence centres in priority sectors, i.e., 25 vocational schools were selected for this role in 2018 and have since then been eligible for EU funds. The selection criteria were quality of VET provision, number of students in particular sectors, regional distribution of schools, and balanced geographical representation of future centres. Centres of competence will serve as hubs of excellence in VET with particular focus on work-based learning. Established with the support of ESI funds, the centres of competence will offer VET programmes to students, as well as professional guidance and continuous professional development and training to professionals. Some schools have already been financed under the Interreg IPA CBC programme 2014 - 2020 - through the project Rediscovering Opportunities through Sustainable Impact in Supporting Horticulture development in the cross-border area, high-school Matija Antun Reljković, Slavonski Brod (HR) was upgraded with new facilities such as greenhouses, herb and fruit dryers, water cistern for irrigation and mobile humidification system.

- Education in Serbia (focus on VET):

Regarding secondary education, there are following types: general secondary education lasting four years (gymnasium); vocational secondary education lasting three or four years (vocational and art schools); artistic secondary education lasting four years (art schools). Higher education in Serbia is not compulsory and it has three levels: bachelor, master and PhD studies. There are five types of higher education institutions in Serbia: universities, faculties, Academies of Applied Studies, Colleges of Academic Studies, Colleges of Applied Studies. The student population has continued to decrease due to negative demographic trends and emigration. Enrolment and attainment rates in pre-university education remain high. Lifelong learning participation slightly dropped to 4.1%, which is far below the EU average.²⁸

Vocational secondary schools last 3 or 4 years and offer primarily specialised education. Each school or program is focused on a specific field of study. It prepares students to enter the labour market or, in some cases, continue their education. The completion of a vocational secondary school involves the passage of a national graduation exam (for 4-year programmes) or a final exam (for 3-year programmes) at the end of the final grade.

Improving the relevance of VET needs to accelerate by modernising qualifications standards and abolishing the obsolete ones. Model of Dual education - fully implemented as of the 2019/2020 school year - aims to provide conditions for acquiring, improving and developing competencies in line with labour market needs, contributing to strengthening the competitiveness of the Serbian economy, and enabling employment after completion of education. The national work-based learning model in VET should be further developed with a particular focus on setting up quality

²⁸ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2020 Communication on EU Enlargement Policy, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

assurance and monitoring mechanisms. The employment rate of VET graduates (aged 20-34) remains low at 53.6%, significantly below the EU average of 76.8%.²⁹

- Education and labour market:

Case study ICT Vojvodina:

The ICT sector is growing faster than the capacities of the educational and training institutions can respond to the demand for qualifications. ICT sector employers prefer to have a work force with higher education qualifications. The demand for secondary and post-secondary VET qualifications is also increasing. The level of cooperation between the ICT sector and educational institutions largely depends on the qualifications the sector currently needs – it is demand-led and is perceived by the companies as part of the strategy to recruit new staff more than as an opportunity to provide internship and/or apprenticeship opportunities to graduates. The insufficient skills supply encourages companies to look for alternative ways of feeding the rising demand in the ICT sector. Informal education, post-secondary VET and self-learning were identified as the three most likely choices for overcoming skills mismatches and ICT qualifications short ages. Public policies created to improve the match between skills and jobs should be more sensitive to the needs of the ICT sector. The outcomes of the skills identification and anticipation process should be reliable at both the sectoral and regional levels. Educational policies should be focused on both the practical dimension and on modernising educational programmes in order to support the growth of skilled jobs in the ICT sector. The problem of qualifications and skills short ages occurs at the local level, but it can be targeted from at least two perspectives: through the adaptation of educational policies which are mainly in the remit of national-level authorities; and by conducting continuing training, employment and other incentives that can be proposed at the regional level and supported by local and provincial authorities (e.g. through local action plans for employment or other activities to stimulate priority sectors and regional development).

Source: ³⁰

²⁹ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2020 Communication on EU Enlargement Policy, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

³⁰ VET GOVERNANCE IN SERBIA, ICT SECTOR SKILLS NEEDS ANALYSIS IN VOJVODINA IN A VET MULTILEVEL GOVERNANCE PERSPECTIVE, 2017, https://www.etf.europa.eu/sites/default/files/m/00A336F8DFFE9763C1258224005B90E6_ICT%20sector%20skills%20needs%20analysis%20Serbia.pdf

To emphasize poor connections between education and labour market, the statistics of youth unemployment, that is especially prevalent across Serbia's youth population, is extremely useful. Among youth who have attained a tertiary education, around 27.8% were unemployed in the last quarter of 2018 that shows the poor compatibility between education and labour market. For example, research on student migration revealed that a third of Serbian college students who participated in a 2018 survey conducted by the government planned to move abroad after graduation, mainly for economic reasons such as being unable to find a job in their profession or advance professionally.³¹ NEET ("Not in Education, Employment, or Training"), rate, showing the share of the youth aged 15-24 who neither work nor attend school in total population of youth amounted to 15.7%, and relative to the same period 2019, it decreased by 0.8 p. p. Regarding the population aged 15-29, NEET rate was increased by 0.6 p. p. and amounted to 20.4% in the third quarter 2020.

In Croatia, youth unemployment has decreased significantly, but is still over the EU average. In addition, the statistics is getting more positive because of the emigration process of young people and does not show the real scope of the problem. The self-employment rate declined over the last decade and was particularly pronounced for youth – the rate fell from 10.1% in 2013 to 2.2% in 2017. Croatians are more likely than the EU average to be involved in early-stage entrepreneurship between 2014 and 2018 (9.1% vs. 6.7%) but were much more likely to have started their activity due to a lack of other opportunities (34.9% vs 19.2%). Senior entrepreneurs were the most likely to indicate that they had started their business out of "necessity" over this period (52.7%), which was above the EU average (23.7%) which only shows that the link between skills and jobs on the market are not in line.³²

Table 8. Statistics of youth and unemployment

Table youth and unemployment ^{33, 34}			
	Serbia	Croatia	EU average
Unemployment rate, aged 15-29, all persons (%), 2019	21,6	13,4	11,4
Share of youth (20-34 years) not in employment, education or training (NEET), (%), 2020	22,7	17	16,4

- Regional education infrastructure:

³¹ OECD Reviews of Evaluation and Assessment in Education: Serbia

³² OECD, Croatia the missing entrepreneurs 2019, <https://www.oecd-ilibrary.org/sites/3c5cd472-en/index.html?itemId=/content/component/3c5cd472-en#>

³³ EUROSTAT, NEET statistics, 2019, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Statistics_on_young_people_neither_in_employment_nor_in_education_or_training#Young_people_neither_in_employment_nor_in_education_or_training

³⁴ EUROSTAT, Youth unemployment rate by sex, age and country of birth, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=yth_empl_100&lang=en

The education sector in the programme area is relatively well formed and has its potential to strive even further and be better connected with the labour market. In the field of providing skills for smart specialisation, vocational training and education together with infrastructure for tertiary education is vital in the production of well-educated labour force. Some key organisations have been emphasized below for programme areas in both countries.

In the Croatian programme area, the following schools have been established as Centres of competences and are likely to be the carriers of reforms and development in the VET sector:

Table 9. Established schools in the Croatian program area

School	Area	County
Catering and tourism school Osijek	Tourism and catering	Osijek-Baranja
Technical school Slavonski Brod	Mechanical engineering	Brod-Posavina
Electrical and Traffic School Osijek	Electrical engineering and computing	Osijek-Baranja
Agricultural and food school Požega	Agriculture	Požega-Slavonia
Agricultural and forestry school Vinkovci	Agriculture	Vukovar-Srijem
Srednja škola Matije Antuna Reljkovića - selected as mentoring school for other centers of competence. ³⁵	Agriculture	Brod-Posavina

In Serbia the following schools have been taken as representatives of best practices in vocational training:

Table 10. Schools in Serbia that are representatives of best practice

School	City	District
Secondary Agricultural School	SABAC	Mačva
Agricultural School	BACKA TOPOLA	North Bačka
Polytechnical School	SUBOTICA	North Bačka
Technical School	SUBOTICA	North Bačka
Secondary VET School `Radivoj Uvalić`	BACKA PALANKA	South Bačka
Economy and Trade School	BECEJ	South Bačka
Secondary School `Svetozar Miletić`	NOVI SAD	South Bačka
Secondary Mechanical School	NOVI SAD	South Bačka
Electrotechnical School `Mihajlo Pupin`	NOVI SAD	South Bačka
Secondary Technical School	SOMBOR	West Bačka

³⁵ Matija Antun Reljković High School, <http://www.ssmar.hr/article.php?id=35>

Secondary Agricultural and Food-processing School	SOMBOR	West Bačka
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The leader in tertiary education in the Croatian part of the programme area is the University in Osijek - organized in faculties, an Academy of Arts, the Departments of Mathematics, Biology, Chemistry and Physics that together offer courses of studies in natural sciences, technical sciences, biomedicine and medicine, biotechnical sciences, social sciences and the humanities.

Other institutions having a big part in tertiary education of the area:

- University Slavonski Brod
- University "Lavoslav Ružička" in Vukovar
- University in Požega
- Undergraduate professional study Wood Technology in Vinkovci
- Dislocated professional study of physiotherapy in Pakrac.

The main institution in secondary education in the Serbian part of the programme area is the University of Novi Sad. The University of Novi Sad, with around 50,000 students and 5,000 employees, is one of the largest educational and research Centers in Central Europe. Its Faculties and Institutes are situated in four historic cities of the AP Vojvodina, in the north of the Republic of Serbia: Novi Sad, Subotica, Sombor and Zrenjanin. It belongs to the group of comprehensive universities, which are characterized by providing nearly all fields of science and higher education. The University of Novi Sad offers 350 accredited study programs at the level of Bachelor, Master, Specialist and Doctoral studies, carried out at its Faculties and within the University Center for Interdisciplinary and Multidisciplinary Studies and Research. Of special significance to the strengthening of innovativeness is the Technology Park of the University of Novi Sad. With the support of the Faculty of Technical Sciences, around 140 start-up and spin-off companies have been founded, mainly in the IT sector, employing young engineers who graduated from the University of Novi Sad. There are several accredited Centers of excellence at the University of Novi Sad. The BioSense Institute, formed within the Faculty of Technical Sciences, was proclaimed by the European Union as one of the thirty research institutions in Europe with the greatest potential in the field of biotechnologies. Its project ANTARES was best ranked in Europe in 2016 within the program Horizon 2020.

Other institutions having a big part in tertiary education of the area:

- Faculty of Civil Engineering Subotica
- Singidunum Novi Sad
- Faculty of Bio farming Bačka Topola
- Faculty of Sport and Tourism Tims Novi Sad
- University Business Academy in Novi Sad
- Educons University.

Table 11. Ranking of Universities³⁶

Europe Rank	World Rank	Institution	Presence Rank	Impact Rank	Openness Rank	Excellence Rank
388	934	University of Novi Sad	472	1619	929	1071
742	1993	Josip Juraj Strossmayer University of Osijek	909	3879	2483	2203

The following table shows the key statistics of the programme area regarding education, number of students and institutions by level of education:

Table 12. Key statistics of the programme area regarding education, number of students and institutions by level of education³⁷

NUTS 3	Number of primary and lower secondary	Number of students	Secondary education institutions - gymnasiums, 3- and 4-year programmes	Number of students	Tertiary education-institutions	Number of students
Osijek-Baranja County	185	20,503	52	10,245	17	16,123
Vukovar-Srijem County	94	12,097	30	5,905	2	853
Požega-Slavonia County	61	5,418	15	2,570	1	892
Brod-Posavina County	116	11,158	15	4,882	3	2,004
Croatian programme area	456	49,176	112	23,602	23	19,872
Srem District	115	22,075	20	9,070	1	535
South Bačka District	116	49,349	47	23,101	22	46,101
West Bačka District	47	11,925	17	5,717	1	643
North Bačka District	45	12,420	13	6,427	5	5,353

³⁶ Ranking web of Universities: <http://www.webometrics.info/en>

³⁷ Republican Bureau of Statistics, MUNICIPALITIES AND REGIONS IN THE REPUBLIC OF SERBIA, 2020, https://www.dzs.hr/Hrv_Eng/Pokazatelji/Obrazovanje.XLSX
<https://publikacije.stat.gov.rs/G2020/Pdf/G202013047.pdf>

Mačva District	198	21,390	19	10,463	3	1,711
Serbian programme area	521	117,159	116	54,778	32	54,343

3.2.5. Digital connectivity

Digital connectivity is one of the foundations for the successful functioning of the economy, as most communication takes place in a virtual way. As one of the fundamental elements of the digital transition, digital connectivity brings opportunities not only to modernize the technology needed in the program area, but also to create new jobs in the ICT sector.³⁸

a. Croatia

According to the Economic and Social Digitization Index (DESI) for 2020, Croatia ranks 20th among the 28 EU member states. Data from 2019 show that 77% of the population uses the Internet, and 18% of people have never used the Internet. Compared to 2018, the coverage of the fixed network with a very large capacity has significantly improved. In this category, the score improved from 23% in 2018 to 43% in 2019. However, the relatively high prices of fixed and combined service packages affect the score in the broadband access price index category. When it comes to the widespread use of broadband access with a speed of 100 Mbps or more, Croatia with a score of 6% still lags significantly behind the EU average of 26%. Croatia achieved a score of 0% on the 5G readiness indicator. Namely, Croatia does not yet have a special comprehensive strategy for the introduction of the 5G network, which is a precondition for future allocation procedures.³⁹

Table 13. Share of the population that actively uses the Internet and the share of the population that has never used the Internet in 2019⁴⁰

	Population actively using the Internet	A population that has never used the internet
Croatia	77%	18%
Serbia	77.4%	19.4%

The Croatian authorities are preparing a national plan for the development of broadband access for the period 2021-2027, which should be in line with the goals of the gigabit society. Although the

³⁸ European Commission, Brochure on EU Connectivity Agenda for the Western Balkans, 2020, https://wbif.eu/storage/app/media/Library/6.%20Connectivity%20Agenda/brochure_wb_connectivity_agenda_en.pdf

³⁹ European Commission, Digital Economy and Society Index (DESI), Member State Report 2019, https://mmpi.gov.hr/UserDocsImages/dokumenti/PROMET/Promet%206_19/DESI2019-Croatia-Country-Report%20HR%2011-6_19.pdf

⁴⁰ European Commission, Digital Economy and Society Index (DESI), Member State Report 2019, https://mmpi.gov.hr/UserDocsImages/dokumenti/PROMET/Promet%206_19/DESI2019-Croatia-Country-Report%20HR%2011-6_19.pdf

implementation of two national programs for new generation networks, co-financed by the EU, is still delayed, in 2019 Croatia made progress in the field of broadband infrastructure. Two of the three selection phases under the national broadband infrastructure development program in areas where there is no commercial interest have been completed. In 2018, the project was launched in response to the rise of cybersecurity threats and emphasizes the importance of cross-border cooperation in combating them and continued in 2019. It will last for two years (ending in 2021) and will continue to strengthen cooperation in the field of cybersecurity. Croatia is also introducing visas for digital nomads from all over the world. Support for the nomadic form of immigration into the country was also given by the Ministry of Finance of the Republic of Croatia, which prescribed that the earnings of digital nomads will not be taxed in Croatia. Estimates from before the pandemic said that by 2035, a billion people in the world would work from home, and each individual is a potential traveller and a guest.⁴¹

b. Serbia

In the Republic of Serbia in 2020, 81% of households have an Internet connection, which is an increase compared to previous years of 0.9% of households for 2019 and 8.1% for 2018. The share of Internet connection is highest in Belgrade, amounting to 94.1% of households, and in AP Vojvodina it is 75.3% of households. A survey conducted in 2020 shows that Serbia is in 29th place in terms of the price of the Internet (the price of broadband internet in Serbia is \$ 18.24), while Croatia is in 45th place with an average price of \$ 27.21. One of the basic indicators of the development of the use of ICT in the European Union since 2005 is the percentage of households that have this type of Internet connection. In Serbia, in 2019, 79.6% of households had a broadband Internet connection, which is an increase of 7.1% compared to 2018 and 17.7% compared to 2017. The representation of this type of broadband Internet connection is the highest in Belgrade and amounts to 89.0% of households, while in AP Vojvodina the same is up to 81.7% of households.⁴²

DESI in 2016 for the Republic of Serbia amounts to a total of 0.36, which ranks it on the 28th place, if we compare the 28 members of the European Union and the Republic of Serbia. Based on the DESI components, it can be concluded that the Republic of Serbia has a very low value resulting from connectivity, as well as having the best result in the category of digital technology integration. The category Integration of digital technologies is a component in which the Republic of Serbia is well ranked (tenth among EU countries) and contributes to the total value of the DESI index with 20%. The low value of the DESI digital economy and society index in the Republic of Serbia is mainly influenced by the lack of fixed broadband access. In 2010, the Government of the Republic of Serbia adopted the Strategy for the Development of Electronic Communications in the Republic of Serbia from 2010 to 2020. This strategy sets the framework for improving electronic communications, as well as the main directions and goals of successful development of electronic

⁴¹European Commission, Digital Economy and Society Index (DESI), Member State Report 2019, https://mmpi.gov.hr/UserDocsImages/dokumenti/PROMET/Promet%206_19/DESI2019-Croatia-Country-Report%20HR%2011-6_19.pdf

⁴²Republican Bureau of Statistics, USE OF INFORMATION AND COMMUNICATION TECHNOLOGIES IN THE REPUBLIC OF SERBIA, 2019, Individual households <https://publikacije.stat.gov.rs/G2019/Pdf/G201916014.pdf>

communications in the Republic of Serbia until 2020. The primary goal of the Strategy for the Development of New Generation Networks until 2023 of the Republic of Serbia⁴³ is sustainable and dynamic development of economic, technological-production and general development of society that can fit into the single market of the European Union (hereinafter: EU) and withstand competitive pressure.

3.2.6. Conclusions and recommendations

Croatian and Serbian situation regarding research and innovation is pretty much similar regarding strengths and weaknesses. To start with, the level of GDP for R&D, that is pretty much the same (around 0,9%) which shows a lack of funding for development. The weaknesses are also recognized in low patent level and poor cooperation between the business sector and research and scientific organisations, therefore producing a small level of transfer to innovations. The finance and support process are relatively weak in both countries, and further venture capital models could be adopted. In addition, lifelong learning remains a problematic process with relatively weak link between the market and the education system.

The state of digitisation of the society is on the rise, as digitalisation is high on the priority list in both countries. However, compared to other EU countries there still remain a lot of work to be done in the context of transparency and usage of digital technologies for the public by the government. People are more and more likely to use the digital services, with higher percentages of computer and internet usage across both countries. However, there is still a large gap between urban and rural areas that needs to be dealt with in order to use digital technologies to its full potential. The programme area lacks behind slightly in terms of digital technologies, although both areas have parts that are the leaders in digital transformation in all segments (Osijek and Novi Sad). Digital transformation of SMEs has to be one of the priorities in the new programme in order to boost development and progress.

Looking at SMEs, they are for sure the vital parts of Croatian and Serbian economy and form the majority of businesses in the programme area. In both countries and regions, access to finance for SME remains low, and together with an unresponsive administration forms burdens for SME development. As marked in the analysis, the focus has to be on S3 SME development, further digitisation and digital transformation of SME business processes. The support infrastructure for SME development is widely in place but needs further connecting and maximisation of effects.

Regarding adequate skills for SME development, the gap between supply and demand of skilled workforce remains and the education system continues to educate a workforce that does not necessarily correspond to the needs of the economy. As a consequence, the main features of the labour market are high unemployment of people with lower and intermediate education, and high long-term and youth unemployment. Educational system, especially in vocational education and

⁴³ Official Gazette of Republic of Serbia, STRATEGY development of new generation networks by 2023, 2018, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/strategija/2018/33/1>

training, should keep up with the labour market demands and priorities in each sector, especially the ones which are of primary importance for further development of the economy. Special effort should be put in development of VET qualifications and curricula on the basis of labour market research and analysis.

To conclude, both countries are not making the most of their potential regarding economic development. It is necessary to activate the existing untapped development potentials (especially small and medium enterprises and manufacturing, trade and agriculture), but also to encourage the modernization and innovation of industry and the economy as a whole and general investment in knowledge and activities based on it. The focus should be on agriculture and ICT development in all sectors together with trade. The advantage of the region is in the strong ICT scene that covers all aspects from quality education, to start ups and formed SMEs on both sides of the programme area.⁴⁴ In addition, the business support infrastructure is already in place, although it could be more present and provide additional services to SMEs together with financial support. This strong ICT scene can be used for better integration of ICT in other sectors of the economy (e.g., smart city, smart food production, etc.) and public sector as well (digital services in local government, IoT, etc.). A key segment in the prosperity of the region is to develop and better connect the education sector and the labour market to have young people that will be able to get a well-paid job after finishing school and have skilled workers that can develop the business sector and be trained for real work needs. In this context a dual education model with ties to the industry must be further developed with clear links and practices.

Given the horizontality of the specific objective related to tourism, it is important to highlight the potential of tourism in this Policy objective, primarily in the context of SME competitiveness and digitisation of public and business services, having in mind the importance of tourism in the economies of both countries. An example of such a project is the digitisation of processes in tourism with new public e-services that provide additional benefits to service providers and tourists. Big data can also play an important role in organising the sector and make data informed decisions.

⁴⁴ For more info, see: ICT in Croatia - <https://www.hgk.hr/documents/hr-it-2018-brosura-v45c35ed1666f32.pdf>, ICT in Osijek - <https://www.hgk.hr/zupanijska-komora-osijek/it-sektor>, ICT in Serbia - <https://vojvodinaictcluster.org/wp-content/uploads/2020/05/ICT-in-Serbia-At-a-Glance-2020.pdf>

3.3. Greener Europe

Reducing energy consumption and waste generation is becoming increasingly important at European Union level. Within the package "Clean Energy for All Europeans" in 2018, a new goal has been set to reduce energy consumption by at least 32.5% by 2030. At the Vienna summit in 2015, six Western Balkan countries, including Serbia, pledged to implement "soft" measures as a precondition for the development of a regional energy market. Croatia and Serbia are strategically rethinking their energy development in the coming period and both countries have developed their own strategic documents with the aim of controlled energy development and environmental protection: The Energy Development Strategy of the Republic of Croatia until 2030 with a view to 2050⁴⁵ and the Energy Development Strategy of the Republic of Serbia until 2025⁴⁶ with projections until 2030. Since the strategic documents were created in different time periods, the data on an annual basis are not fully comparable, but they provide a basic overview of the state of the area.

Description of current state in key analysis areas

3.3.1. Energy efficiency

Accelerated growth in demand for resources, their fluctuating prices, and growing environmental concerns have focused energy efficiency on resources as one of the necessary priorities for all countries⁴⁷. Given the growing needs for energy, and increasingly limited resources, the development of methods to save energy and increase energy efficiency must be a priority.

a. Croatia

The energy policy and strategy of the Republic of Croatia is focused on the EU's goals in terms of reducing greenhouse gas emissions, increasing the share of renewable energy sources (RES), energy efficiency, security of supply and development of the EU internal energy market, as well as available resources, energy infrastructure and economic competitiveness energy sector. The transition of the energy sector towards low-carbon energy production and consumption will directly affect the structure of total energy production and delivery costs. Therefore, Croatia is focusing on energy efficiency measures (e.g., renovation of buildings), electromobility, the development of the potential for the use of liquefied natural products in transport, and the production and use of energy from renewable sources.⁴⁸ Total energy consumption in the Republic of Croatia in the period from 2012 to 2017 grew at an average annual rate of 0.4%, with a change in the structure of energy used. Electricity consumption has been at about the same level in recent years, but its share in total consumption is growing slightly. The largest consumers of electricity in

⁴⁵ National news papers, Energy development strategy of the Republic of Croatia until 2030 with a view to 2050, 2020, https://narodne-novine.nn.hr/clanci/sluzbeni/full/2020_03_25_602.html

⁴⁶ Legal Information System, STRATEGY energy development of the Republic of Serbia until 2025 with projections until 2030, 2015 <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/ostalo/2015/101/1/r>

⁴⁷ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

⁴⁸ Official Gazette, Energy Development Strategy of the Republic of Croatia until 2030 with a view to 2050, 2020, https://narodne-novine.nn.hr/clanci/sluzbeni/2020_03_25_602.html

Croatia during 2017 and 2018 with a share of 40% are households, followed by the trade and public services sector.

Table 14. Energy consumption used by the public sector in the Croatian part of the programme area by counties - central government and local (regional) self-government units in 2014 and 2019.

County	Year	Energy [kWh] [kWh]	Emission CO ₂ [t]	Primary energy [kWh]	Number of buildings
Brod-Posavina	2014	37.563,176	9.001,17	45.125.265,85	195
Brod-Posavina	2019	40.711,827,95	9.542,85	49.455.186,94	196
Osijek-Baranja	2014	5.401.699,51	13.997,32	58.541.310,85	57
Osijek-Baranja	2019	45.758.762,03	12.307,89	61.227.715,71	207
Požega-Slavonia	2014	20.474,091	4.622,92	23,879.440	97
Požega-Slavonia	2019	17.133.023,39	3.911,28	20.753.078,43	41
Vukovar-Srijem	2014	25,724.253	6.027,869	31,416.267	157
Vukovar-Srijem	2019	35.470.413,27	8.056,31	43.343.179,42	155

Source: Agency for Legal Transactions and Real Estate Brokerage

One of the extremely important topics in the field of achieving energy efficiency is the energy renovation of buildings, both private and public, so there is an opportunity to test the aforementioned new opportunities for energy savings.⁴⁹ According to Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, EU Member States undertake to renovate 3% of the total area of heated and/or refrigerated buildings owned and used every year from 1st January 2014.

In Croatia, emphasis is placed on energy renovation of all buildings with the direction of renovation according to the nZEB standard (near zero energy buildings), which includes stronger use of RES (photovoltaic systems, thermal solar collectors, biomass boilers, heat pumps). By 31st December 2019, the regulatory transition towards near-zero energy buildings has been completed and all new buildings built after that date in the Republic of Croatia must be near-zero energy buildings.⁵⁰ In addition, according to the Strategy until 2030, the plan is to build infrastructure for alternative forms of energy in transport, as well as the development of intermodal and integrated transport.

Investing in green energy will also unleash new potential for economic growth, job creation and innovation. A recent assessment of the effects of compliance with the Paris Agreement on Climate Change (European Commission (2019), Euro found (2019)) showed a positive effect on employment in Croatia by 2030 (employment rate growth up to 0.4%).

⁴⁹ Cross-border orientation paper for IPA CBC cooperation programmes with participation of regions from Croatia, Bosnia and Herzegovina, Montenegro and Serbia, 09/10/2019

⁵⁰ Ministry of Economy and Sustainable Development, EIHP, Energy in Croatia 2019, http://www.eihip.hr/wp-content/uploads/2020/12/1_Energija_u_Hrvatskoj_2019-compressed-1.pdf

b. Serbia

Serbia has made some progress in energy efficiency by adopting energy labelling rules. The long-term vision of energy in Serbia is to create a competitive and long-term sustainable energy system, bearing in mind the aspect of security of supply.

In 2020, energy management and public utility companies of AP Vojvodina established automatic data transfer to the Information System for Energy Management (ISEM - Information System for Energy Management). IT companies (TO-NET, NS-Koncept) that maintain information systems of JKPs from Novi Sad (Novi Sad heating plant, water supply and sewerage, Novi Sad - gas, water supply and sewerage Pančevo, water supply and sewerage Subotica and Subotica heating plant) also participated. The establishment of automatic data transfer to ISEM enables accurate and fast recording of data on energy and water consumption and costs in public buildings, which reduces the need for manual data entry into ISEM.

When it comes to energy efficiency of buildings, the Law on Housing and Building Maintenance determines the improvement of energy efficiency in buildings as a public interest in the Republic of Serbia. A survey of residential buildings showed that 85% of residential buildings in Serbia do not meet the minimum energy efficiency requirements. The current situation in the residential sector in Serbia has the most room for future energy savings. To provide better public services and all necessary needs of citizens, the Ministry of Construction, Transport, and Infrastructure, by the provision of the Law on Housing and Building Maintenance, prescribed the obligation of each local government to provide advice to citizens once a week to improve energy efficiency of residential and public buildings. There is currently a lack of capacity to meet this obligation at the local level. For this reason, capacity building is needed in this regard.

A common problem in both countries is non-diversity of used energy resources and insufficient usage of RES. Modernization of ICT and increasing innovations are key to achieving energy efficiency and, ultimately, decarbonization.⁵¹ In the area of innovations and research, universities can have a great role, as places with highly qualified experts and new potentials are necessary for sustainable society. Serbia still needs to adopt amendments to the Law on energy efficiency, improve energy audits and energy management, and implement requirements in the field of eco-design and related secondary legislation. Further secondary legislation is needed to achieve full alignment, in particular with the Energy Performance of Buildings Directive. In November 2019, Serbia submitted its third annual report under the Energy Efficiency Directive.

Serbia is not taking the necessary steps to carry out large-scale metering and collection of district heating data consumption. This is a prerequisite for the implementation of energy efficiency measures in residential buildings. As of July 2019, Serbia applies a new energy efficiency fee, but

⁵¹Guidelines for the Implementation of the Green Agenda for the Western Balkans, 4.

does not allocate funds in full to finance energy efficiency measures.⁵² Better cooperation and coordination of policies between the Ministry of Mining and Energy and the Ministry of Finance is needed, also with a view to establishing a sustainable funding system. Increasing energy efficiency will benefit the environment, reduce greenhouse gas emissions, improve energy security, reduce energy costs, and alleviate energy poverty. This will lead to greater competitiveness, increased employment, and increased economic activity, which will improve the quality of life of citizens.

3.3.2. Renewable energy (RES)

Renewable energy sources already represent a significant share in total energy production in some of the program areas, but this is mainly the use of hydropower plants, while the use of other renewable sources (such as wind and solar) has not yet come to life to a greater extent. The possibilities in the use of renewable energy sources are very extensive and very cost-effective in the long run, but they also require significant financial resources, as well as an extensive legal framework, so they are mostly resolved at the national level.⁵³

a. Croatia

The Republic of Croatia, as a member of the European Union, has committed itself to the adoption of the European climate and energy package, which includes Directive 2009/28/EC on the use of energy from renewable sources. With the adoption of the directive, Croatia has committed itself to linking the use of energy from renewable sources, whereby by 2020 the share of energy from renewable sources in gross direct consumption should be at least 20%, at EU level. In terms of renewable energy production, Croatia is above the European average with a 28% share in 2019 (while the EU average is 18%)⁵⁴. Hydropower is the dominant renewable source. Significant funds have been invested in the production of electricity from wind energy, and a significant increase in solar energy is expected in the coming years. According to the research of the Hrvoje Požar Institute for Energy conducted in 2018, Croatia will cover 32% of its energy consumption from renewable sources by 2030, and 56.3% by 2050.

Energy indicators in Croatia show a lack of available resources and production capacity, especially given the growing energy consumption. According to data from 2019, hydropower plants are the primary source of energy in Croatia, followed by thermal power plants with a slightly smaller production volume. On average, more than half of electricity is produced in hydroelectric power plants, so electricity production in the Republic of Croatia varies significantly depending on hydrological conditions⁵⁵. Production from other RES is on the rise, mainly from wind farms. Domestic needs are not met by own production, and electricity imports account for about 30% of total consumption, which is a consequence of prices on the international electricity market and

⁵² European Commission, Report Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Region, 2020

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

⁵⁴ Eurostat, Share of energy from renewable sources https://ec.europa.eu/eurostat/databrowser/view/nrg_ind_ren/default/bar?lang=en

⁵⁵ Croatian Bureau of statistics, CROATIA IN FIGURES, 2020, https://www.dzs.hr/Hrv_Eng/CroInFig/croinfig_2020.pdf

the open electricity market. In 2019, the production of electricity from RES accounted for 20.7%⁵⁶ of total production, with the exception of large hydropower plants. In recent years, the installation of capacity for production of energy from renewable sources has grown significantly, with most wind farms being installed. In recent years, the installation of capacity for production of energy from renewable sources has grown significantly, with most wind farms being installed.

Table 15. Electricity generation from RES in Croatia in 2019

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

Source:⁵⁷

Table 16. Potential for renewable-based electricity in Croatia⁵⁸

Technologies	2005	2015	2020 NREAP ⁵⁹	Technical potential
	MW	MW	MW	MW
Solar PV	6	44	52	3.217,60
Wind	0	422,7	400	14.807,40
Hydro	2.082,70	2.195,00	2.456,00	3.316,00
Biomass	2	51	125	930
Geothermal el.	0	0	10	64
Total	2.090,70	2.712,70	3.043,00	22.335,00

There are many incentives for the further development of renewable energy sources. Croatia continues to import about half of its energy consumption and could save significant resources by increasing renewable energy production. The estimated technical potential of solar power plants in Croatia is 5,303 MW, with an estimated production of 6,364 GWh of electricity per year.

⁵⁶Ministry of Economy and Sustainable Development, EIHP, Energy in Croatia, 2019, http://www.eihr.hr/wp-content/uploads/2020/12/1_Energija_u_Hrvatskoj_2019-compressed-1.pdf

⁵⁷ Eurostat, Share of energy from renewable sources https://ec.europa.eu/eurostat/databrowser/view/nrg_ind_ren/default/bar?lang=en

⁵⁸ Eurostat, Share of energy from renewable sources https://ec.europa.eu/eurostat/databrowser/view/nrg_ind_ren/default/bar?lang=en

⁵⁹ NREAP – National Renewable Energy Action Plan

Table 17. Renewable energy source deployment in Croatia⁶⁰

Renewable energy shares [%] in	2009	2014	2020 (NREAP)
Gross final energy consumption (GFEC)	12.8	27.9	20
Electricity consumption	33.3	45.3	39

b. Serbia

Coal is currently the dominant natural resource in electricity generation. The most of the Serbia's theoretical RES potential is in biomass (49 %). The rest of the potential is in large HPPs (27 %), solar energy (13 %), wind energy (4%), geothermal energy (4 %) and small HPPs (3 %). According to EPS officials, Serbia is currently using about 55 % of its hydro potential, while annual production of electricity in this segment amounts to 10.5 TWh. According to power utility EPS, privileged and temporary privileged producers from renewable energy sources and high-efficiency cogeneration generated a total of 1,361 GWh of electricity in 2019, which is more than twice the amount generated in the previous year (638 GWh).⁶¹

As regards renewable energy, Serbia has made further progress in transposing the EU acquis into its legislation. Serbia has adopted several bylaws on biofuels. Biofuels are still not used in the transport sector. In September 2019, EMS (Elektromreža Srbije, Engl. Electric network of Serbia) became a full member of the European Publishers Association, ensuring that other members accept Serbia's guarantee of energy origin.

Table 18. Production of renewable energy, 2018

Production of renewable energy, 2018	TJ ⁶²	%
Hydro – electricity	38.303	41,64
Solar electric power	47	0,05
Wind Energy	542	0,59
Wood Fuels	51.925	56,46
Geothermal energy	219	0,24
Biogas	939	1,02
Republic of Serbia	91.975	100%

Source: STATISTICAL YEARBOOK 2020. <https://publikacije.stat.gov.rs/G2020/PdfE/G20202053.pdf>

⁶⁰ IRENA, COST-COMPETITIVE RENEWABLE POWER GENERATION: Potential across South East, 2017, Eurohttps://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/IRENA_Cost-competitive_power_potential_SEE_2017.pdf

⁶¹ Balkan Energy, Country Report on Energy Business in Serbia, 2020, https://balkanenergy.com/files/Country_report_on_energy_business_in_Serbia_April_2019.pdf

⁶² TJ - Terajul

The latest data for 2018 show that renewables accounted for 20.32% of gross final energy consumption, well below Serbia's national target for renewables set at 27% for 2020. Total installed wind farms now exceed 400 MW, while the total capacity of other renewable energy technology, including large hydropower plants, is 100 MW. Serbia needs to adopt implementing regulations that allow consumers to interact with the energy market. Any further development of hydropower should be in line with the EU environmental acquisition.

Table 19. Potential for renewable-based electricity in Serbia

Technologies	2009	2015	2020 (NREAP)	Technical potential
	MW	MW	MW	MW
Solar PV	0	10.8	10	6.901,7
Wind	0	0.5	500	29.670.0
Hydro	2.838,00	2.898,00	3.276,00	4.736,0
Biomass	0	4.9	143	1.671,0
Geothermal el.	0	0.00	1	10.0
Total	2.224,00	11.037,60	3.316,00	42.988,7

The construction of the Čibuk 1 wind farm in AP Vojvodina was recently completed. The construction of the largest wind farm in Serbia with a total of 57 wind turbines and an installed capacity of 158 MW was financed by a loan from the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). The Čibuk 1 wind farm is expected to supply 113,000 households with electricity and reduce annual carbon dioxide emissions by more than 370,000 tonnes. Together with the production of electricity in the Kovačica WPP, it is estimated that these two wind farms will provide energy for 180,000 households and reduce annual carbon dioxide emissions by more than 600,000 tons.

Table 20. Renewable energy source deployment in Serbia

Renewable energy shares [%] in	2009	2014	2020 (NREAP)
Gross final energy consumption (GFEC)	21.2	23.1	27
Electricity consumption	28.7	32.3	36.6

According to the Development Agency of Vojvodina, which is aware of the importance of switching to renewable sources, biomass is the largest product of plant waste from agricultural production. Traditionally, agriculture in Vojvodina has always been a significant part of the domestic economy and a generator of good results. In recent times, more and more oilseeds are being produced precisely in order to obtain liquid biomass that is used as fuel. The Vojvodina energy balance plan

envisages the share of solid biomass, primarily harvest residues, with 35,000 TJ of heat and 360 GWh of electricity per year.⁶³

During the previous programming period in the program area of the Republic of Serbia, part of the public lighting was replaced by energy efficient devices and 100 solar-powered lamps were installed (in Novi Sad). Furthermore, the R-SOL-E project, abbreviated to Renewable Solar Energy, is based on the potential for renewable energy in the cross-border area. The project focused on raising awareness about the use of solar energy as an ecological way of producing electricity. This was done by building photovoltaic systems and increasing the use of solar energy. Potentials for renewable energy sources are considered the starting point of the project, and their use will be further examined to reduce energy costs and reduce CO₂ levels. The project has developed Sustainable Energy Action Plans (SEAPs) and installed solar power plants, solar lightning and other equipment that will promote energy efficiency. The project included the City of Novi Sad in Serbia and Belišće (and Gorjani Municipality) in Croatia.⁶⁴

3.3.3. Smart energy systems

Smart energy systems are discussed in the context of local and regional integration in terms of energy sources, associated infrastructures, energy production and consumption, as well as the integration of the energy and environmental sectors with others, such as the transport sector. Smart energy systems rely on the use of clean technologies and renewable sources in energy production, which contributes to energy efficiency. The idea is to create coordinated interregional platforms across Europe that will work together to address the issue of smart energy systems. Smart energy systems are completely renewable, use a sustainable level of bioenergy and are not more expensive than other energy systems that rely on conventional energy sources.⁶⁵ Smart energy systems are a relatively new and unexplored concept in the program area that has only recently begun to be actively used.

In Croatia, the expansion of smart energy systems has been slowed by a lack of financial resources, as well as an insufficient level of development, knowledge, and experience in this area, but in recent years, mainly at the initiative of the EU, the concept has expanded. A recent project in the form of Smart energy system was implemented in Osijek-Baranja County, a charging station for electric vehicles integrated into the public lighting infrastructure of the company Jellyfish from Đakovo. It is a charging station for electric vehicles that is integrated into the public lighting system, which allows local governments to expand the network of charging stations and reduce the initial costs of infrastructure adaptation.

⁶³ <https://rav.org.rs/sr/key-sectors/renewable-energy/>

⁶⁴ Managing Authority of the Interreg IPA Cross-border cooperation Programme Croatia-Serbia 2014-2020, Final evaluation report, Evaluation of the efficiency and effectiveness of the Interreg IPA CBC Programme Croatia - Serbia 2014 - 2020, 2019 https://www.interreg-croatia-serbia2014-2020.eu/wp-content/uploads/2019/11/Evaluation-report_HR-RS.pdf

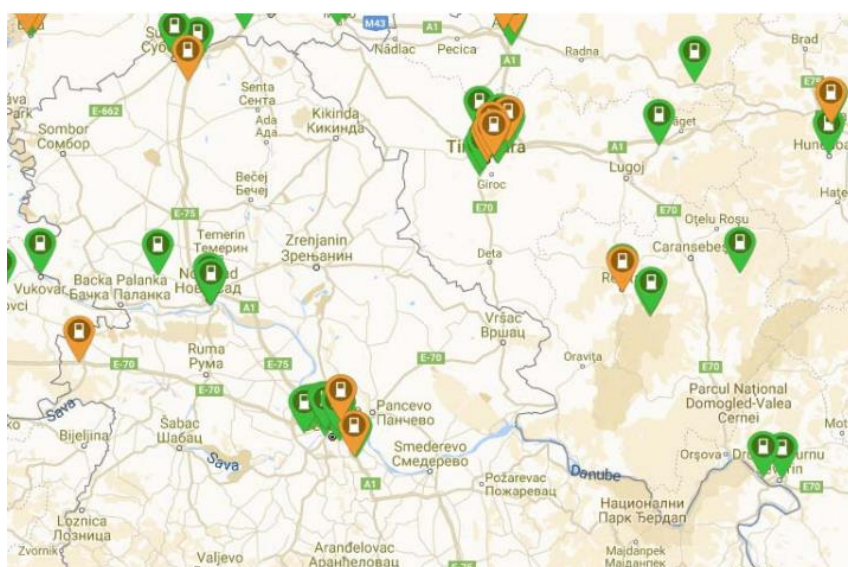
⁶⁵ Smart Energy Systems, ERA-Net, www.eranet-smartenergysystems.eu

HEP ODS is implementing a pilot project of a smart grid co-financed from the European Regional Development Fund, awarded under the Operational Program Competitiveness and Cohesion 2014-2020. The project will increase the efficiency of electricity distribution and create preconditions for increasing the reliability of electricity supply, as well as the number of customers with access to the smart grid. Furthermore, it will create the preconditions for further integration of distributed sources. Through this project, HEP ODS invests in three functional areas of the advanced electricity distribution network: advanced metering infrastructure, development, and optimization of the conventional network, as well as automation of the medium voltage network.

The "smart grid pilot project" is one of the first infrastructure energy projects in Croatia, co-financed by EU funds. The project includes a medium voltage network and users of the electricity distribution network in five of the total 21 distribution areas of HEP ODS (Elektroslavonija Osijek being the only one in the programme area). The City of Vinkovci has been working on various smart-city solutions since 2018, and they have applied for a tender for co-financing from the Environmental Protection Fund for the project of remote reading of electricity consumption in the public lighting system.

Regarding the availability and spatial distribution of public charging devices, according to data from 2019, as part of the modernization of roads in Serbia, five places have been set at key locations on highways, which are under the jurisdiction of PE "Roads of Serbia". Installed electric chargers are among the most modern devices of this type and can be used to charge vehicles of all world manufacturers. Locations where chargers are installed in Serbia: toll station "Sid" (in the direction of Belgrade), toll station "Subotica south" (direction towards Novi Sad).⁶⁶

Image1. Overview of charging stations for electric vehicles in the program area of the Republic of Serbia (2019)⁶⁷



⁶⁶ Public conference, Roads of Serbia, Feasibility study for the preparation of project documentation for leaving charging stations for electric vehicles 2019, <https://www.putevi-srbije.rs/images/pdf/strategija/Studija-opravnosti-Punjaci.pdf>

⁶⁷ <https://www.putevi-srbije.rs/images/pdf/strategija/Studija-opravnosti-Punjaci.pdf>

With the installation of an increasing number of electric charging stations for cars, in the program area of the Republic of Serbia, more and more work are being done to replace old lighting with new energy-efficient lighting. Some examples of such projects are the Bela Crkva industrial zone, the municipalities of Beočin, Titel, Alibunar, and the City of Novi Sad.⁶⁸

3.3.4. Climate change adaptation

Given that Europe is committed to becoming the first climate-neutral continent by 2050 and that the program area is one of the most vulnerable areas in Europe where serious consequences of climate change are already being felt (by 2050, temperatures are projected to rise by 1.7-5 degrees), adaptation to climate change is a burning need for both countries⁶⁹. In addition to floods, the program area has the most problems with drought (due to rising average temperatures), as stated in the "Disaster Risk Assessment for the Republic of Croatia".

a. Croatia

In terms of adaptation to climate change, Croatia, as one of the countries that have ratified the Kyoto Protocol, is obliged to reduce greenhouse gas emissions. Energy consumption from non-renewable sources is the biggest polluter, as well as sectors such as transport, agriculture, but also households. In the document Disaster Risk Assessment for the Republic of Croatia in 2019, risks assessed as unacceptable (floods caused by spills of inland water bodies, earthquakes, open fires) are a national priority and are necessary for the implementation of public policies in force or to be adopted. When we talk about protection against natural disasters, flood protection mechanisms are lacking in Croatia, which should not be the case given that the Danube and Sava are subject to spills and floods are not a rare phenomenon in these areas. 2020 was also marked by a series of earthquakes with catastrophic consequences.

According to the report of the European Environment Agency (EEA), the Republic of Croatia belongs to the group of European countries with the highest cumulative share of damage from extreme weather and climate events in relation to GDP. It is estimated that these losses in the period from 1980 to 2013, i.e., over 33 years, amounted to about 2 billion and 250 million euros, or an average of about 68 million euros per year. The cost of investing in climate change adaptation measures today will reduce the cost of repairing possible damage in the future. Innovative measures that contribute to strengthening resistance to climate change and at the same time contribute to reducing greenhouse gas emissions (co-benefits of adaptation and mitigation) are particularly important.

It is of priority importance to start the social process of accepting the concept of adaptation to climate change, to determine the effect of climate change on the Republic of Croatia, to determine

⁶⁸ Directorate for Capital Investments of the Autonomous Province of Vojvodina, Energy and Energy Efficiency, <https://kapitalnaulaganja.vojvodina.gov.rs/energetika-energetska-efikasnost/?jezik=lat>

⁶⁹ European Commission, Guidelines for the Implementation of the Green Agenda for the Western Balkans, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/green_agenda_for_the_western_balkans_en.pdf

the degree of vulnerability and to determine priority measures. In other words, it is necessary to strategically approach the process of adapting to the reality of climate change and take advantage of the opportunities they provide through the development and implementation of innovative solutions for sustainable development.

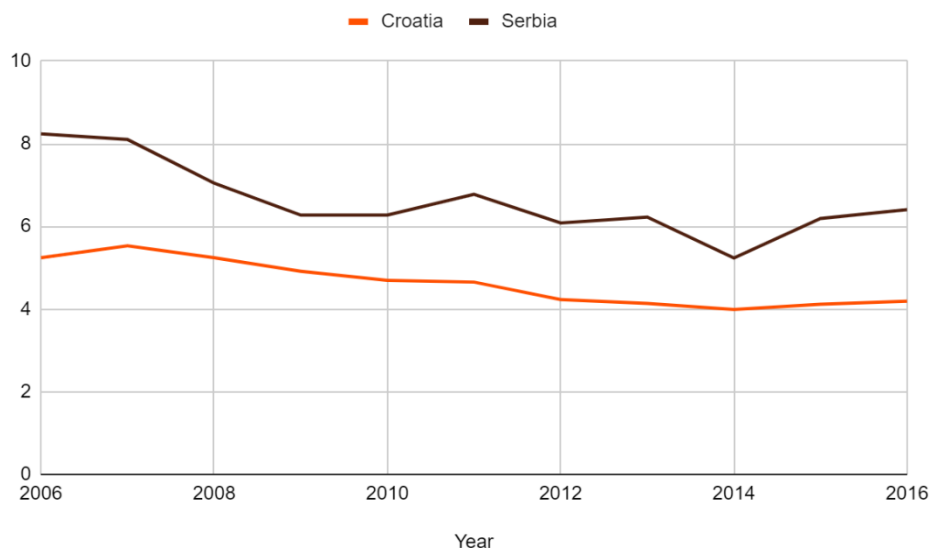
b. Serbia

Serbia has a certain level of preparation for climate change, but implementation is at a very early stage. The Government of the Republic of Serbia has adopted the Draft Law on Climate Change, the implementation of which will establish a system for reducing greenhouse gas emissions (GHG) and ensure adaptation to changed climate conditions.

The law fulfils the obligations towards the international community, i.e., the UN Framework Convention on Climate Change and the Paris Agreement, and harmonizes the domestic legislation with the *acquis communautaire*, it is stated in the announcement.

Data on CO₂ emissions (Graph 3) in the program area of both countries for the period from 2006 to 2016 are presented below. Croatia has significantly lower CO₂ emissions in 2006 compared to Serbia, which can be attributed to Croatia's ratification of the Kyoto Protocol and preparations for EU accession. The trend of reducing harmful gas emissions in Croatia has continued, as shown by data from 2016. In Serbia, CO₂ emissions decreased significantly in 2014 compared to 2011, and a reduction is expected to continue with the signing of the Paris Agreement.

Graph 3. CO₂ Emissions Per Capita



Source: data.worldbank.org

Investing in green energy will also unleash new potential for economic growth, job creation and innovation. A recent assessment of the effects of compliance with the Paris Agreement on Climate Change (European Commission (2019), Eurofound (2019)) showed a positive effect on employment in Croatia by 2030 (employment rate growth up to 0.4%). The vision of the "Republic of Croatia resistant to climate change" can only be achieved by reducing the vulnerability of natural systems

and society to the negative effects of climate change and strengthening resilience and resilience. It is necessary to raise people's awareness of climate change and educate them.

Achieving these goals requires the establishment of a system for reducing GHG and adaptation to changing climatic conditions at the level of each member state of the Convention and the Agreement. The Republic of Serbia is a member of the UN Framework Convention on Climate Change of June 10, 2001, and the Paris Agreement of August 24, 2017. Establishing a system for reducing GHG and adapting to changed climatic conditions, in addition to fulfilling obligations to the international community, is one of the conditions for sustainable economic development of the country and reducing risks, damages and losses from natural disasters. Estimates show that since 2000, the Republic of Serbia has faced several significant episodes of extreme climate and weather episodes that have caused significant material and financial losses, as well as losses of human lives. The total amount of material damage caused by extreme climatic and weather conditions, in the period 2000-2015, exceeds 5 billion euros. More than 70% of losses are associated with drought and high temperatures. Another major cause of significant losses was flooding.

To achieve the goals from the previously mentioned strategic, planning and program documents, it is necessary that the growth of GHG emissions in the sectors (energy, agriculture, transport, buildings, forestry, etc.) be limited and planned in accordance with these goals through sectoral strategies, general and sectoral plans and policies. Limiting the growth or reduction of GHG emissions is an obligation of the Republic of Serbia according to the Agreement, and the first goals of reducing emissions were submitted by the Government of the Republic of Serbia for 2030. According to the requirements of the Agreement, it is necessary to revise these goals and submit them for the period until 2050.

Climate change can lead to undesired events, such as floods that have in the recent past caused extreme damages and have been harmful to the programme area. The Danube river basin is characterized by wide valleys of lowland river watercourses. Intensive construction of protection systems in the second half of the twentieth century significantly reduced the risk of flooding in most areas.⁷⁰ According to the Flood risk management plan in the Sava River⁷¹ Basin, the environmental impact was assessed as potentially medium. The same document provides measures that mainly relate to the construction of embankments and coastal fortifications in central and lower Posavina (HR), Mačva and Vojvodina (RS). Although many of the analysed measures are located on the border watercourses of the countries, their expected impact on the environment is spatially limited. A simulation-training centre for disaster risk management to strengthen climate change adaptation capacity (SIMED) is being implemented in the Brod-

⁷⁰ Government of the Republic of Croatia, Disaster Risk Assessment for the Republic of Croatia, https://civilnazastita.gov.hr/UserDocImages/DOKUMENTI_PREBACIVANJE/PLANSKI%20DOKUMENTI%20I%20UREDIBE/Procjena%20rizika%20od%20katastrofa%20za%20RH.pdf

⁷¹ Flood risk management plan in the Sava River, 2018, http://www.savacommission.org/dms/docs/dokumenti/sfrmp_micro_web/sfrmp_draft/sava_flood_risk_management_plan_draft_-_cro.pdf

Posavina county. This project shows that capacities are high, and work needs to be continued to be better organised in case of emergencies.

3.3.5. Sustainable water

The program area is well situated in terms of water supply, but to maintain such a state it is necessary to properly dispose of water resources, as well as ensuring a clean water supply for all residents. Wastewater treatment is still a relatively underdeveloped concept but will become increasingly necessary in the future. In addition, it is important to protect groundwater from pesticides and nitrates from the soil. In this process, the implementation of water regulations is important, as well as investment in infrastructure for monitoring and management of surface and groundwater.⁷²

a. Croatia

As an EU member, Croatia is obliged by the legal framework to address water pollution sources, ensure high standards for all water bodies and include the anticipated effects of climate change in water resources management planning (flood protection). The most significant pressure on surface water bodies in Croatia comes from pollution from diffuse sources from agriculture (57% of surface water bodies) and discharges that are not connected to the sewerage network (54%). The most significant pressure on groundwater bodies also comes from pollution from diffuse sources from agriculture (6%). Croatia lags behind in terms of the EU directive on the need for water monitoring programs - only 10% of surface water bodies are covered by operational monitoring and 6% by monitoring.⁷³ The total amount of water delivered from the public water supply in 2019 amounted to 307,102,000 m³, which is 1.4% more than in 2018. The total amount of water sold in 2019 compared to 2018 remained at approximately the same level. The largest consumers were households, which in 2019 consumed 170,979,000 m³ or 71.1%. In the public water supply, water losses in 2019 amounted to 197,590,000 m³ or 64.3% of the total amount of delivered water. The number of settlements covered by the public water supply network in 2019 was 5,375, which is an increase of 0.7% compared to 2018. The total length of the water supply network was 45,843 km. The number of water supply connections increased by 1.5% and amounted to 1,276,129km.⁷⁴

b. Serbia

Indicators (physicochemical and microbiological) related to quality control of drinking water on the territory of the Republic of Serbia are taken from the Health Statistics Yearbooks of the Republic of Serbia, published by the Institute of Public Health of Serbia "Dr Milan Jovanovic Batut". Physicochemical and microbiological malfunction of drinking water was not recorded in about 50% of controlled central water supply systems, with the most correct systems in central

⁷² European Commission, Guidelines for the Implementation of the Green Agenda for the Western Balkans, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/green_agenda_for_the_western_balkans_en.pdf

⁷³ European Commission, Overview of activities in the field of environment for Croatia 2019, https://ec.europa.eu/environment/eir/pdf/report_hr_hr.pdf

⁷⁴ Croatian Bureau of Statistics, COLLECTION, PURIFICATION AND DISTRIBUTION OF WATER 2019, 2020, https://www.dzs.hr/Hrv_Eng/publication/2020/06-01-02_01_2020.htm

Serbia (65-70%). Occasional malfunctions were noted on some samples in the systems in AP Vojvodina and Belgrade. In the area of AP Vojvodina, the physical and chemical defect of the samples is primarily related to the natural characteristics of groundwater, while for central Serbia, the deviations are often related to the nitrate content.⁷⁵ The Water Management Strategy on the territory of the Republic of Serbia until 2034⁷⁶ and the Law on Waters are currently in force in Serbia. In 2018, 2,130,462 households were connected to the water supply, i.e., 87.9%, 1% more than in 2017. Total water consumption per household in 2018 amounted to 317 million m³. Compared to the reference period in 2017, in 2018 the total amount of wastewater decreased by 1.3%, of which the amount of wastewater discharged into the wastewater collection system decreased by 0.5%. In 2018, treated wastewater decreased by 1.1% compared to 2017. The amount of wastewater from industry in 2018 decreased by 2.1% compared to 2017, while the percentage of treated wastewater increased by 1.2%. In 2018, 27 thousand ha of land were flooded with surface and groundwater, of which 75.7% refers to used agricultural land.

Table 21. Water statistics in the Republic of Serbia for 2017 and 2018⁷⁷

	2017	2018
Length of water supply network, km	43 497	44 361
Number of households connected to the water supply system	2 119 103	2 130 462
Percentage of population connected to the water supply system (%)	86,9	87,9
Flowing water in hydropower plants, mil. m³	161 873	173 699
Total water use, mill. m³ – Households	317	317

Drinking and technological water supply is also a serious problem in the development of AP Vojvodina. Water supply systems on the territory of APV consume 5.5 m³/s per day out of the total affected 6.8 m³/s, while the rest is consumed by industry. The highest consumption is in the area of Bačka with 3.9% m³/s, followed by Banat with 2.14% m³/s and Srem with 0.8% m³/s.

Projects have been financed in the previous programme that developed monitoring network system for Data Acquisition, Processing and Presentation (DAPP) of surface water, groundwater and wastewater (Project SeNs Wetlands), built wastewater purifier for Special Nature Reserve Zasavica in Serbia (Project Ecowet) and developed sustainable agricultural production management framework plan for the area (Project Impact Envi). Finally, the EcoWET project,

⁷⁵Official Gazette of the Republic of Serbia, WATER MANAGEMENT STRATEGY ON THE TERRITORY OF THE REPUBLIC OF SERBIA UNTIL 2034, 2017, <https://www.znrfak.ni.ac.rs/serbian/010-STUDIJE/MAS/PREDMETI/UKS/I%20GODINA/116-VODOSNABDEVANJE%20I%20KANALISANJE%20VODA/DINAMICKI%20PLAN/Literatura%20ViKV%202020.pdf>

⁷⁶Official Gazette of the Republic of Serbia, WATER LAW https://www.paragraf.rs/propisi/zakon_o_vodama.html

⁷⁷Statistical Office of the Republic of Serbia, STATISTICAL YEARBOOK, 2019, <https://publikacije.stat.gov.rs/G2019/Pdf/G20192052.pdf>

among other activities, created maps of the current and alternative situation for 3 pilot areas in both countries, which could serve as basis for new projects.⁷⁸

3.3.6. Circular economy

Circular economy is a form of economy that produces the lifespan of resources and products as much as possible, which means minimizing the use of resources, using clean technologies in production, reusing products when possible, recycling waste materials that can no longer be used and proper waste management. The transition to a circular economy is necessary if greenhouse gas emissions are to be completely reduced, as half of the emissions come from resource extraction and processing.

a. Croatia

Croatia sees its contribution to the circular economy through the bioeconomy, the production of renewable biological resources and the conversion of these resources, together with waste streams, into value-added products such as food, feed, biological products, and bioenergy. Of great importance is biomass as the main raw material that will enable the decarbonization of the entire production chain - from the field to the table. There is also a strong emphasis on sustainable waste management, which includes primarily household recycling systems (where raw materials are created for reuse), while the rest is taken to waste management centers for further processing. The total amount of municipal waste produced in 2018 was 1,768,411 tons, or 632 kilograms per capita. Improving the recycling process and increasing the rate of reused waste are key items. Data from 2018 show that in the Croatian program area in 4 counties, the amount of waste per capita is 11% of the total waste generated per capita in the Republic of Croatia⁷⁹.

⁷⁸Implementation Report for IPA II Cross-Border PART A019, IDENTIFICATION OF THE ANNUAL IMPLEMENTATION REPORT, 2019, https://www.interreg-croatia-serbia2014-2020.eu/wp-content/uploads/2020/11/Annual_implementation_report_2019_sent_via_SFC.pdf

⁷⁹ Ministry of Environmental Protection and Energy, Municipal Waste Report for 2018, 2019, https://mingor.gov.hr/UserDocsImages/Pristup%20informacijama/OTP_Izvje%C5%A1%C4%87e%20o%20komunalnom%20otpadu_2018.pdf

Table 22. The total amount of generated municipal waste in 2018, according to the program area of the Republic of Croatia⁸⁰

County	Total amount of municipal waste generated (t)	The share of the county in the total generated municipal waste	Census 2011 (CBS)	Amount of waste per capita (kg / capita)
Požega-Slavonia	16.946	1%	78.034	217
Brod-Posavina	37.412	2%	158.575	236
Osijek-Baranja	87.408	5%	305.032	287
Vukovar-Srijem	51.415	3%	179.521	286

b. Serbia

Economic drivers are related to the increase in the competitiveness of the economy and the growth of the employment rate and economic growth. It is estimated that the introduction of a circular economy in Serbia could provide 30,000 new jobs and increase the competitiveness of the domestic economy, especially in the recycling sector. Also, a very important motivation is to reduce dependence on imported resources to ensure a secure long-term supply of energy and raw materials - dependence on fuel imports is significant, around 28-30 percent.

One of the main priorities of Serbia in the coming years is accession to the European Union (EU), making it one of the most important drivers of implementation of EU legislation in Serbia, and thus the main driver of development and implementation of policies related to the circular economy. When it comes to the management of plastic packaging waste and its recycling, Serbia is at the beginning of the road, but it has potential. According to official data from the RS Environmental Protection Agency, only 22% of plastic packaging is collected and recycled in Serbia, while the rest is disposed of in landfills. This is significantly lower than the recycling rate in the EU, which reaches 43%. In Serbia, in 2018, the total amount of waste produced was 11,613,787 tons, while per capita (t) that number was 0.31.

Serbia does not currently have a comprehensive national resource efficiency strategy, action plan or roadmap with quantified objectives, or a separate strategic document on the circular economy, but there are several strategies and policies that address these issues such as: I) Waste Management Strategy 2010-2019⁸¹ which is the basic document for rational and sustainable waste management (among the priority goals is the establishment of a construction waste management system and the reuse and recycling of packaging waste); II) Industrial Development Strategy and

⁸⁰Ministry of Environmental Protection and Energy, Municipal Waste Report for 2018, 2019, https://mingor.gov.hr/UserDocsImages/Pristup%20informacijama/OTP_Izvje%C5%A1%C4%87e%20o%20komunalnom%20otpadu_2018.pdf

⁸¹ THE GOVERNMENT OF THE REPUBLIC OF SERBIA, Waste Management Strategy 2010-2019, 2010, <https://www.srbija.gov.rs/dokument/45678/strategije.php>

Policy 2011-2020. (2011)⁸² for which the objectives relevant for the efficiency of material resources, the circular economy and the supply of raw materials relate to safer and better exploitation of mineral resources for security of supply of industries; III) Draft Strategy for Sustainable Urban Development of the Republic of Serbia until 2030⁸³ priority areas for implementation of measures, together with the cross-sectoral theme of improving urban governance (the theme of circular economy and resource efficiency is covered by a series of measures to improve the efficiency of use, financing and management of construction land, utilities and utilities).

The Regional Development Agency Srem, in partnership with the City of Sremska Mitrovica, implemented the project of establishing the Regional Center for Sustainable Development of Srem. The project connects 3 areas: innovative start-up center Stara Pazova, Innovation, Development, Educational Center for Energy Efficiency and Renewable Energy Sources in Sremska Mitrovica and a centre for education.⁸⁴ This shows that the concept of circular economy can be conceived widely and include different areas of interest, among which, tourism is surely the most interesting. The concept of circular economy is also new in the program area. In the program area, it is necessary to significantly increase awareness and knowledge of the concepts of the circular economy, both for civil servants and policy makers, so that government institutions can improve their work in this field. Investments in the program area should be significantly increased to encourage the transformation of the economy from linear to circular or investment in research and development. Economic instruments also need to be revised to increase taxes on natural resources and waste disposal. Given that the private sector plays a vital role in the transition to a circular economy, it needs to be more involved in all activities, from regulation to proven projects and strengthening public-private partnerships with tourism being ideal for piloting.

3.3.7. Nature protection and biodiversity

Biodiversity conservation is a particularly important topic in the program area given the richness and diversity of natural areas. Preservation of biodiversity and ecosystems and nature protection are necessary elements for the path to greener Europe. Given that a significant part of the program area consists of natural borders between countries (mountains, sea, rivers, etc.), interregional cooperation is extremely important.

a. Croatia

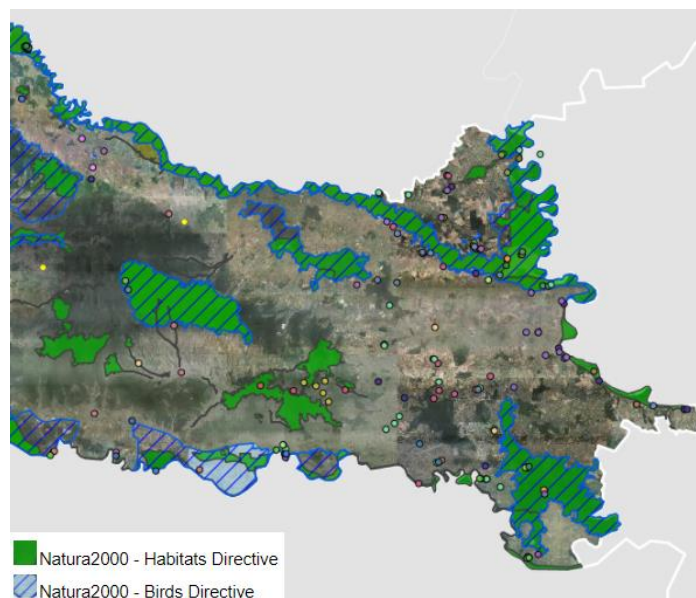
Nature protection priorities are strongly linked to the establishment of implementation mechanisms aimed at ensuring a favourable status for the protection of species and habitat types, primarily through the establishment of a Natura2000⁸⁵ network management framework.

⁸² THE GOVERNMENT OF THE REPUBLIC OF SERBIA, Industrial Development Strategy and Policy 2011-2020, 2011, <https://www.srbija.gov.rs/dokument/45678/strategije.php>

⁸³ THE GOVERNMENT OF THE REPUBLIC OF SERBIA, Draft Strategy for Sustainable Urban Development of the Republic of Serbia until 2030, <https://www.srbija.gov.rs/dokument/45678/strategije.php>

⁸⁴ Regionalna razvojna agencija Srem <https://rrasrem.rs/>

⁸⁵ European Commission, Environment, Natura2000 https://ec.europa.eu/environment/nature/natura2000/index_en.htm



The main document for nature protection in Croatia, the Nature protection strategy and action plan of the Republic of Croatia for the period 2017-2025⁸⁶, aims to preserve biological diversity, maintain functional ecosystems, and enable long-term sustainable development. One of the goals of this strategy is to make natural values more recognizable and to ensure the adoption of strategic decisions at local, regional, and national levels, as well as to apply the latest scientific and expertise in line with global and EU nature policy.

There are almost 40,000 known species and subspecies in the Republic of Croatia, and it is assumed that the actual total number is much higher. Despite the abundance of biodiversity and the implementation of certain conservation measures, many wild species are endangered. In the Republic of Croatia, based on the IUCN criteria, the endangered status of almost 3,000 species, i.e., 8% of known species, has been determined. Of the assessed species, 42.3% were classified as a species with a high risk of extinction, indicating the need for further active conservation.

Today, protected areas cover 8.61% of the total area of the Republic of Croatia, i.e., 12.32% of the land territory and 1.95% of the territorial sea. The largest part of the protected area are nature parks (4.90% of the total state territory). Out of the total number of protected areas, 45 are in the program area, of which 3 are Nature Parks. Part of Lonjsko polje Nature park is located in Brod-Posavina County, Kopački rit Nature Park in Osijek-Baranja County, and Papuk Nature Park in Požega-Slavonia County.

⁸⁶Official Gazette, Strategy and action plan for nature protection of the Republic of Croatia for the period from 2017 to 2025, https://narodne-novine.nn.hr/clanci/sluzbeni/2017_07_72_1712.html

Table 23. Overview of the current state of protected areas in the Republic of Croatia⁸⁷

Category	number PA	surface (ha)	% surface RH
STRICT RESERVE	2	2.414	0,03
NATIONAL PARK	8	97.959	1,11
SPECIAL RESERVE	79	40.780	0,46
NATURE PARK	12	494.993	5,61
REGIONAL PARK	2	102.556	1,16
NATURAL MONUMENT	79	204	
SIGNIFICANT LANDSCAPE	81	137.882	1,35
PARK - FOREST	27	2.966	0,03
MONUMENT OF PARK ARCHITECTURE	120	999	0,01
Area of protected areas within other protected areas *		59.323	
TOTAL ZP IN RH	410	821.330	9,32

Table 24. Protected areas and Nature parks in program area

County	Number of protected areas	Nature park
Brod-Posavina	9	1
Vukovar-Srijem	18	
Osijek-Baranja	14	1
Požega-Slavonia	4	1

b. Serbia

Law on Nature Protection of the Republic of Serbia (2010)⁸⁸ regulates the production, harvesting and trade of protected species. One of the goals of the Law on Nature Conservation of the Republic of Serbia is the sustainable use and/or management of natural resources and goods, as well as ensuring their functions while preserving natural resources and the balance of the natural ecosystem. Also, the law applies to the protection and conservation of wild species. The coverage of protected areas Serbia is relatively low, representing 6.7%⁸⁹ of the national territory.

⁸⁷Ministry of Economy and Sustainable Development, Protected Areas in the Republic of Croatia <http://www.haop.hr/hr/tematska-podrucja/zasticena-podrucja/zasticena-podrucja/zasticena-podrucja-u-rh>

⁸⁸Official Gazette of the Republic of Serbia, LAW ON NATURE PROTECTION, 2016 http://www.pregovarackagrupa27.gov.rs/?wpfb_dl=107

⁸⁹ World Wildlife Fund Report, Protected Area Benefit Assessment Tool (PA-BAT) in Serbia, 2017, https://natureforpeople.org/protected_areas/pa_bat_report_srb_en_web.pdf

Picture: Map of protected areas in the program area of the Republic of Serbia.

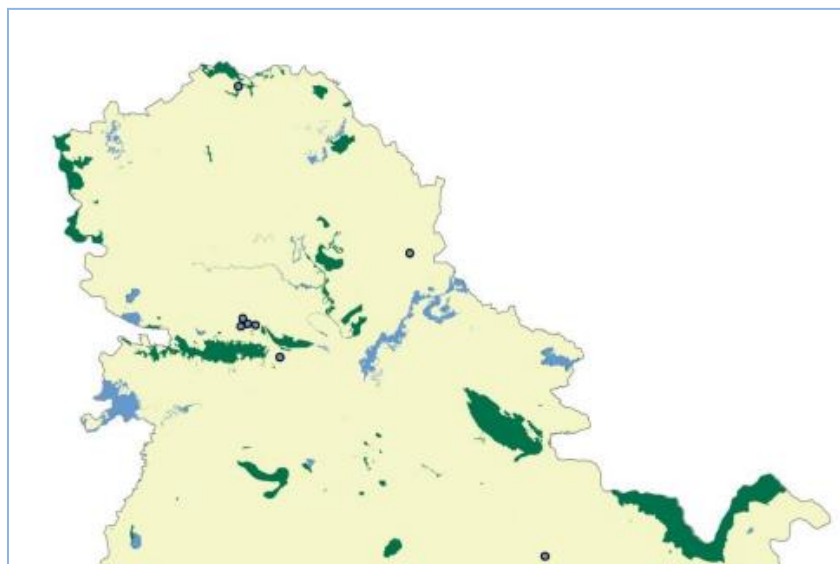


Table 25. Number and surfaces of protected areas in Serbia⁹⁰

Protected areas	SERBIA	AREA/ HA
National Parks	5	1.502,24
Nature Parks	18	2.143,59
Landscapes	20	656,06
Reserves	70	1.341,69
Protected habitat	4	14,14
Nature Monument	349	129,33
TOTAL	464	5.787,05

Alignment with the EU acquis in the field of nature protection, in particular the Habitats and Birds Directive, remains moderate. The protection and improvement of the status of protected areas, especially biodiversity and rare and endangered plant and animal species and their habitats is one of the important topics. In the territory of AP Vojvodina, the number of smaller forest reserves and isolated, large trees has dramatically decreased during the last decades. Alignment with the acquis in the field of nature protection, in particular the Habitats and Birds Directive, remains moderate. The protection and improvement of the status of protected areas, especially biodiversity and rare and endangered plant and animal species and their habitats, is one of the important topics. In the territory of AP Vojvodina, the number of smaller forest reserves and isolated, large trees has decreased dramatically over the last decades. Such trees represent a significant nesting site for endangered story species. To solve this problem, the Society for the

⁹⁰ IUCN, Summary of national assessments of the state of nature conservation systems in South-Eastern Europe, 2018, <https://portals.iucn.org/library/sites/library/files/documents/2018-040-En-Asses.pdf>

Study and Protection of Birds of Serbia, in coordination with the Provincial Secretariat, is implementing a project to improve the nesting conditions of these species by establishing nesting platforms on high-voltage transmission lines throughout AP Vojvodina.

The Society for the Protection of Birds of Serbia, together with the Society for the Protection of Nature "Riparia" from Subotica and many other associations of citizens, is implementing a project to increase the population of the European roller in AP Vojvodina. One of the main activities is to support the nesting of European rollers with artificial nest boxes. This has resulted in population growth and expansion of the species' breeding grounds. For the purpose of long-term monitoring, nesting sites are marked with a GPS device, the success of nesting is monitored, and the offspring are bordered with regular and coloured markers.

The Law on Nature Conservation introduces a new instrument for nature conservation in Serbia – appropriate assessment. As EU *acquis communautaire*, it represents a basic protection mechanism of the European ecological network Natura 2000. In Serbian legislation, appropriate assessment is closely connected to the ecological network and its primary purpose is conservation of the basic values of ecologically significant areas that have been defined by the Decree on the ecological network. After the accession to the European Union, the European Commission will also have certain competences regarding the control of the implementation of the procedure of the appropriate assessment.⁹¹

The bearer of these activities is The Ministry of Environmental Protection of the Republic of Serbia. With the aim of necessary strengthening of public administration's capacities, the Twinning project "Strengthening administrative capacities for the protected areas in Serbia (Natura 2000)" has been implemented in Serbia. The project was released from January 2010 to June 2012, and financed by the European Union, from the IPA 2007 fund. As a result of this project, the first reference list of bird species has been created and potential special protection areas for these species have been identified, in accordance with the Birds Directive (Special Protection Areas – SPA).

EU for Natura 2000 in Serbia is a new project who started on 27 May 2019, and will be finalized on 27 May 2021. It is designed to promote and strengthen the implementation of Natura 2000 networks in Serbia and as a tool to strengthen and support the authorities of the Republic of Serbia in the field of nature conservation.

One of the main requirements that accession countries have to fulfil in the area of nature protection is to establish the Natura 2000, a list of sites designated by each Member State in the framework of two European directives; the Birds and the Habitats directives, to ensure the long-term survival of most valuable and threatened species and habitats. Some of the results of the implementation of the EU Project for Natura 2000 in Serbia are Public awareness campaign for

⁹¹Ministry of Agriculture and Environmental Protection, CBD Fifth National Report - Serbia, <https://www.cbd.int/doc/world/rs/rs-nr-05-en.pdf>

NATURA 2000, harmonization of National legislation with EU directives related to nature protection revised and completed, Information System, Data base and GIS for NATURA 2000.

Local self-governments have competences over land usage planning, environmental protection and development, as well as utility services. Local level environmental secretariats have competences over environmental protection, including air quality protection, noise protection, municipal waste management, urban planning and permitting for construction of facilities other than those at the national level. Their statutory tasks also include strategic assessments of plans and programmes, environmental impact assessment and integrated permits. A good example that goes not only in the direction of preserving nature but also cultural heritage along with natural beauties by promoting them through tourism is the Danube Competence Center.

The main focus of the Danube Competence Center (DCC) is to encourage the development and promotion of sustainable tourism in the Danube region, strengthening the economic development of communities along the river. The project "Regional program for strengthening cross-border tourism in the middle and lower part of the Danube with the help of the Danube Competence Center (DCC)", laid the foundations for the creation of DCC and its sustainability. DCC is focused on activating cultural and natural heritage and creating transnational tourism products, which has led to its significant role in the development and promotion of the EuroVelo network of long-distance cycling routes (EV6 - Danube Cycling Route and EV13 - Iron Curtain Route), as and the creation of the first cultural route confirmed by the European Council, starting with the Danube region - "Roads of the Roman Emperors" and "Danube Wine Route".⁹²

The Environmental Protection Agency is part of the MEP. The agency performs state administration jobs regarding development, harmonization and management of the national information system related to environmental protection, development of polluters' cadastre, state of environment and environmental policy implementation data collection, analysis and reporting. The agency also cooperates with and reports to the European Environmental Agency (EEA) and the European Environment Information and Observation Network (EIONET).

One of the specific places is the special nature reserve "Upper Danube" located in the extreme northwest of Serbia, on the borders with Hungary and Croatia. The Upper Danube is a protected natural asset. This reserve, in addition to natural beauty, also offers various activities such as cycling with an expert guide, water boat rides, the possibility of self-preparation lunch in nature and a promenade between Bački Monoštor and Bezdana. Ethnographic wealth remained in the nearby settlements (Bezdan, Bački Monoštor, Kupusina, Sonta and Prigrevica). As different nationalities live in this area, there is a wide range of folk costumes. Many customs, as part of the tradition, today have the character of events such as the Masked Carnival in Kupusini, the shocking wedding with the "vine" in Sonta and many others. The Upper Danube region has great potential for even greater tourism development. As such, the Upper Danube represents a great

⁹² <https://nemackasasadnja.rs/>

potential for the development of tourism, but also the education of people in the direction of nature conservation.

Fruška gora mountain is located in northern Srijem, and most of it stretches in Vojvodina, while the western slopes are in Vukovar-Srijem County. It is an opportunity for all visitors who like to explore nature, special runners and hikers, because among the many hiking trails it where the marathon Fruška gora, one of the oldest racetracks in Europe, is traditionally held, already well "trodden". Fruška gora is full of picnic areas with tables and picnic benches. Lake Borkovac, one of the 16 artificial lakes of Fruška gora, is especially because has a so-called "Aqua camp" with four huts and a beach. Fruška Gora has great potential for further development of projects that would contribute to tourism in the program area.

3.3.8. Conclusions and recommendations

Energy indicators in Croatia indicate a lack of available resources and production capacity, especially given the growing energy consumption. Serbia still needs to adopt amendments to energy efficiency laws, improve energy audits and energy management, and implement requirements in the field of eco-design and related secondary laws. Both countries have not achieved the set goal of reducing CO₂ emissions. Emission values are still high. Smart energy systems are a relatively new and unexplored concept in the program area that has only recently begun to be actively used.

In the Croatian program area, as well as in the Serbia programme area, the goal is also to increase the use of renewable energy sources and reduce reliance on fossil fuels, which is still very present in Serbia, increase energy efficiency of public buildings and the number of "green projects" in the economy. In addition, biomass in the program area of Croatia and Serbia represents a great potential for further development of the transition to renewable energy sources. When it comes to climate change, the priority is to start the social process of accepting the concept of adaptation to climate change in both program areas, to determine the impact of climate change, to determine the degree of vulnerability and to determine priority measures. There is a need to significantly increase awareness and knowledge of the concepts of the circular economy, both for civil servants and policy makers, so that government institutions can improve their work in this field.

The key advantages are, among other things, the energy potential for the use of renewable energy sources in the program area of Croatia and Serbia, which should be used. Regarding the energy transition, it is necessary to increase investments in cross-border energy efficiency actions, such as the renovation of public buildings, provided that the conditions for investment and distribution are favourable. Investing in green energy will also unleash new potential for economic growth, job creation and innovation. Capacities for better energy management, exchange of experiences, practices and innovative projects that contribute to reducing emissions (CO₂, but also PM and NO₂) and energy consumption should be increased.

Increasing energy efficiency will benefit the environment, reduce greenhouse gas emissions, improve energy security, reduce energy costs, and alleviate energy poverty. This will lead to

greater competitiveness, increased employment, and increased economic activity, which will improve the quality of life of citizens. The focus here should be on sustainable and environmentally friendly measures (such as green infrastructure). Joint actions and campaigns are also needed to raise awareness and support sustainable consumption practices and behaviours (waste reuse and recycling) in border regions, and to exchange best practices to build the capacity of stakeholders involved in the transition to a circular economy. It is also necessary to increase the focus on the conservation of biological diversity with regard to natural wealth and diversity in the program area of both countries. To contribute to a greener Europe, it is necessary to work actively on the preservation of ecosystems and nature protection.

3.4. Connected Europe

Description of current state in key analysis areas

Both countries are strategically considering their development in the field of transport, which is why they have developed strategies for the development of the transport sector, in Croatia the Transport Development Strategy of the Republic of Croatia (2017 - 2030). There is currently no unified transport strategy at the state level in Serbia. Until recently, the Strategy for the Development of Railway, Road, Water, Air, and Intermodal Transport in the Republic of Serbia from 2008 to 2015 was in force, and the National Transport Strategy 2022-2030 is currently being drafted. In March 2018, Croatia and Serbia concluded a Memorandum of Understanding between the Ministry of the Sea, Transport and Infrastructure of the Republic of Croatia and the Ministry of Construction, Transport, and Infrastructure of the Republic of Serbia on cooperation to promote the efficiency of railway transport. Such cooperation should be encouraged in all areas and jointly address challenges that would enable both countries to make progress.

3.4.1. Sustainable Trans European Transport Network

The development of transport and transport networks is extremely important for improving connectivity, which is crucial in a globalized world. Developed transport networks not only make life easier for residents and improve their mobility, but also maintain good neighbourly relations between countries, increase the region's competitiveness, create more opportunities for entrepreneurs and have a positive impact on the economy in general. Given the geographical location of the program area, it is necessary to invest in different types of roads, railways, and river transport. This category includes, in addition to the reconstruction of roads, the increase of road safety, the facilitation of transport and the reconstruction of border crossings.⁹³

a. Croatia

High external transport costs negatively affect the environment, productivity, and consumption in healthcare. According to a recent study (European Commission, 2019), the total external costs of road, rail and inland waterway transport in Croatia are estimated at 6.9% of GDP at purchasing power parity, compared to 5.7% of GDP at EU level. Almost half of external costs are related to road accidents, which far exceed the EU average. The development of transport infrastructure in the Republic of Croatia is considered extremely important for economic and social growth as well as for international connections. The total length of roads in 2018 in Croatia was 26,690 km, of which 1,310 km were motorways, 7,019 km were state roads, 9,545 km were county roads and 8,817 were local roads. The total length of railways in Croatia was 2604 km, of which 37.3% was electrified. The length of the road network in the Croatian part of the program area by counties in 2019 is shown below.

⁹³Ministry of Foreign Affairs of Poland, Western Balkans Summit Poznań. Chair's Conclusions, <https://www.gov.pl/web/diplomacy/western-balkans-summit-poznan-chairs-conclusions>

Table 26. Roads network in Croatia, 2019, Programme area

County	Total (km)	Motorways (km)	State roads (km)	Country roads (km)	Local roads (km)	Density of road network (m/km ²)
Požega-Slavonia	694	-	219	202	273	381
Brod-Posavina	907	124	138	448	198	447
Osijek-Baranja	1.648	43	468	651	487	397
Vukovar-Srijem	960	50	286	426	198	391

In Croatia, the least progress has been made in rail transport. The general condition of the rolling stock of public operators, either for the transport of passengers or for the transport of freight, does not correspond to modern traffic requirements. The main problem is the lack of compatibility between the rolling stock and the railway infrastructure and the inaccessibility of this type of transport to people with reduced mobility.⁹⁴ Croatia is one of the countries working on the development of the TEN-T railway network, but compared to the average of other EU countries, which in 2018 had 60% of the TEN-T network completed, Croatia was at the very bottom with 5-6% completion. The railway network is very outdated and limited, resulting in other forms of transport being preferred, mainly road transport. Roads are in good condition, especially after a series of investments that have resulted in a dense road network. Most of the motorway network was built in the period from 2000 to 2013, which means that it is a new road network with quality pavements and a high standard of traffic. 26.5% of railways in the region are electrified, with a 25 kV, 50 Hz system (M104 Novska-Tovarnik - DG and M303 Strizivojna-Vrpolje-Slavonski Šamac-DG). The 18.7 km long single-track line Vinkovci-Vukovar is of exceptional importance for the economy of Vukovar-Srijem County, Slavonia, but also much wider. Upgrading and electrification will enable an increase in the volume of railway traffic and transshipment of goods in the port of Vukovar and better connection of railway passenger transport of Vukovar-Srijem County with the main transport corridors and other counties and will have a particularly positive impact on travel comfort and safety.

Namely, with 23.1 km of motorways per 1000 km², Croatia is above the EU average of 17 km. However, road safety is lower than in the rest of the EU, and the road death rate is higher. The greatest load on state roads occurs during the tourist season, when large crowds are often created⁹⁵, which needs special attention given that a large part of the program area of Croatia includes tourist centers. The Adriatic-Ionian transport corridor, which is an integral part of the basic TEN-T network, passes through the territory of the Republic of Croatia and is mainly built. It

⁹⁴ MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE, Transport Development Strategy of the Republic of Croatia (2017 - 2030), <https://mmpi.gov.hr/UserDocImages/arhiva/MMPI%20Strategija%20prometnog%20razvoja%20RH%202017.-2030.-final.pdf>

⁹⁵ European Commission, Country Report Croatia 2019, https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-croatia_en.pdf

can be said that the Republic of Croatia, in the context of international road connections, is very close to high European standards.

a. Serbia

Serbia has a good level of preparation in this field. In previous years, it has made some progress in the field of road safety and railway reform. As regards the general EU transport acquis, Serbia needs to revise and update its strategic framework to reflect new developments and ensure coherence, in particular in the overall transport strategy and general transport master plan. Serbia has yet to adopt a general ITS strategy, fully transpose the ITS Directive and allocate resources for ITS implementation. As regards public services, Serbia has a high level of alignment with the EU railway acquis but is only partially aligned with road transport. In August 2019, Serbia adopted a new regulation for the calculation of compensation for public service obligations in railway transport, which is in line with the *acquis communautaire*.

In road transport, the level of alignment of Serbia with the *acquis* is satisfactory. The total length of roads in the Republic of Serbia is 43967 km, of which state roads of the first order (motorways) are 3890 km, state roads of the second order (connecting the area of two or more districts or districts, are divided into two subcategories) are 10.040 km and municipal roads are 30.037 km. The density of the road network in the program area of Serbia is 93% of the national average.⁹⁶

Table 27. Share of roads in the Republic of Serbia and the Region of AP Vojvodina (km), 2018

	Total (km)	National roads, Class I (km)	National roads, Class II (km)	Provincial (municipal) roads (km)
Serbia	43.967	3.890	10.040	30.037
AP Vojvodina	5.874	1.050	2.053	2.771

On rail transport, reforms continued, and the operational and financial sustainability of independent railway service/infrastructure operators is improving. Serbia regularly updates its railway network statement, since 2016. In 2019, Serbia adopted five regulations governing the railway market, 11 rulebooks on rail safety as well as a rulebook on licenses for rail transport services and it is dedicated to further harmonization with the EU laws. In November 2019, Serbia's transport minister and railway authorities signed the Declaration on European Railway Safety Culture, which aims to raise awareness and promote a positive safety culture throughout the industry. Positive developments have been noted on rail market opening, for all companies registered within Serbia, with 11 private freight companies operating on the market in 2021.

The 412 km long Belgrade-Zagreb railway route represents an opportunity to increase territorial connectivity to achieve positive effects on socio-economic growth in international and local competition. This railway line is a section of the railway line of the Pan-European Transport Corridor X, which connects Salzburg and Ljubljana with Belgrade and Skopje. It is electrified along

⁹⁶Statistical Office of the Republic of Serbia, STATISTICAL YEARBOOK, 2019, <https://publikacije.stat.gov.rs/G2019/PdfE/G20192052.pdf>

its entire length and is mostly double track. The total length of the railway through Serbia is 119,6 km and is categorized as the main railway Belgrade Center-Stara Pazova-Sid-state border-(Tovarnik). The railway was built with elements of the route for a maximum allowed speed of up to 120 km/h. Preliminary design with Feasibility Study and Environmental and Social Impact Assessment Study for the reconstruction and modernization of the Belgrade-Stara Pazova-Sid-State Border (Tovarnik) railway, on the section Golubinci-Šid and the Indjija-Golubinci railway was approved for funding by WBIF in the amount of 3.0 million euros. The project was awarded to the IPF9 consortium. The initial meeting was held on July 23, 2020 which is the formal start of the documentation. The production period is planned to last 18 months. Estimated value of the project is about 250 million euros.

Regarding the transport itself, the cooperation in the field of railway traffic between the Republic of Serbia and the Republic of Croatia is based on the Agreement between the Federal Government of the FR Yugoslavia and the Government of the Republic of Croatia on the regulation of border railway traffic between the two countries.

Ministry of Construction, Transport and Infrastructure of the Republic of Serbia pays special attention to achieving the seamless border traffic and raised an official initiative to conclude new border-crossing agreement with the Republic of Croatia. The aim of the proposal is to improve the efficiency and to establish joint border station where the official procedures of both states should be performed at one stop shop.

Also, at the end of 2015, a Letter of Intent was signed by the Republic of Serbia, the Republic of Croatia, the Republic of Austria, the Republic of Slovenia, and the Republic of Bulgaria with the intention to confirm their interest in the formation of the Alpine-Western Balkan Rail Freight Corridor, in accordance with the EU Regulation 913/2010. In March 2018, the European Commission adopted Decision 2018/500, which confirmed the compliance of the proposal with this regulation.

Meanwhile, in accordance with the Regulation 913/2010, the Executive and Management Boards and other working bodies of the corridor have been established. In June 2018, the Statute of the Economic Interest Group of the Alpine-Western Balkan Railway Corridor was signed by the representatives of the Management Board, which formed this group in Ljubljana, and the members of the management in the group were elected.

The Transport Market Study, Strategic Objectives of the Corridor, and the Implementation Plan for the AZB Corridor have been prepared, the corridor website has been established (<https://www.rfc-awb.eu>), all 5 books and PaPs (Pre-arranged paths) have been published for the timetable 2020/21. For the timetable for 2020/21, it is enabled to compete for the train routes. By implementing all the stated activities all obligations have been fulfilled in order for the Alpine-Western Balkan Railway Corridor to be established in accordance with Decision 2018/500.

3.4.2. Sustainable transport

The concept of sustainable forms of transport is gaining in importance, with the development of awareness of the harmful effects of climate change and the need to move to clean technologies

and reduce emissions of harmful gases into the environment. Given the goal of making Europe a climate-neutral continent by 2050 and the major role of transport in environmental pollution, there is a growing need to use renewable energy sources in transport. Sustainable modes of transport will be of great importance in reducing CO₂ emissions and reducing the negative impact of transport on the environment. In addition to the use of RES, intermodal transport, which involves a combination of several different forms of transport, also contributes to sustainable transport.

a. Croatia

According to data from 2016, the share of renewable energy sources in transport in Croatia is only 1.3% and is one of the lowest in the entire EU and far below the 2020 target of 10%.⁹⁷ The negative consequences suffered by cities are traffic jams, poor air quality and noise. Urban transportation generates a quarter of total greenhouse gases, and 69% of traffic accidents occur in cities. In Osijek, road traffic causes noise emissions of more than 60 dB near most roads. About 25% of Osijek residents are exposed to a noise level higher than 65 dB (the traffic noise limit that affects human exposure in the EU is 55 dB for day exposure and 50 dB for night exposure). Intelligent transport systems on the motorway network are well developed, but their integration with systems at the local and regional level is lagging behind. Hrvatske autoceste d.o.o. they are equipped with information and communication systems for data exchange. Supervision and management of traffic on the associated highway section is performed in traffic maintenance and control centers. However, the situation on state and local roads is not at a satisfactory level and there are no fully developed IT systems.⁹⁸

In Croatia, one of the basic goals towards sustainable transport is to increase intramodality in passenger transport and the development of intermodal passenger hubs. The aim is to establish a network of intermodal terminals that will allow passengers to easily switch from one form of transport to another, as well as to develop intelligent transport systems to further increase the accessibility of travel. The basic network of public passenger transport in the functional region of Eastern Croatia consists of rail passenger transport and inter-county bus passenger transport. The connection of populated places in the area of the functional region mostly depends on the county bus lines. Another important goal is to increase energy efficiency in transport. In this regard, it is necessary to raise the level of energy efficiency and identify low-carbon energy sources and propulsion systems as a priority. One of the specific measures intended to achieve this is the introduction of more filling stations with alternative fuels.

⁹⁷ European Commission, Country Report Croatia 2019, https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-croatia_en.pdf

⁹⁸ MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE, Transport Development Strategy of the Republic of Croatia (2017 - 2030), <https://mmpi.gov.hr/UserDocsImages/arhiva/MMPI%20Strategija%20prometnog%20razvoja%20RH%202017.-2030.-final.pdf>

Table 28. Overview of railway infrastructure in the program area of the Republic of Croatia

County	Railways for international traffic				Railways for regional traffic		Railways for local traffic		Network density
	Singletrack		Two-track		Singletrack		Singletrack		
	km	%	km	%	km	%	km	%	m/m2 FRIH
OB	82.135	33,6	9.000	3,7	104363	42,7	48.972	20,0	11.378
BP	22.045	16,4	104.344	77,8	0	0,0	7.718	5,8	6.242
PS	0	0,0	0	0,0	0	0,0	93.308	24,3	4.343
VS	18.712	10,4	57.282	32,0	59.605	33,3	43.482	24,3	8.335
FRIH	122.892	16,5	107.626	22,9	246.571	33,1	203.873	27,4	34.625

b. Serbia

According to data from 2019, Serbia adopted the necessary secondary legislation on criteria for biofuels and bioliquids. The share of renewable energy sources in transport remains low (1,16% in 2018 while the target for 2020 is 10%).⁹⁹ Population mobility in the Republic of Serbia is two to three times less developed compared to European countries. At the same time, about 96% of all passengers are everyday migrants in urban areas. Some major moves in larger urban areas have been developed and/or modernized in recent years.

The problem is poor transport infrastructure (low capacity and functionally undifferentiated) in unplanned elevated peripheral and suburban areas, with limited spatial possibilities for reconstruction or modernization. In addition, inadequate constructive and traffic infrastructure solutions prevent the movement of emergency vehicles. As a result, urban roads often adapt to the growing demands of stationary traffic, and space is taken away from flowing traffic on primary city roads. In larger urban settlements, there are not enough landscaped parking lots and multi-storey buildings. Traffic management systems are based on light signalling. Given the limited financial resources of the program area countries and the low level of awareness and knowledge about sustainable modes of transport, it is reasonable that the use of alternative, renewable energy sources has not yet taken root. Developing awareness and educating the population about the cost-effectiveness of sustainable transport is the first step that companies in both countries need. It is also a key incentive for intermodal forms of freight transport (intermodal freight transport is defined as "Movement of goods with at least two different means of transport (road, rail, water or air)" in the door-to-door transport chain).

⁹⁹ Energy Community, Renewable energy, <https://www.energy-community.org/implementation/Serbia/RE.html>

3.4.3. Sustainable urban mobility

The need to increase mobility and, accordingly, transport demand, along with spatial, energy, environmental and economic rationality, requires a new approach in solving the world's urban transport problems. The concept of sustainable urban mobility includes the integration and balanced development of various forms of transport and the development of sustainable, green and more accessible public transport.¹⁰⁰ Encouraging sustainable urban mobility seeks to reduce the degree of reliance on personal vehicles, increase the use of public transport and the development of alternative forms of transport that do not adversely affect the environment.

a. Croatia

Public passenger transport is one of the important modes of transport. In the area of FRIH¹⁰¹, it was established through road, rail, and air transport, as well as tram transport in area of the city of Osijek. The basic network of public passenger transport in the functional region of Eastern Croatia consists of rail passenger transport and inter-county bus passenger transport. The connection of populated places in area of the functional region mostly depends on the county bus lines. The analysis of the spatial distribution of bus stops and bus lines, in accordance with the issued permits for county passenger transport by bus, indicates a relatively good coverage of all settlements in the functional region by public passenger transport. Most settlements have more than 4 stops per 1,000 inhabitants.

The low representation of rail in total public transport is also affected by the condition of the rolling stock, which, due to the high average age of vehicles, does not meet modern requirements of public urban passenger transport, while the average age of buses for road passenger transport is about 15 years. Implementation of the project "Procurement of buses for Polet d.o.o. Vinkovci" company Polet d.o.o. has renewed its fleet with seven new solo city low-floor buses to improve public transportation, increase passenger safety, and reduce air pollution and CO2 emissions for environmental protection. Osijek, as the largest city in the area of the functional region, procured 12 state-of-the-art low-floor buses with EU funds. Today, it has a total of 38 buses in its fleet, of which 27 vehicles are adapted for people with reduced mobility. An important element of the public transport offer is the charging system. In the area of Eastern Croatia, the City of Osijek is the most developed. Payment for the public transport service in the area of the City of Osijek is made through individual tickets, daily tickets, contactless magnetic cards called BUTRA and using the Smartica mobile application. The Smartica mobile app allows passengers with smartphones to access and use the mobile app to purchase, activate, sign up for transfers and validate digital travel tickets in public city transport.

The road network, as a basic element of public bus transport, is of relatively poor quality and needs reconstruction. However, the road network offers a solid basis for the development of bus

¹⁰⁰ Sveučilište u Zagrebu Fakultet prometnih znanosti, SUSTAINABLE URBAN MOBILITY PLANS - SUMP, 2014, HYPERLINK "<https://www.fpz.unizg.hr/zgp/wp-content/uploads/2015/02/Zbornik-Planovi-odrzive-urbane-mobilnosti-SUMP-Zagreb-lipanj-2014-ISBN-978-953-243-067-7-.pdf>"

¹⁰¹ FRIH – Functional region of Eastern Croatia

passenger transport. The problems of the road network, especially outside urban agglomerations, are attitudes characterized by a lack of equipment for the establishment of quality public transport. A bigger problem with the offer of public transport is the number of daily departures, which is minimal outside urban areas and along railway corridors. The area of Eastern Croatia is relatively well covered by the railway network - the lines of Eastern Croatia make up a total of 28.5% of the HR railway network. Upgrading and electrification will enable an increase in the volume of railway traffic and transshipment of goods in Vukovar and better connection of railway passenger transport of Vukovar-Srijem County with the main transport corridors and other counties and will have a particularly positive impact on travel comfort and safety. With the modernization of the Vinkovci - Vukovar section, it will be capable of train speeds of a maximum of 120 km / h, which will reduce travel time by about 50 percent and the journey in passenger transport will last 20 minutes, and in freight 30 minutes. Electrification of the section will ensure more economically and energy-efficient and environmentally sustainable railway transport. The grant agreement for the modernization of this railway section was signed on May 21. 2018 by the Ministry of the Sea, Transport and Infrastructure, the Central Agency for Financing and Contracting of EU Programs and Projects (CFCA) and VSŽ: HŽ Infrastructure Limited Liability Company for Management, Maintenance and Building of Railway Infrastructure.

When it comes to cycling as a mode of transport, it is necessary to point out several characteristics of the bicycle path system in the program area of the Republic of Croatia: a small number of bicycle roads and routes, disconnection of existing bicycle routes into a complete system, inadequate approach to resolving property relations. In settlements, street profiles are often narrow and there is not enough space to build bicycle infrastructure and many others. Even in Osijek, which boasts the most bicycle paths in Croatia, many times it is a separate part of the sidewalk, sometimes the path is far from the prescribed meter width for one direction, sometimes the paths have a sudden break. The unsuitability of the cycling tourism infrastructure for users of road and even hybrid bicycles was noticed, visible through the fact that a significant number of routes were traced on relatively poor macadam roads and forest roads suitable only for the use of mountain bikes.¹⁰² Despite the fact that the routes are not fully marked or have all the necessary signalization, in recent years there has been an increasing traffic of cyclists on these routes, which is a very positive indicator of expected development, if the infrastructure develops in the desired direction.¹⁰³ The number of bicycle owners in the functional region is higher than in the rest of Croatia.

¹⁰² Institute of Tourism, Cyclo tourism Action Plan, 2015, https://mint.gov.hr/UserDocsImages/arhiva/151014_AP_cikloturizam.pdf

¹⁰³ Osijek-Baranja County, Operational plan for the development of cycling tourism, http://www.obz.hr/hr/pdf/2018/8_sjednica/08_2_operativni_plan_razvoja_cikloturizma.pdf

Table 29. Share of bicycle paths in the program area of the Republic of Croatia

Program area of the Republic of Croatia	Cycle Routes	Mapped Ways (km)
Požega-Slavonia	360	128,44
Požega	161	11,102
Osijek-Baranja	1,107	107,167
Osijek	466	91,319
Brod-Posavina	439	47,052
Slavonski Brod	213	25,811
Vukovar-Srijem	311	86,047
Vinkovci	81	21,607

Source: <https://www.bikemap.net/>

b. Serbia

To improve urban mobility, Serbia has adopted the Strategy for Sustainable Urban Development of the Republic of Serbia until 2030¹⁰⁴ in accordance with the UN New Urban Agenda and the Urban Agenda for the EU. This Strategy, among other things, sets strategic goals in the field of urban mobility.

AP Vojvodina has the densest network of highways, railways, navigable rivers, and canals in Serbia. The most frequent traffic is performed on roads of regional and international importance. Two highways of international importance (E-75 and E-70) were traced through the territory of AP Vojvodina. 96% of passengers and 70% of passenger km are related to daily movements, mainly in urban areas. Population mobility in the Republic of Serbia is two to three times less developed compared to European countries.¹⁰⁵ At the same time, about 96% of all passengers are everyday migrants in urban areas. Approximately two thirds of all trips are made by public urban or suburban passenger transport, while the rest are intercity movements. There is a noticeable unevenness of travel in urban settlements, where about 95% of performances travel to the six largest urban settlements in the Republic of Serbia.

AP Vojvodina has a railway network with a total length of 1,735 km, which is 45% of the total length of railways in the Republic of Serbia.¹⁰⁶ Passenger traffic is organized on 60.4% of the railway. It is unfavourable that in the Republic of Serbia there are few double-track railways (276 km or 7.2%), while in the situation of APV it is even worse (97 km or 5.6%). About 50% of the main railway lines in AP Vojvodina are located on Corridor X and its branch Hb. Regional railways are 483 km long (27.8%), local 381 km (22%), there are 149.5 km of shorter railways and 228 km of railways that are faulty. The most important railway routes are the sections from Subotica via Novi Sad to

¹⁰⁴Official Gazette of RS, STRATEGY sustainable urban development of the Republic of Serbia until 2030, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/strategija/2019/47/1/reg>

¹⁰⁵Chamber of Commerce and Industry of Vojvodina, <https://www.pkvr.rs/2004/09/28/saobracaj/>

¹⁰⁶Agency for Regional Development of AP Vojvodina, <http://vojvodina-rra.rs/en/vojvodini.html>

Belgrade, the section from Šid to Belgrade, and the section from Belgrade to Kikinda. There is a noticeable multi-year decline in the volume of passenger transport, mostly caused by the frequent suspensions of the services due to infrastructure modernization projects and recently due to COVID-19 pandemic. Only a third of Serbia's railway network (33%) is electrified. As a consequence of poor and outdated infrastructure, on about 60% of the railways of AP Vojvodina, the speed of trains is up to 80 km/h, and only on 7.5% of the network speeds are higher than 100 km/h.

Freight transport is characterized by high technological obsolescence, neglect, insufficient number of unsuitable structures for transport needs and a high degree of immobilization ranging between 26% and 61%. However, in previous few years certain positive moves have been made such as the commitment to renovation of the rolling stock, especially in passenger transport (procurement of new diesel and electric multiple units).

Table 30. Number of tracks and lengths in the Republic of Serbia, 2019¹⁰⁷

Railway stations	525
Effective length of tracks, km	3323

At the national level, Serbia has a good level of preparation in the field of transport. During the reporting period, the European Commission noted some progress in the field of road safety and railway reform. However, the 2019 recommendations are only partially addressed in full. To further improve transport infrastructure, they need to continue the process of railway reform, by regulating the contractual relationship between infrastructure managers and operators in a cost-effective and transparent manner, further implementing adopted legislation and strengthening institutional capacity. Also, they should continue to implement connectivity reform measures, in particular the improvement of intelligent transport systems (define a strategic framework, adopt legislation, and improve implementation and enforcement capacity). There is no specific legislation on combined transport. For the second year in a row, Serbia is allocating funds to promote the development of combined transport. There is currently no information on the construction of an intermodal terminal in the program area of the Republic of Serbia.¹⁰⁸

In the Republic of Serbia, bicycle traffic is almost exclusively reserved for the AP Vojvodina, while in the rest of the country it is mainly reduced to recreation. The role of pedestrian movement varies depending on the size of the urban settlement and its existence by public city transport.

¹⁰⁷Statistical Office of the Republic of Serbia, STATISTICAL YEARBOOK, 2020, HYPERLINK "<https://publikacije.stat.gov.rs/G2020/PdfE/G20202053.pdf>"<https://publikacije.stat.gov.rs/G2020/PdfE/G20202053.pdf>

¹⁰⁸ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/serbia_report_2020.pdf

Table 31. Share of bicycle paths in the program area of the Republic of Serbia

Program area of the Republic of Serbia	Cycle Routes	Mapped Ways (km)
AP Vojvodina	1606	213,753
Novi Sad	485	53,574
Subotica	136	8,756
BačkaPalanka	130	15,839
Sombor	79	9,598
Mačva District		
Šabac	23	2,846
Bogatić	5	658
Vladimirci	2	319
Krupanj	7	74

Source: <https://www.bikemap.net/>

To achieve the sustainability of the transport sector as a whole, it is important to increase interoperability, which will enable the potential of each mode of transport to be exploited, in particular modal modifications to active travel (cycling and walking), public transport and / or joint mobile mobility schemes.¹⁰⁹

3.4.4. Conclusions and recommendations

To start with the railway network in both countries is very outdated and unmodernized, as well as poor interregional connected, and thus a weak contribution to the development of the trans-European network. Poorer road safety and high mortality rates are problems that the program area countries also share. Road traffic is by far the most developed in Croatia due to modernized roads and a relatively dense network of motorways. The key advantages of the development of the program area are manifested through the potential for production of alternative fuels from domestic materials already used in other sectors, well-developed road traffic in Croatia which needs to be regularly maintained and monitored. The variety of possibilities in terms of forms of transport, given the geographical location (river, air, road, rail) can create more opportunities for the integration of several forms of transport. The advantage is the favourable terrain and temperate climate as favourable conditions for the development of active walking and cycling and encouraging sustainable mobility.

Potentials for cross-border cooperation are reflected in opportunities for interregional cooperation in joint access to railway infrastructure and better interconnection between countries by rail, border crossings and their modernization, encouraging cross-border intermodal traffic. In

¹⁰⁹Orientation Paper, D.3.: 21.

terms of railways, the issue of better connections and overall improvement of the quality of the network and services is clear, but potential impact of the cross-border programme is limited due to financial limits and jurisdiction of the national level. However, it is very important that transport integration connections are developed, especially by rail. It is necessary to develop the potential of multimodal transport by integrating several types of transport as a precondition for sustainable transport and to increase the share of RES in transport.

3.5. Social Europe

Description of current state in key analysis areas

The main topics of this specific objectives are mainly determined by the regulations of the European Social Fund plus (ESF +), and they concern employment, education, health and social policy reforms. The goal of the ESF+ is a high level of employment, fair social protection and a skilled and resilient workforce that meets the needs of the labour market and is ready for the future world of work, i.e., the implementation of the principles defined by the European Pillar of Social Rights. This also includes and gives special attention to the following areas:

- Upskilling and reskilling opportunities
- Education and training: with special focus on the role of Vocational Education and Training
- Active inclusion, material deprivation and integration of third-country nationals
- Transition to community-based social services
- Active and healthy ageing, health care and long-term care system
- Moving away from hospital-centred model towards stronger primary care
- Better coordination of healthcare, social care and long-term care

In addition to the above mentioned, under this specific objective the areas of tourism and culture shall be addressed with special emphasis on the inclusive services and access to cultural and tourism content by the most vulnerable group of people. Therefore, the structure of the analysis follows these key areas of labour market and education, integration of marginalised groups in different categories and finally tourism and culture infrastructure and potential.

3.5.1. Labour market infrastructure

a. Croatia

The Croatian Employment Service is a central, public institution owned by the Republic of Croatia, constituted under Law on mediation in employment and entitlements during unemployment, aimed at resolving employment and unemployment related issues in their broadest sense. In this context it is the only official and relevant infrastructure dealing with the labour market together with the Ministry of Labour, Pension System, Family and Social Policy. The Ministry has its own Directorate for Labour Market and Employment that performs administrative, expert, analytical tasks related to the labour market and employment policies, drafts legal opinions regarding the application of regulations in the field of labour market and employment, prepares draft laws, by-laws and strategic documents in the field of development of the labour market and employment in cooperation with other ministries. The Croatian Employment Service has also formed Centers for Career Information and Counselling (CISOK) whose aim is to enhance the personal potential of users for lifelong career development. At CISOK, it is possible to get advice related to finding and creating professional opportunities and improving job search techniques. CISOK's mission is to provide career guidance services to the wider community to be able to select appropriate education, employment and contribute to the development of the community and the economy at the local and national level. Similar to CISOK's, there are Centers for Information and Vocational

Counselling (CIPS), a service offered by the regional services of the Croatian Employment Service to anyone who needs information on employment opportunities, the situation on the labour market, occupations, and educational opportunities.

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

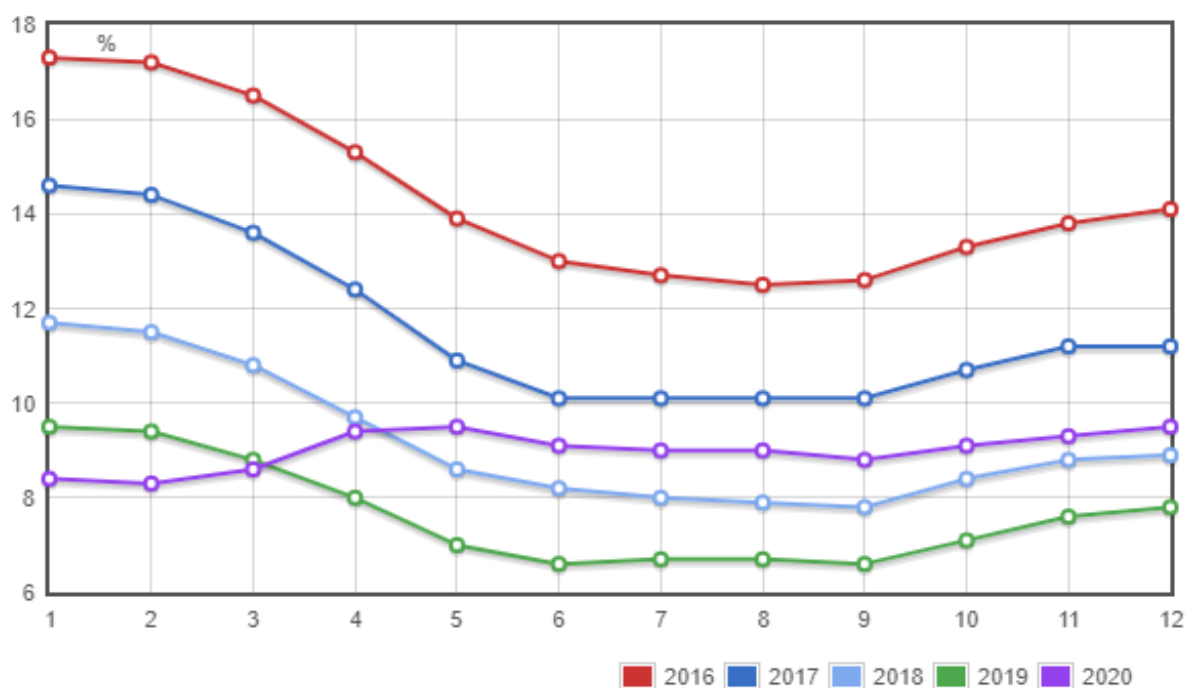
Croatia has number of active labour market programmes (currently), as follows:

- Self-employment - helping to start a new business with a grant.
- Business expansion - for beneficiaries of self-employment support for new products, services, work units.
- Recruitment - Co-financing the cost of salaries to employers to hire new workers.
- Gaining first work experience / internship - real/public sector - initiative to help take the first steps in the real sector labour market.
- Education of the unemployed and other job seekers - acquisition of competencies for new employment or job retention.
- Training - training grants for employees
- On-the-job training - Acquisition of practical knowledge and skills in a specific profession (with an employer's certificate or a public certificate of competency).
- On-the-job training and adult education institutions - acquisition of practical knowledge and skills to perform the tasks of a particular job or work in the profession in a real economic environment.
- Education for basic skills of personal and professional development - Acquisition of practical knowledge and skills of unemployed skills needed for active inclusion in the labour market.
- Permanent seasonal - Financial support to seasonal workers during the period when they are not working.
- Public work - Grants for community service initiated by the local community or civil society organizations.
- Public work - eliminating the consequences of an earthquake disaster, employment of unemployed persons residing in vulnerable areas.
- Preservation of jobs - Regular grants to preserve jobs in the textile, clothing, footwear, leather, and wood production sectors.
- Preservation of jobs (COVID 19) - measure to reduce temporary business difficulties due to Covid-19 circumstances, grants to preserve the jobs.
- Shortening working hours / waiting for work - for shortened work up to 90% of the monthly fund hours.

Looking at the numbers, the overall employment rate in Croatia remains one of the lowest in the EU: only 46.9 % of the population older than 15 and only 65.2 % in the age-group 20-64 were employed in 2018, higher only than in Greece and Italy. Croatia also faces a rather low activity rate among the working-age population. For those aged 20-64 the activity rate stood at 71.0 % in 2018, the second lowest in the EU, with EU-28 average standing at 78.4 %.

The overall unemployment rate more than halved since its peak in 2013, from 17.3 % to 8.5 % in 2018, while around 6.9 % of the active population was available for work but not actively seeking it. However, this was still one of the highest unemployment rates in the EU, following Greece, Spain, Italy, and France. Slightly more than 40% of the unemployed are considered long-term unemployed. In addition, there are large regional differences in unemployment and labour market conditions in general, with the Eastern part of Croatia being in the most unfavourable situation - see Regional level.

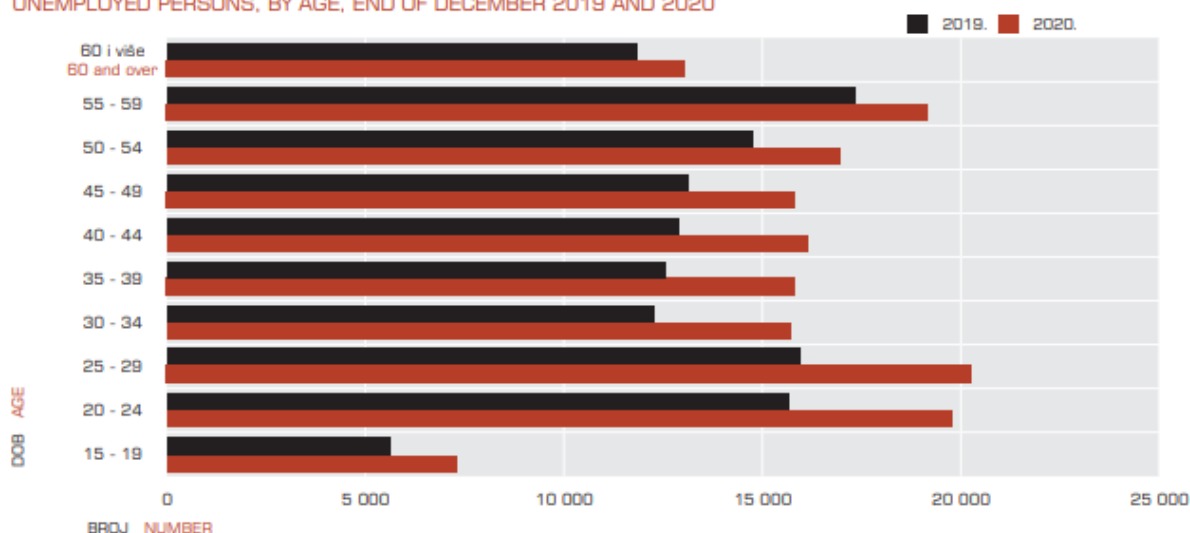
Graph 4. Registered unemployment rate in the Republic of Croatia¹¹⁰



¹¹⁰DZS, Registered unemployment rate in the Republic of Croatia, https://www.dzs.hr/app/rss/kljucni_m.html

Graph 5. Statistical bulletin¹¹¹

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



b. Serbia

The Ministry of Labour, Employment, Veterans' Affairs and Social Affairs performs state administration tasks related to employment in the country and abroad; sending unemployed citizens to work abroad; monitoring the situation and trends in the labour market in the country and abroad; employment records; promotion and encouragement of employment; strategy, program and measures of active and passive employment policy. Also, it is in charge of exercising its rights based on unemployment insurance, other rights of unemployed persons and redundant employees; preparation of a national qualification standard and proposing measures for the improvement of the adult education system. In the Ministry, the Sector for Labour and Employment is in charge for records in the field of work and unemployment as well as policy making in the field of labour and employment.

As in Croatia, the central institution dealing with unemployment is the National Employment Service that is made of Directorate, two Provincial Services, 34 branches, 21 services and more than 120 branches in all districts in the Republic of Serbia, making a wide distributed network providing different services. The Employment Service has formed Centers for Information and Vocational Counselling (CIPS) that include the following services:

current information on the world of work, education and employment, self-service system for information and assessment of personal capacities and professional interests, access to the Internet and job search engines, career planning assistance, etc.

The state has issued new measures for employment, especially youth. The first measure is the programme "My First Salary", which aims to help those who have finished high school or college to find their first job, so that for 10,000 young people, the state will cover part of the cost of their

¹¹¹ HZZ, Statistical bulletin, 2020

salary. In this way, the state wants to motivate young people to find a job as soon as possible, and on the other hand to facilitate the decision of employers to hire them.

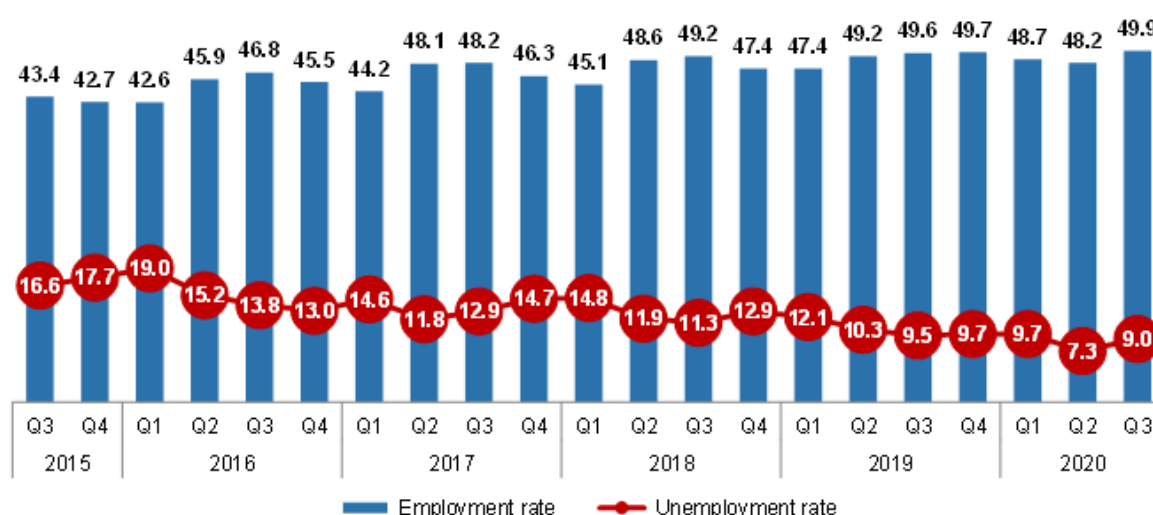
In addition, the state allows those who do not have a job to receive additional training, to master new skills and knowledge, in to get a job. For the areas of information technology, graphic design, and digital marketing, it will be possible to continue additional qualifications of staff thus saving funds for the companies. For employers who employ those who have not had a job so far, the state offers benefits, namely a write-off in the amount of 100 percent of the contribution in 2020, while next year the write-off will be 95 percent, and in 2022 85 percent. In addition, the state reduced payroll tax obligations by 70 percent in the first year, 65 percent in the second and 60 percent in the third year.

The program of economic measures to reduce the negative effects caused by the Covid-19 virus pandemic and support the Serbian economy includes the following measures:

1. the first set of measures presupposes, for the most part, the postponement of the payment of due tax obligations, with later repayment in instalments, at the earliest from the beginning of 2021.
2. The second set of measures refers to direct payments to companies, payment of aid in the amount of the minimum wage for entrepreneurs, micro, small and medium enterprises, or subsidies of 50% of the minimum wage to large companies, whose employees are sent on forced leave due to reduced business volume or complete suspension work.
3. The goal of the third set of measures is to preserve the liquidity of economic entities in the conditions of the economic crisis expected during and after the end of the emergency situation caused by the Covid-19 virus pandemic.
4. The fourth set of measures refers to the payment of direct aid in the amount of 100 euros in dinar equivalent to all adult citizens of the Republic of Serbia.

The unemployment statistics in Serbia is being measured by two entities that have different numbers regarding unemployment given the different methods of calculation. However, the numbers are decreasing, showing that the current unemployment rate is 9% (3rd quartal 2020), while the employment rate is 49.9. Unemployment of young people (15 - 24) is still high and amounts to 26,5%.

Graph 6. Unemployment rate in Serbia¹¹²



c. Regional level

Slavonia's labour market has started to tighten, with registered vacancies now exceeding the number of job seekers for highly educated as well as some unskilled and semi-skilled occupations. However, inactivity and unemployment remain high. In 2017, the share of the working-age population in work was only 51%, 10 percentage points below the rest of Croatia (61 %) and 17 percentage points below the 2017 EU28 average. A legacy of war, limited availability of care services, and especially lower education levels explain an important part of Slavonia's much higher inactivity and unemployment.

On the demand side, labour productivity in Slavonia's firms is systematically lower than in the rest of the country (except in agriculture and forestry), also consistent with Slavonia's sizable wage gap. This, together with general disenchantment of the Slavonian population with the economic and business environment, has prompted outmigration. At the same time, a small number of firms also outperform their sectoral competitors elsewhere in Croatia, signalling Slavonia's potential. Looking ahead, private sector job creation remains a top priority, especially focusing on Slavonia's lower educated, who make up the bulk of the unemployed and inactive. This especially requires a reduction in the regulatory burden and an increase in Slavonian firms' competitiveness, which will also help to close the substantial wage gap with the rest of Croatia. Given the large share of its population in agriculture and forestry-related activities (close to 30 percent), Program Slavonia's current focus on agriculture and forestry is clearly warranted. With Slavonia's longstanding history and labour force experience in manufacturing and the rising number of vacancies in this sector, so is attention to manufacturing.¹¹³

¹¹²Statistical Office of the Republic of Serbia, Unemployment rate in Serbia, 2020, <https://www.stat.gov.rs/en-US/oblasti/trziste-rada/anketa-o-radnoj-snazi>

¹¹³Christiaensen, Luc; Ferre, Celine; Ivica, Rubil; Matkovic, Teo; Sharafudheen, Tara., Jobs Challenges in Slavonia, Croatia – A Subnational Labor Market Assessment (English). Jobs Working Paper; issue no. 35 Washington, D.C. : World Bank Group, 2019, <http://documents.worldbank.org/curated/en/554611566303661972/Jobs-Challenges-in-Slavonia-Croatia-A-Subnational-Labor-Market-Assessment>

Table 32. Unemployment rate

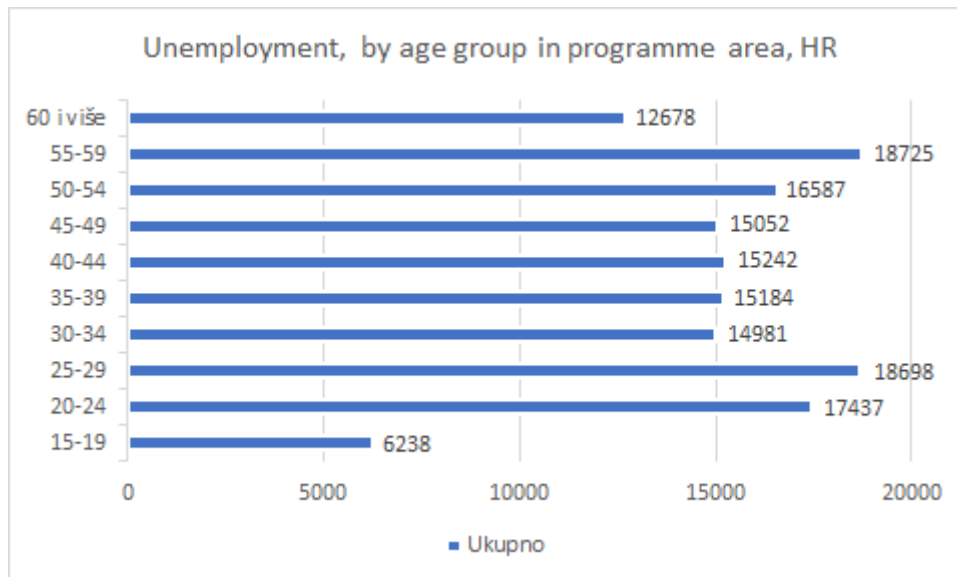
Unemployment rate			
County	2017	2018	2019
Vukovar-Srijem	25,1	20,5	16,0
Brod-Posavina	22,4	19,9	15,7
Požega-Slavonia	19,0	16,5	12,7
Osijek-Baranja	24,9	21,2	17,6
Croatia - total	13,9	11,1	9,1

Table 33. Average number of unemployed

Average number of unemployed			
County	2017	2018	2019
Vukovar-Srijem	11.569	8.782	6.642
Brod-Posavina	8.545	7.026	5.820
Požega-Slavonia	3.646	2.873	2.389
Osijek-Baranja	23.453	19.113	16.193
Croatia - total	193.967	153.542	128.650

Table 34. Population by age in the counties of the program area of the Republic of Croatia

Year	2020										
Age	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 and more	TOTAL
County											
Požega-Slavonia	194	459	366	252	288	275	267	298	304	171	2.872
Brod-Posavina	437	893	757	629	612	659	687	745	859	453	6.732
Osijek-Baranja	834	2.239	2.055	1.606	1.687	1.629	1.632	1.940	2.207	1.542	17.369
Vukovar-Srijem	442	1.082	963	710	741	757	773	816	881	441	7.606
Total - programme area, Croatia	6.238	17.437	18.698	14.981	15.184	15.242	15.052	16.587	18.725	12.678	150.824



The Croatian Unemployment office has regional branches in the programme area, as follows:

- Regional office Osijek
 - Local office BeliManastir
 - Local office DonjiMiholjac
 - Local office Đakovo
 - Local office Valpovo
 - Local office Našice
- Regional office Slavonski Brod
 - Local office Nova Gradiška
 - Local office Okučani
- Regional office Vukovar
 - Local office Ilok
- Regional office Vinkovci
 - Local office Županja
 - Local office Otok
- Regional office Požega
 - Local office Pakrac.

In addition, in the area there are several centers for career information and counselling. As mentioned, the purpose of these is to increase the availability and quality of lifelong guidance services and to encourage the involvement of all persons interested in improving career development skills. The Center for Career Information and Counselling (CISOK) Osijek is a central place intended for lifelong professional guidance and career development with the aim of increasing the competitiveness of the workforce in the local labour market. Services available at the CISOK office in Slavonski Brod and Vukovar include information and advice on:

- educational opportunities
- requirements of individual occupations
- regular school system
- adult education opportunities
- enrolment in high school and college
- scholarship terms
- student accommodation
- employment opportunities
- labour supply

Finally, there is also a Local Partnership for Employment (LPZ) in the Republic of Croatia, which operates in the program area within the Vukovar-Srijem, Brod-Posavina, and Požega-Slavonia counties. LPZ provides recommendations and opinions in the field of labour, employment, and education, improves cooperation of stakeholders in the labour market, promotes partnership as a quality way to solve the problem of matching supply and demand in the labour market and adopts and monitors the implementation of the County Human Resources Development Strategy. LPZ as a body, but also its individual members encourage and participate in projects aimed at human resources development.

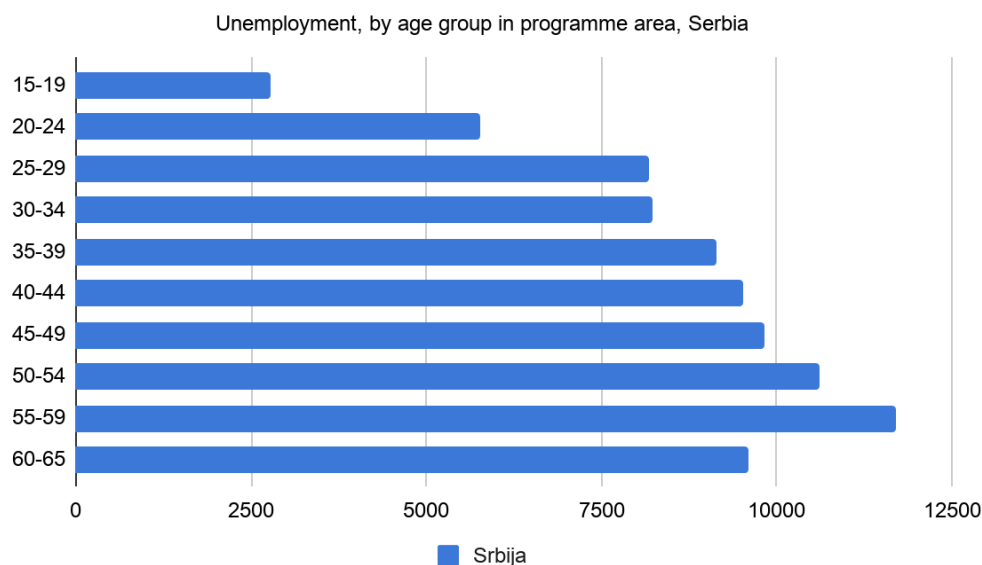
The programme area in Serbia also suffers from the problems of unemployment, but relative to other regions in Serbia, it has more positive numbers compared to the South or East part of the country and shows a decline in unemployment by 1,4 percent point in 2019. The region, compared to others, has also the lowest unemployment rate among young people (15-24) that amounts to 22,3% (27,5% in Serbia in 2019). However, majority of contracts are still on fixed period, and the rate of unemployment jumps higher in the unskilled workforce.

Table 35. Unemployment rate by district in the program area of the Republic of Serbia

Unemployment rate			
District	2017	2018	2019
Srem District	14%	12,3%	11,6%
South Bačka District	11%	10,1%	7,4%
West Bačka District	12,8%	12,3%	10,3%
North Bačka District	10,7%	6,9%	8,1%
Mačva District	9,9%	10,9%	10,8%

Table 36. Unemployment by age - Serbia

Year	2020										
Age	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-65	TOTAL
District											
Srem District	438	915	1.185	1.130	1.166	1.189	1.308	1.504	1.800	1.654	12.289
South Bačka District	763	1.728	3.103	3.098	3.531	3.524	3.462	3.604	3.949	2.995	29.811
West Bačka District	463	840	1.062	1.163	1.276	1.378	1.465	1.815	1.883	1.398	12.743
North Bačka District	325	549	646	645	698	740	767	862	997	854	7.123
Mačva District	796	1.734	2.176	2.189	2.475	2.689	2.812	2.837	3.071	2.684	23.463
Total Programme Area-Serbia	2.785	5.766	8.172	8.225	9.146	9.520	9.814	10.622	11.700	9.585	85.429



The Serbian unemployment service, like in Croatia, has regional branch offices in the programme area that have specific services such as: Mediation and employment fairs, professional orientation and career planning, education and training on employment, and entrepreneurship, subsidies etc.

- Subotica (branch office in Bačka Topola and Mali Idoš)
- Sombor (branch offices in Apatin, Odžaci and Kula)
- Novi Sad (branch offices in Bački Petrovac, Beočin, Žabalj, Bečej, Srbobran, Titel, Temerin, Bač, Bačka Topola and Vrbas)
- Sremska Mitrovica (branch offices in Irig, Indija, Pećinci, Ruma, Stara Pazova and Šid)
- Šabac (branch offices in Bogatić, Vladimirci, Koceljevo, Loznica, Krupanj, Ljubovija and Mali Zvornik).

In addition, the National Employment Service has formed Centers for Information and Vocational Counselling (CIPS), that give the following services:

- current information on the world of work, education, and employment
- self-service system for information and assessment of personal capacities and professional interests
- access to the Internet and job search engines
- career planning assistance.

In the programme area there are 3 CIPS offices:

- Novi Sad
- Sremska Mitrovica
- Šabac.

3.5.2. Education and training infrastructure

This section of the report has been analysed in the previous heading - skills for smart specialisation, specifically the education system in Croatia and Serbia. As mentioned, on the forefront of the education system in the programme area are Novi Sad university and Osijek university. These centres make a substantial contribution, particularly on a regional level, to linking industry and academic institutions and enabling knowledge transfer among them. In addition to the above analysed situation, there is a clear need for lifelong learning and education, i.e., adult education and informal education courses, so a short analysis of the area follows.

a. Croatia

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

Adult Education providers in Croatia seek to facilitate learning across the formal and non-formal learning, in a country with a relatively low rate of participation in adult learning. The validation of non-formal education is a major challenge in Croatia, alongside the provision of basic skill education. The state places a stronger focus on creating a culture of lifelong learning amongst its citizens and promoting continuing education to adults from all walks of life. At the moment, there are relatively few opportunities for adults with higher qualifications or currently in employment who want to participate in non-formal education. Therefore, there is a need to create more incentives for private companies and non-formal education providers to offer all individuals learning opportunities.¹¹⁴

b. Serbia

Adult education in Serbia manifests in the law on adult education that seeks to provide adults with a continuous acquisition of competences and qualifications for professional and personal development. Unfortunately, participation in adult learning remains low and there are no mechanisms to hold the government accountable. Fostering cooperation among the actors in the field is one of the main ways to make lifelong learning a reality in Serbia. There have been no new policies, except one reform that mainly promoted vocational adult education.

¹¹⁴Country reports, Challenges and recommendations in Croatia, 2019, <https://countryreport.eaea.org/croatia/croatia-reports-2019/Challenges%20and%20recommendations%20in%20Croatia%202019>

The participation rate of adults in some form of formal or non-formal education or training in 2016 was 19.8%, which is slightly higher than in 2011 (16.5%) but significantly below the average of EU member states (45.1%). In some form of education and training in the 12 months preceding the survey, women (21.4%) participate slightly more than men (18%). The participation rate is the highest among the population aged 25-34 - 29.2%. Most often, a woman, aged 25 to 34, with a higher education who is employed and lives in the city, participates in lifelong education.¹¹⁵

In the last couple of years, the priority areas and activities were as follows¹¹⁶:

1. Formal adult education (primary adult education, adult secondary education), part - time secondary education for students over the age of 17 and retraining and specialization.
2. Non-formal adult education.
3. "Accreditation and verification" - Publicly recognized organizer of activities adult education - JPOA.
4. Recognition of prior learning - Adoption of the Rulebook on prior learning.
5. Career guidance and counselling.

The priorities of non-formal adult education programs were:

- training programs for the labour market,
- digital literacy (ICT) programs,
- entrepreneurship programs,
- foreign language programs,
- programs in science and technology,
- environmental protection and ecology programs,
- programs for the development and preservation of safe and healthy working conditions,
- programs of creative and artistic expression,
- programs for acquiring or supplementing other knowledge, skills, abilities and
- attitudes.

¹¹⁵Republican Bureau of Statistics, Adult Education Survey, 2018. <https://www.stat.gov.rs/sr-latn/vesti/20180530-anketu-o-obrazovanju-odraslih/>

¹¹⁶ Erasmus+, Adult education in Serbia and a review of the implementation of the Upskilling pathways initiative in Serbia, EPALE national support team in Serbia Tempus Foundation, 24.09.2019https://epuo.acs.si/wp-content/uploads/2019/09/Obrazovanje_odraslih_u_Srbiji_i_osvrt_na_implementaciju_inicijative_Upskilling_pathways_u_Srbiji_Marica_Vukomanovic.pdf

c. Regional level

There are some organisations that work on the regional level and have been recognized as Publicly recognized organizer of activities adult education - JPOA, to name a few:

- Šabac Professional Development Center
- Science and technology centre NIŠ - NAFTAGAS d.o.o. - Novi Sad
- Education centre for training in professional and work skills - Novi Sad
- Agency Mijailović d.o.o. for production, trade, and services Inđija
- Asip Prevent d.o.o. - Novi Sad, Šabac, Bačka Topola
- Institute for Prevention, Occupational Safety, Fire Protection and Development d.o.o. Novi Sad
- People's University of Šabac.

In Croatia, the system of Public Open University is well developed, and there are a large number of programs available in different institutions, to name a few in all counties:

Brod-Posavina County - 425 programmes

- Industrial-Craft High School,
- Public Open University Brod
- Public Open University AMC Nova Gradiška
- Moneo Adult Education Institution

Osijek-Baranja County - 684 programmes

- EDUNOVA - Adult Education Institution
- Public Open University IVAN Đakovo
- Public Open University MentoVocational High School Antuna Horvat ĐakovoHealth and Safety at Work Education Institution Didaktika
- Janus Adult Education Institution
- Public Open University Poetika

Požega- Slavonia County - 323 programmes

- Public Open University Obris
- Public Open University Link

Vukovar-Srijem County - 1175 programmes

- Vocational High School VUKOVAR
- STUDIUM Adult Education Institution
- Technical College, Vinkovci.

3.5.3. Integration of marginalised communities, migrants, and disadvantaged groups

a. Croatia:

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

Independent institutions for the protection of human rights:

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

Within the state administration, special bodies have been established with the aim of promoting and advancing the system of human rights protection. Human rights or especially sensitive groups' issues are handled by specially founded national bodies established for this purpose:

- Government's Commission for Human Rights
- Government's Commission for Monitoring the Implementation of the National Program for the Roma
- Commission for Disabled Persons
- Council for Development of Civil Society
- National Minorities Council, etc.

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

- CSO in human rights

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

- Poverty

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

social exclusion, different forms of material deprivation, and, consequently, discrimination. These include older people; single households; one-parent families; families with more than two children; children without adequate parental care; individuals with lower education; persons with disabilities; Croatian war veterans and victims of war and members of their families; returnees and displaced persons; and ethnic minorities (mainly Roma and Serbs). Poverty in Croatia is stagnant and slightly decreasing over time —those who become poor need a long period to escape from poverty. The inactive and unemployed are the dominant groups of the poor in Croatia.¹¹⁷

According to the Survey data provided by the Croatian Statistic Bureau, the at-risk-of-poverty rate in 2019 was 18.3%. The at-risk-of-poverty threshold for a one-person household amounted to 32 520 HRK per year in 2019, while for a household consisting of two adults and two children younger than 14, it was 68 292 HRK per year. At-risk-of-poverty threshold rate amounted to 10.6% in 2019 and implies that a smaller number of people were at risk of poverty in 2019 than in 2012, when the at-risk-of-poverty rate was 20.4%. The at-risk-of-poverty rate, by age and sex, was the highest for persons aged 65 years or over and amounted to 30.1% in 2019. The lowest at-risk-of-poverty rate was recorded for persons aged from 25 to 54 and amounted to 12.9%.¹¹⁸

- Elderly

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

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

- National minorities:

The Government of the Republic of Croatia directly implements the policy in the field of the rights of national minorities through the Office for Human Rights and the Rights of National Minorities.

According to the 2011 census, 4,284,889 inhabitants were registered in the Republic of Croatia, of which 328,738 belonged to national minorities as follows: Albanians 17,513 (0.41%), Austrians 297 (0.01%), Bosnians 31,479 (0.73%), Bulgarians 350 (0.01%), Montenegrins 4,517 (0.11%), Czechs 9,641 (0.22%), Hungarians 14,048 (0.33%), Macedonians 4,138 (0.10%), Germans 2,965 (0.07%),

¹¹⁷Poverty Alleviation: The Case of Croatia By Predrag Bejaković, Published: October 4th 2017, DOI: 10.5772/intechopen.69197 <https://www.intechopen.com/books/poverty-inequality-and-policy/poverty-alleviation-the-case-of-croatia>

¹¹⁸ CBC, INDICATORS OF POVERTY AND SOCIAL EXCLUSION, 2019, First release https://www.dzs.hr/Hrv_Eng/publication/2020/14-01-01_01_2020.htm

Poles 672 (0.02%), Roma 16,975 (0.40%), Romania 435 (0.01%), Russians 1,279 (0.03%), Rusini 1936 (0.05%), Slovaks, 4,753 (0.11%), Slovenes 10,517 (0.25%), Serbs 186,633 (4.36%), Italians 17,807 (0.42%), Turks 367 (0.01%), Ukrainians 1,878 (0.04%), Vlachs 29 (0.00) and Jews 509 (0.01%).

In 2011, 186,633 members of the Serbian national minority were registered in the Republic of Croatia. Most Serbs live in the Vukovar-Srijem, Osijek-Baranja, Sisak-Moslavina, and Karlovac counties.

Serbian National Council - National Coordination of the Council of the Serbian National Community in the Republic of Croatia is an association of the Serbian national minority which to protect and improve national cultural, linguistic and religious identity coordinates and harmonizes the interests of the Serbian national minority in the Republic of Croatia. Members of the Serbs elected 143 councils and 24 representatives of the Serb national minority. In the Croatian Parliament, the interests of the Serbian national minority are represented by the 3 representatives who are also members of the Council for National Minorities and participate in the decision-making on the allocation of funds for programs of associations and institutions of national minorities.

- Roma:

There are 24,524 members of the Roma national minority living in the 134 mapped locations across 15 counties in the Republic of Croatia, which is the first precise indicator of the volume of the Roma population in Croatia.¹¹⁹ Roma in Croatia are spatially, economically, and politically marginalised. There is a social gap between Roma minority and majority of the population. Prejudice and stereotypes against the Roma community are deeply rooted in the mind of the local community due to their insufficient knowledge of the Roma culture. Roma generally has poor access to healthcare, and most of them do not have medical records. As for the educational attainment of Roma, data show that Roma children are still rarely included in the preschool education system - the results of the research show that as many as 69% of Roma children aged three to six attends neither kindergarten nor preschool. 95% of Roma children aged 7 to 14 attend primary school, which almost meets the level of primary school coverage in the general population. However, additional work needs to be done on securing better educational attainment among Roma pupils (greater success at school, higher school completion rates and better educational outcomes). They rarely attend secondary school. Very small number of Roma students graduate at the Faculty level.¹²⁰

Key document in ensuring the rights of Roma minority is the National strategy for Roma inclusion 2013 - 2020.

¹¹⁹ Roma Inclusion in the Croatian Society - a Baseline Data Study, Zagreb 2018, <https://ljudskaprava.gov.hr/UserDocImages/dokumenti/Roma%20Inclusion%20in%20the%20Croatian%20Society%20-%20a%20Baseline%20Data%20Study.pdf>

¹²⁰ Lapat, G. and Miljević-Riđički, R. (2019), "The Education Situation of the Roma Minority in Croatia", Óhidy, A. and Forray, K.R. (Ed.) Life long Learning and the Roma Minority in Central and Eastern Europe, Emerald Publishing Limited, pp. 49-69. <https://doi.org/10.1108/978-1-83867-259-120191004>

- People with disabilities:

In the Register of Persons with Disabilities of the Croatian Institute of Public Health on January 23, 2020 496,646 persons with disabilities were registered. In relation to the number of persons with disabilities in working age - 211,078 of them, only 11,610 were listed as employed, which is still low. People with disabilities continue to be at increased risk of poverty, contributed by low education structure, mismatch of education with the needs of the labour market, weak share among employees, low income from work and pensions, and benefits intended for inclusion in the life of the community are predominantly used to meet basic living needs. No preconditions have been created for the exercise of the fundamental right to independent living and community life - ensuring accessibility and mobility, various available and accessible services, personal assistance, access to work and employment, material subsistence and housing. There have been factually no developments and progress in relation to deinstitutionalisation - for five years, no new state home has been transformed into a community service centre while foster care for adults (still) is considered an extra-institutional service. The area of accessibility is one of the highest priority areas in which persons with disabilities, their relatives and associations, address to point out the obstacles they face on daily basis. No preconditions have been created for the exercise of the fundamental right to independent living and community life - ensuring accessibility and mobility, various available and accessible services, personal assistance, access to work and employment, material existence and housing.¹²¹

- Migrants:

After the Western Balkans route was officially closed on the basis of the agreement between heads of states and governments in March of 2016, the Republic of Croatia began to strengthen its border, reception and asylum capacities in order to ensure an effective control of the longest land border of the European Union. Various measures have resulted in the control of the east border with Serbia, and progress on bringing the control of the border with Bosnia and Herzegovina and Montenegro to the same level. The Republic of Croatia completely met its resettlement requirements by resettling 152 Syrian nationals. As an additional solidarity measure, the Government of the Republic of Croatia passed a Decision on the resettlement of an additional 100 Syrian refugees from Turkey in October 2017.¹²²

According to Croatian Ministry of Interior, in the first eight months of 2019, 11,813 new migrants and asylum seekers were recorded, mainly from Afghanistan, Pakistan, and Turkey, an increase of more than 8,600 compared to the same period in 2018. In the same period 974 people claimed asylum and authorities approved 71 asylum requests, including 13 from 2018. Croatia reported that it blocked entry to 9,487 people at its borders in the first 8 months 2019.¹²³

¹²¹ Office of the Ombuds person for Persons with Disabilities, Ombudsman for Persons with Disabilities, Report on the Work of the Ombudsman for Persons with Disabilities, 2019, https://www.sabor.hr/sites/default/files/uploads/sabor/2020-08-24/161203/SAZETAK_IZVJ_PRAVOB_OSOBE_INVALIDITETOM_2019.pdf

¹²² European Commission, ANNUAL REPORT 2018 ON MIGRATION AND ASYLUM IN CROATIA NATIONAL REPORT (PART 2), https://ec.europa.eu/home-affairs/sites/homeaffairs/files/04a_croatia_arm2018_part2_en.pdf

¹²³ Human Rights Watch, <https://www.hrw.org/world-report/2020/country-chapters/croatia>

In November 2020 the European Commission adopted an Action Plan for Integration and Inclusion for the period 2021-2027, in which it sets out proposals in four areas: education, employment, housing and health to promote the integration and social inclusion of migrants and people with a migrant background. This will serve as a guideline for all member states in the development of new programmes and activities for integration.

- Centers for Social Work:

Social services defined by the Law on Social Welfare are:

1. first social service (information, identification, and initial needs assessment)
2. counselling and assisting
3. help at home
4. psychosocial support
5. early intervention
6. assistance in inclusion in education and regular education programs (integration)
7. organised stay
8. accommodation
9. family mediation and
10. organized housing.

In the Croatian programme area, although there are numerous efforts to decentralize the system of social care, this has not been the case given the fact that local governments don't have the financial resources to deal with the issue. Decentralization of social services and expansion of the network of service providers require the establishment of new ones, a quality control mechanism for the provision of services at national and / or regional level. Still there is a lack of bylaws that would prescribe in more detail the compliance of service providers with standards quality and pricing in relation to the content of the service.¹²⁴

b. Serbia:

The legislative and institutional framework for upholding fundamental rights is broadly in place. However, its consistent and efficient implementation still needs to be ensured. Human rights institutions need to be strengthened and their independence guaranteed, including via the allocation of the necessary financial and human resources.¹²⁵ There was little improvement in human rights protection in Serbia in recent years. War crimes prosecutions in domestic courts were slow and lacked necessary political support. The asylum system remained flawed, with low recognition rates.¹²⁶

¹²⁴The World Bank, Regional availability of social services in Croatia, 2019, <http://pubdocs.worldbank.org/en/276741604615006394/13-Regionalna-dostupnost-socijalnih-usluga.pdf>

¹²⁵ EUROPEAN COMMISSION, COMMISSION STAFF WORKING DOCUMENT, Serbia 2020 Report, Accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2020 Communication on EU Enlargement Policy, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

¹²⁶ Human Rights Watch Report – Country report 2019, Serbia, <https://www.hrw.org/world-report/2020/country-chapters/serbia/kosovo#>

Key stakeholders within the country dealing with minorities and human rights are as follows:

- Office for Human and Minority Rights
- Ministry of Education, Science and Technological Development
- Ministry of Public Administration and Local Self-Government
- Ministry of Justice
- National Councils of National Minorities in Serbia
- Civil society organisations

- CSOs in human rights

CSOs and human rights defenders continued to raise awareness about civil and political rights. This takes place in an increasingly polarised environment that is not open to criticism, with the authorities making negative statements, echoed by some media, about CSOs in general and on the funding of certain associations in particular.

- Poverty:

Poverty in Serbia is measured through two categories - as absolute and relative poverty. Absolute poverty implies the inability to meet basic, minimum needs, while the relatively poor cannot achieve a standard of living that is appropriate to the society in which they live.

In 2018, the absolute poverty line was RSD 12,286 per month per consumer unit, while 7.1% of the population of the Republic of Serbia consumed less than this amount (6,0% in AP Vojvodina). Poverty remains significant despite the registered decrease in the poverty rate compared to 2017 (from 7.2% to 7.1%). Around half a million citizens are unable to meet their basic existential needs. The basic poverty level did not change significantly in 2018 if compared to previous observed years. Poverty remains substantially more frequent in non-urban than in urban areas (10.4% compared to 4.8%),¹²⁷

Relative poverty or at-risk-of-poverty threshold is 15,600 dinars in Serbia and lower than in any member of the European Union, except in Romania. All those who have less than 15,600 dinars at their disposal per month are at risk of poverty. According to the Third National Report on Social Inclusion, this rate was reduced compared to the previous period, the at-risk-of-poverty rate in 2017 was 25.7 %. This means that a quarter of the population of Serbia, i.e., about 1.8 million people, live at risk of poverty.¹²⁸

According to age, those under 18 were most at risk of poverty - 28.9%, as well as those aged 18 to 24 - 25.6 %. The lowest poverty risk rate was for people over the age of 65 - 21.1%. According to the household type, the highest poverty risk rate was for persons in households consisting of two

¹²⁷ ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2018, http://socijalnoukljucivanje.gov.rs/wp-content/uploads/2019/10/Assessment_of_Absolute_Poverty_in_2018.pdf

¹²⁸ BBC News, 2019, <https://www.bbc.com/serbian/lat/srbija-47224710>

adults with three or more supported children – 51.9%, followed by persons in households consisting of single parents with one child or more supported children – 41.6%.¹²⁹

- Elderly:

In recent past, the region has undergone a significant demographic change in terms of migrations, increased aging and low birth rate. These changes have had a negative impact on vulnerable groups, such as the elderly. A fall in the number of residents of the region, combined with the average age of the population that is among the oldest in Europe, makes a strong argument towards better development of existing services and introduction of new ones, especially insufficient, non-institutional social welfare services. An effort needs to be done in expanding the community-based services, by opening additional ones, and overcoming the shortage of qualified service providers, by training caregivers. The goal is to enhance the quality of social, gerontology and geriatric care by introducing new facilities elderly care and introducing additional non - institutional services for the elderly.

- National minorities:

National minorities in Serbia, in addition to rights guaranteed by the Constitution to all citizens, also have additional rights that allow them to decide on certain matters related to their culture, education, information and official use of the language and script, in accordance with the law. For the purposes of the exercise of the rights to the self-government in culture, education, information and official use of languages and scripts, persons belonging to national minorities may elect their national councils. Persons belonging to 20 national minorities have formed their national councils: Bunjevci, Bulgarians, Bosniaks, Hungarians, Roma, Romanians, Ruthenians, Slovaks, Ukrainians, Croats, Albanians, Ashkali, Vlachs, Greeks, Egyptians, Germans, Slovenians, Czechs, Macedonians, Montenegrins.

The most numerous national minorities are Hungarians (most numerous in the AP Vojvodina), followed by Roma (Region of Southern and Eastern Serbia and AP Vojvodina) and Bosniaks (mostly in the Region of Šumadija and Western Serbia). There is also a significant number of Slovaks – 52,750, Croats – 57,900, Montenegrins 38,527, Vlachs – 35,330, Romanians – 29,332, Macedonians – 22,755, while the following minorities have numbers under 20,000: Bulgarians, Ruthenians, Bunjevci; a few thousand – Germans, Slovenians, Albanians, Ukrainians, and a few hundred – Poles, Ashkali and Greeks.

The Croatian National Council (HNV) is the highest representative body of Croats in the Republic of Serbia, elected to exercise the right to minority self-government. According to the last census from 2011, a total of 57,900 declared Croats live in Serbia (0.8% of the total population of Serbia), of which 47,033 in AP Vojvodina (2.4% of the population of AP Vojvodina), 7,752 in Belgrade (0.5% of the population), and in the rest of Serbia another 3,115. The Croatian national minority experiences unfavourable demographic trends. The high average age of 51.1 years, indicating a

¹²⁹Statistical Office of the Republic of Serbia, Poverty and Social Inequality, 2019, <https://www.stat.gov.rs/en-us/vesti/20201015-siromastvo-i-socijalna-nejednakost-2019/?a=0&s=0>

high death rate and negative natural growth, combined with migration (to the kinstate, mainly), cause permanent decline in the number of Croatian population (17%, or around 13000 fewer people than compared with the previous census).

- Roma:

According to the 2011 Population Census there are 147,604 Roma in Serbia, although Roma leaders continue insisting that the numbers are much larger (from 250,000 to 800,000) but are not reflected in the Census due to fear of many Roma of discrimination. Roma statistics indicate that 93% of Roma are amongst the poorest 40% of the population in Serbia; that 60.5% of the Roma live in extreme poverty; that, if employed, 85% work as skilled labourers and that 19% of Roma are illiterate and 70% are functionally illiterate.¹³⁰ However, international organisations estimate that this number is significantly higher at up to 500,000 people. Members of Roma communities are among the particularly needy and disadvantaged population groups in Serbia. They suffer discrimination and face higher risks of poverty. They are far less likely to find work than other jobseekers and often live in settlements where the provision of clean water, waste collection and sanitation services is either lacking or poor. In some cases, they have to wait longer for treatment at health centres and hospitals and they often suffer discrimination at school and in vocational education and training (VET).

Improving the health of Roma men and women and better access to health care protections for them are listed as a goal in the newly adopted Social Strategy Inclusion of Roma men and women in the Republic of Serbia for the period from 2016 until 2025.

- People with disabilities:

The results of the Census (2011) show that 571,780 people with disabilities live in Serbia out of a total of 7,186,862 inhabitants, representing about 8% of the total population. The largest number of persons with disabilities is still outside the labour market.

In March 2020, Serbia adopted a strategic framework regarding the rights of persons with disabilities, while a comprehensive strategy on deinstitutionalisation is still lacking. Serbia also adopted a mental healthcare strategy in November 2019; however, placement and treatment in social institutions of people with psychosocial and intellectual disabilities is still not regulated in accordance with the UN Convention on the Rights of Persons with Disabilities. There is also a lack of funding for developing community-based services, and for supporting licensed service providers and social services.¹³¹

- Migrants:

¹³⁰ROMA IDP PROFILING - SERBIA Desk Review Report, 2014, https://reliefweb.int/sites/reliefweb.int/files/resources/romaidps_desk_review_final.pdf

¹³¹ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

Between January and the end of August, Serbia registered 6,156 persons who submitted their intent to seek asylum, compared to 4,715 during the same period in 2018. Pakistanis comprised the largest national group in 2019, followed by Afghans and Bangladeshis. Only 161 people actually filed for asylum during the same period. By the end of August, the United Nations refugee agency UNHCR estimated that there were approximately 5,420 asylum seekers and migrants in Serbia. Many left Serbia for Bosnia and Herzegovina, aiming to reach an EU Schengen country via Croatia. Most asylum seekers and migrants are housed in 16 government-run reception centers across Serbia. Over the past decade, Serbia has only granted refugee status to a total of 69 people and subsidiary protection to 89.¹³²

- Centres for social work:

The total number of users in 2019 is 6.2% higher than in 2015. The largest number of users in 2019, both minors and adults, is from groups of the materially endangered.

During 2019, the Centers for Social Work, as a guardianship authority, intervened in order to protect children by separating a total of 1,005 children from their families. Share of children up to three years old separated from families is 21.2%. In 2019, a total of 121 children were adopted, which is 22.4% less than in 2015. year. Out of a total of 121 children adopted in 2019, 16.5% of children were adopted by foreign nationals.

In 2019, 3.2% more reports of domestic violence and violence among partners were registered, in relation to the number of applications in 2018. According to age structure, 55.2% of reports related to violence against adults, and 23.1% against children. When it comes to dealing with cases of reports of violence, in most cases CSR provided material, legal or professional advisory support. Number of children under 14 with criminal charges from the Prosecutor's Office decreased by 12.4% compared to previous year.¹³³

c. Regional level:

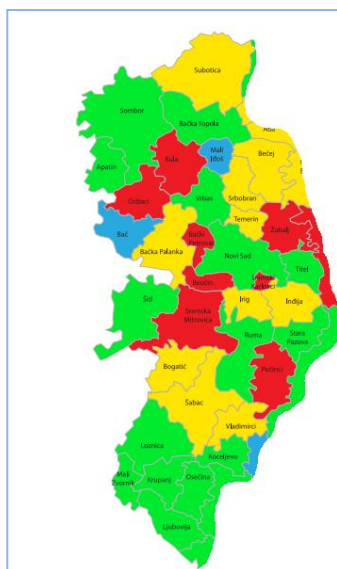
Looking at social services in the Serbian part of the area, social care services within the mandate of local self-governments in Serbia were not sufficiently developed and were unevenly available. The number of beneficiaries that received the services was small and the funds allocated for these purposes were also modest, while some services were inconsistent and unsustainable.

The map below shows the percentage of the budget in the local government for social service (2018). There are only 2 local governments (LC) with a share of budget for social services larger than 4.9% (marked blue). Majority of LCs are in between 2.5 - 4.9 % (marked green), some in the zone of 1.2% - 2.5% (marked yellow) and some lower than 1.2% (marked red).¹³⁴

¹³² Human Rights Watch, <https://www.hrw.org/world-report/2020/country-chapters/serbia>

¹³³ Republic Institute for Social Protection, REPORT ON THE WORK OF THE CENTERS FOR SOCIAL WORK FOR 2019, <http://www.zavodsz.gov.rs/media/1999/izvestaj-o-radu-csr-2019.pdf>

¹³⁴ Mapping Social Care Services and Material Support within the Mandate of Local Governments in the Republic of Serbia, http://socijalnoukljucivanje.gov.rs/wp-content/uploads/2020/09/Mapping_social_care_services_and_material_support_within_the_mandate_of_LSG_in_RS.pdf



In the Croatian programme area, although there are numerous efforts to decentralize the system of social care, this has not been the case given the fact that local governments don't have the financial resources to deal with the issue. Aggregate information about the percentage of local budget for social services is scarce:¹³⁵

Table 37. Percentage of local budget for social services - programme area Croatia

Osijek-Baranja County	6,2%
Vukovar-Srijem County	7,7%
Brod-Posavina County	7,6%
Požega-Slavonia County	7,8%

Source: ¹³⁶

Decentralization of social services and expansion of the network of service providers require the establishment of new ones a quality control mechanism for the provision of services at national and / or regional level. Still there is a lack of bylaws that would prescribe in more detail the compliance of service providers with standards quality and pricing in relation to the content of the service.¹³⁷

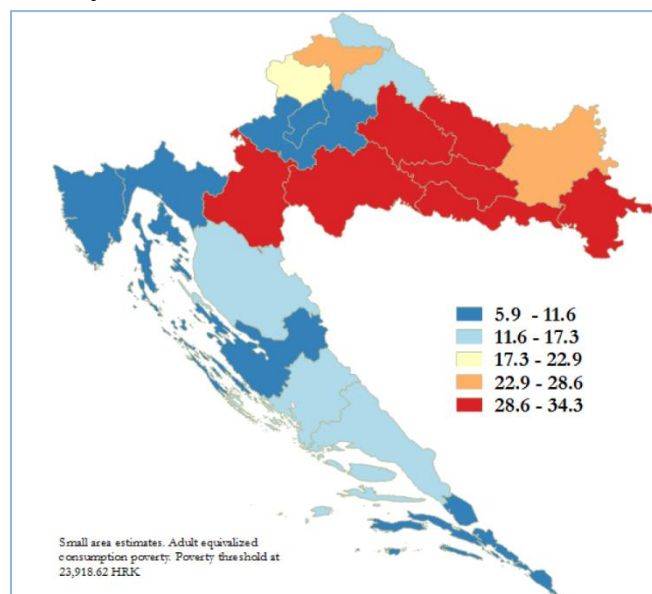
Looking at poverty in the programme area, for the Croatian side, the Strategy on Combating Poverty and Social Exclusion in Croatia (2014-2020) specifically cites taking a regional approach as

¹³⁵Ministry of Social Policy and Youth, UNION EMPLOYMENT AND SOCIAL SOLIDARITY PROGRAM, BENEFIT STRUCTURE, EXPENDITURE AND BENEFICIARIES OF THE SOCIAL PROTECTION PROGRAM IN THE REPUBLIC OF CROATIA, report within the project "SYNERGY SOCIAL SYSTEM 2016, https://bib.irb.hr/datoteka/807966.lzvjetaj_-_Publikacija_1.pdf

¹³⁶Ministry of Social Policy and Youth, UNION EMPLOYMENT AND SOCIAL SOLIDARITY PROGRAM, BENEFIT STRUCTURE, EXPENDITURE AND BENEFICIARIES OF THE SOCIAL PROTECTION PROGRAM IN THE REPUBLIC OF CROATIA, report within the project "SYNERGY SOCIAL SYSTEM 2016. https://bib.irb.hr/datoteka/807966.lzvjetaj_-_Publikacija_1.pdf

¹³⁷ The World Bank, Regional availability of social services in Croatia, 2019, <http://pubdocs.worldbank.org/en/276741604615006394/13-Regionalna-dostupnost-socijalnih-usluga.pdf>

part of a broader strategy to reduce poverty and social exclusion. Poverty in Croatia has a territorial dimension. The highest geographical concentration of factors influencing the share of people at risk of poverty can be found in small towns and settlements in the east and the southeast regions of the country - mainly along the border with Bosnia and Herzegovina (BiH) and Serbia (areas most affected by the War in 1990s), as well as in rural areas.



In the Serbian programme area, AP Vojvodina is below the national average of the poor by some margin (2nd after Belgrade region). The difference between urban and rural, as in other segments, still prevail.

Table 38. Overview of social diversity in the Republic of Serbia between urban areas and other areas

	2018 ¹³⁸		
	Percentage of the poor	Poor population breakdown	Total population breakdown
REPUBLIC OF SERBIA	7,1	NA	NA
Settlement type, %			
Urban area	4,8	40,3	59,4
Non-urban area	10,4	59,7	40,6
Regions, %			
Vojvodina Region	6,0	22,0	25,9

¹³⁸ Government of the Republic of Serbia, ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2018, <http://socijalnoukljucivanje.gov.rs/en/assessment-of-absolute-poverty-in-serbia-in-2018/>

Regarding human rights, the Vojvodina Center for Human Rights, a non-profit organization based in Novi Sad is the biggest organisation dealing with the issue. The Center's mission is to work for the protection and the promotion of human and minority rights; to empower people to realize their rights and monitor if they are implemented. On the Croatian side, Center for peace, non-violence and human rights Osijek is the most active CSO in area of human right, together with Croatian law centre (HPC). Their mission is building peace, protecting, and promoting human rights and freedoms, and promoting creative methods of conflict resolution at the individual, group and political levels.

Regarding minorities, AP Vojvodina is the most ethnically diverse region with the biggest number of national communities living there. The most numerous among them are Hungarians (13% of AP Vojvodina's total population), followed by Slovaks (2.60% of AP Vojvodina's total population), Croats (2.43% of AP Vojvodina's total population),¹³⁹ In view of territorial distribution, Croats are most numerous in Subotica and in Sombor, while the largest concentration is in municipalities of Apatin, Subotica, Bač, and Sombor (8%-10%).

On the other hand, Serbs in the Croatian programme area have a bigger part in the total population, from 2,6% up to 15,5% depending on the county.

Table 39. Percentage of minorities in total population - programme area Croatia

County	Total number	Percentage
Požega-Slavonia	4.680	6,00
Brod-Posavina	4.124	2,60
Osijek-Baranja	23.657	7,76
Vukovar-Srijem	27.824	15,50

In the Croatian programme area, the elderly is as in other parts of Croatia, becoming an even more dominant group, although this change is not as visible as in other parts. There is a significant number of care institutions, although the majority are institutional.

Table 40. Elderly in programme area - Croatia

County ¹⁴⁰	Change	Total number 65+	Institutions for the elderly	% of non-institutionalized care
Brod-Posavina	0,27	27.919	340	3,1%
Osijek-Baranja	5,37	54.299	380	3,4%

¹³⁹NATIONAL MINORITIES IN SERBIA'S RELATIONSHIP WITH THE NEIGHBOURS, The Status of National Minorities in Serbia and EU Negotiations: The Role of Neighbouring Countries, 2017, <http://fer.org.rs/wp-content/uploads/2019/07/NATIONAL-MINORITIES-IN-SERBIAS-RELATIONSHIP-WITH-THE-NEIGHBOURS.pdf>

¹⁴⁰ Andrija Stampar Teaching Institute of Public Health, 2020, https://www.stampar.hr/sites/default/files/Gerontologija/2020/Gerontostrategije/udjel_starijih_osoba_u_ukupnom_stanovnistvu_2011_-_2019.pdf

Požega-Slavonia	-0,45	13.937	40	4,4%
Vukovar-Srijem	1,58	31.173	260	3,2%
Total HR	11,37	844.867	5960	3,6%

The development of non-institutional services in some areas, such as Osijek-Baranja County, was encouraged through the activities of non-governmental organizations. Further development of social welfare services should include local needs assessment and coordinated planning through vertical cooperation of local, regional and national services with cross-sectoral cooperation, and in order to equalize the availability of necessary services. Several projects have been financed by the EU, through the open call Zaželi. In addition, several projects were financed under the previous cross-border cooperation programme: ReGerNet - Development of Social Care Services within the Regional Gerontology Network, Take Care! - Developing and improving health and social services for vulnerable groups and Support Life - Implementation of health and social services for vulnerable groups.

In the Serbian programme area, in AP Vojvodina there are 55 elderly care institutions with the licence from the Ministry. On the contrary, there are little or no services for the elderly that would provide non- institutional care.

Regarding persons with disabilities, based on last available data, 7,278 unemployed persons with disabilities were registered in AP Vojvodina, of which 2,279 were women (31%). The structure of unemployment is without significant changes: the most massive are over 40 years of age, 70% of them, 51% are without qualifications, while 5% of people with higher or higher education are disabled. Up to one year, 21% of the unemployed with disabilities have been waiting for a job, while 30% of those registered have been waiting for a job for more than 10 years. On the territory of AP Vojvodina, there are also 14 companies for professional rehabilitation and employment of PWDs, of which 12 are privately owned.¹⁴¹

In the Croatian programme area, the number of persons with disabilities is slightly under the Croatian average, as seen below:

Table 41. Number of persons with disabilities by counties in the program area of the Republic of Croatia

County ¹⁴²	Total number of people with disabilities	Percent in total population
Brod-Posavina	13.857	9,6
Osijek-Baranja	21.506	7,6
Požega-Slavonia	7.848	11,3

¹⁴¹Provincial Secretariat for Economy and Tourism, <http://www.spriv.vojvodina.gov.rs/index.php/lat/pocetna1/83-vesti-latinica1/369-povodom-medunarodnog-dana-osoba-sa-invaliditetom-3-decembar>

¹⁴²HZJZ, Izvješće o osobama s invaliditetom u RH, 2019, https://www.hzjz.hr/wp-content/uploads/2019/05/Osobe_s_invaliditetom_2019.pdf

Vukovar-Srijem	16.431	10,3
Total programme area HR	59.624	9,7
Total HR	511.281	12,4

The Osijek Regional Office for persons with disabilities started operating in November 2018 and is responsible for the area of Slavonia, Baranja, and Srijem, i.e., for five counties where more than 80,000 PWDs and children with developmental difficulties live. The opening of the Osijek Regional Department for PWDs has significantly contributed to better informing those people about their rights and where and how they can exercise them.

3.5.4. Access to health care

The COVID-19 pandemic is a global shock that has not spared Croatia and Serbia. It represents an unprecedented burden on their health and social protection systems. The final extent of its footprint in terms of loss of human lives and damage to the economies is still difficult to assess, but early estimates foresee a drop of between 4-6% of gross domestic product (GDP) in the region. Therefore, it is evident that the quality and distribution of health services will be one of the priorities in the future period.

Table 42. Statistics in health care compared

	Share of population in good health	Share of allocations for health (GDP)	Percentage of daily smokers in total population	Percentage of smokers in young population (15-19)
Croatia	61%	6,8%	25%	33%
Serbia	66%	8,8%	27,1%	14,4%

<https://www.euro.who.int/en/countries/serbia/publications/serbia-2019-hit>,
https://www.euro.who.int/_data/assets/pdf_file/0008/419453/Country-Health-Profile-2019-Croatia.pdf

a. Croatia

Life expectancy at birth in Croatia increased to 78,2 years in 2018, below the EU average of 81 years. Croatians aged 65 could expect to live an additional 17.4 years, two years more than in 2000, albeit more than 12 of those years are spent with some chronic diseases. The main death causes are ischaemic heart disease and stroke, with lung cancer the most frequent cause of death by cancer and there has been no reduction in its mortality rate since 2000. The death rate from diabetes has also increased.¹⁴³

Health expenditure per capita, at EUR 1 272, was among the lowest in the EU in 2017, where the average was EUR 2 884. Croatia devotes 6.8 % of its GDP to health compared to an EU average of 9.8 %. Nevertheless, the share of public expenditure, at 83 %, is above the EU average. The benefit

¹⁴³ European Commission, State of Health in the EU – Croatia, 2019, https://ec.europa.eu/health/sites/health/files/state/docs/2019_chp_hr_english.pdf

package is broad, but services require co-payments, for which many Croatians take out voluntary health insurance. Overall, out-of-pocket payments, excluding voluntary health insurance, accounted for 10.5 % of health expenditure in 2017, below the EU average of 15.8 %.¹⁴⁴

Self-reported access to health care is good, with low unmet needs for medical care. However, there is substantial variation between income groups and unmet needs are high among older people. Geographical distance is also an access barrier.

The small pool of social health insurance contributors, combined with high hospital debt levels, raise concerns about the financial sustainability of the health system. Strengthening governance and building support among stakeholders will be crucial to implementing reforms. Over one third (38.8 %) of total health expenditure in Croatia is spent on outpatient (or ambulatory) services (consisting of primary care and specialist outpatient care mostly provided by hospital outpatient departments). However, the country spends a much larger share of its health expenditure on pharmaceuticals and medical devices than many other EU countries, although in absolute terms (EUR 296 per person) it is below the EU average. Such spending amounted to 23.3 % of health expenditure in 2017 (compared to an EU average of 18.1 %). In contrast, funds for long-term care only made up 3.1 % of health expenditure in Croatia, much lower than the EU average of 16.3 %, reflecting the fact that formal long-term care is still underdeveloped and mostly provided in institutional settings. On a per capita basis, spending on prevention is less than half the EU average, but this translates to 3.1 % of expenditure, equal to the EU average.

Croatia has had fewer numbers of doctors and nurses than many other EU countries, with only 6.6 nurses per 1 000 population in 2016 (compared to an EU average of 8.5) and 3.4 doctors, compared to an EU average of 3.6. Despite concerns over the effects of Croatia's EU accession in 2013 and potential outmigration of health professionals, the ratio of doctors and nurses to population increased between 2013 and 2017.

There has been major progress in some e-health solutions, such as e-prescriptions, which are now operational and widespread, with 80 % of prescriptions in community pharmacies being electronic. E-referrals and electronic health records, however, are still under development. Planned investment in health centres is expected to improve capacity for further development of e-health services. Finally, the strategic planning and financing of hospitals are key problems, with hospitals routinely accruing substantial debts. While the payment system for hospitals has been reformed, several attempts to rationalise and restructure the sector as a whole have stalled, prompting a new hospital plan.

b. Serbia:

Serbia has a comprehensive universal health system with free access to health care services at the primary level. However, some vulnerable groups face financial barriers for medical care and the

¹⁴⁴ European Commission, State of Health in the EU – Croatia, 2019, https://ec.europa.eu/health/sites/health/files/state/docs/2019_chp_hr_english.pdf

current system of financing encourages inefficiency in the use of resources. Despite progress in the last decade, reforms to improve the performance and transparency of the health system are still pending. Health care is organized at three levels: primary, secondary, and tertiary, which are interconnected. Primary care is provided by a “chosen doctor”, with patients assigned to the primary care centre in the area they live. Secondary care includes outpatient or inpatient care in hospitals. Long-term and palliative care are mainly provided by family members and private organizations.

Population health is generally improving - life expectancy in Serbia has continued to increase since 2000, reaching 76.1 years in 2017, but it is still below the average of European Union countries. Positive trends can be seen in falling incidence rates for tuberculosis, HIV as well as infant and maternal mortality. However, cancer rates have increased, and health inequalities persist.

Total health spending reached 8.8% of GDP in 2017. However, private spending, mainly related to out-of-pocket payments, has increased over time, reaching 42.4% of total health expenditure in 2017. Compulsory health insurance contributions represent the largest share of total revenue for health from public sources (94%).¹⁴⁵

Serbia still does not have an "umbrella document" for the development of the health care system protection. The National Health Care Development Plan has expired in 2015 and a new one has not been formulated, which prevents a clear view of priorities in the development of the health system. Activities of the Ministry of health are mostly aimed at harmonization with EU legislation and formulating standards in certain areas of health care that are listed in Serbia's Progress Report in recent years: as areas in which improvements are needed - in the field of blood, tissue transplantation, cells, and organs, in the field of rare diseases and chronic mass management non-communicable diseases¹⁴⁶

The Serbia 2020 Report from the European Commission marks the following as key problems regarding the health system:

- The sustainability of the public health insurance fund still needs to be ensured. The national plan for human resources in the health sector has still not been implemented, while the number of physicians leaving the country remains high.
- Harmonising Serbian legislation with the Directive on the application of patients' rights in cross-border healthcare has yet to be completed. An e-health unit at the Ministry of Health should be established to coordinate the complex activities involved in setting up a comprehensive health information system at all levels of care.

¹⁴⁵ European Observatory on Health Systems and Policies, Serbia Report 2019, <https://www.euro.who.int/en/about-us/partners/observatory/publications/health-system-reviews-hits/full-list-of-country-hits/serbia-2019-hit>

¹⁴⁶ Government of Republic of Serbia, Third National Report on Social Inclusion and Poverty Reduction, 2017, http://socijalnoukljucivanje.gov.rs/wp-content/uploads/2019/02/Treci_nacionalni_izvestaj_o_socijalnom_ukljucivanju_i_smanjenju_siromastva_2014%E2%80%9C2017.pdf

- Serbia lacks resources in terms of personal protection equipment and medical equipment, medical expertise, and laboratory testing capacities as well as data processing.
- On health inequalities, access to healthcare services needs to be improved for people with disabilities, people living with HIV, children and adults who use drugs, prisoners, women involved in prostitution, LGBTI people, internally displaced persons, and the Roma.¹⁴⁷

Around 90% of the population had a selected general practitioner or paediatrician at a state health facility, while 5.6% stated that they had a chosen doctor in a private practice. Slightly less than two thirds of the population (64.9%) visited a general practitioner or paediatrician in the year preceding the Survey, while 41.3% visited a specialist doctor. In 2019, less than a third of the population (28.5%) had a dentist of their choice. Six times more of them preferred to choose a dentist in private practice (86.2%) than in state health institution (13.8%). Only every third inhabitant of Serbia (39.4%) visited the chosen dentist in the year preceding the Survey.¹⁴⁸

Although the frequency of unmet needs for the services in the period from 2014 to 2016 decreased by 4.4 percent points (2014 - 14.9%, 2015 - 14.6%, and 2016 - 10.5%), the differences between Serbia and the EU-28 are large, 6.2 percentage points lower than in Serbia. The highest percentage of unmet needs for medical services in 2016. had AP Vojvodina (15.3%), and then the Belgrade region (9.3%). Coverage of the population with compulsory insurance in 2016 was 97.2% and is slightly higher than 2012 when it was 95.8%. Although an increase in life expectancy at birth and reduction of infant mortality rate, Serbia is still behind the EU-28 average.¹⁴⁹

Serbia faces number of challenges in modernizing its healthcare systems, including budget constraints, accessibility issues, and accessibility of health care to the population and the introduction of innovative health technologies - medicines, equipment, as well as the development of new skills and knowledge of health professionals. The sustainability of the healthcare system is one of the most serious problems which is manifested by high costs in relative amounts, and small in absolute amounts.

c. Regional level:

- Serbia:

The Institute of Public Health of Vojvodina prepares annual reports on the state of health for the whole AP Vojvodina (which includes also the Banat region). The main findings of the last report¹⁵⁰ are summarized below.

¹⁴⁷European Commission, Serbia Report, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

¹⁴⁸ Statistical Office of the Republic of Serbia, European Health Interview Survey - Serbia, 2020, <https://publikacije.stat.gov.rs/G2020/PdfE/G202018028.pdf>

¹⁴⁹ PLOS ONE, Predictors of unmet health care needs in Serbia; Analysis based on EU-SILC data, 2017, [https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0187866#:~:text=The%20highest%20percentage%20of%20residents,and%20Western%20Serbia%20\(20.3%25\).](https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0187866#:~:text=The%20highest%20percentage%20of%20residents,and%20Western%20Serbia%20(20.3%25).)

¹⁵⁰ INSTITUTE OF PUBLIC HEALTH OF VOJVODINA, HEALTH CONDITION OF THE POPULATION OF AP VOJVODINA IN 2019, http://izjzv.org.rs/publikacije/Zdravstveno_stanje_stanovnistva/Vojvodina/Vojvodina_2019.pdf

General indicators on health of the population:

Life expectancy in AP Vojvodina for women was 77.9 years and for men 72.0 years, and it was lower for both sexes compared to the Belgrade region, Serbia-south and countries of the European Union. Every fifth person in AP Vojvodina is aged 65 or more (19.7%) and the average age of the population is high (43.0 years). Birth rate is unfavourable at 9.2 per 1,000 population.

Leading causes of death in AP Vojvodina were diseases of the circulatory system (50.5%), neoplasms (23.1%) and diseases of the respiratory system (6.2%). The most significant health and public health problems in the population of AP Vojvodina are chronic non - communicable diseases (cardiovascular diseases, malignancies, chronic diseases of the respiratory organs and a group of diseases of the musculoskeletal system and connective tissue, etc.). Infant mortality was 4.5‰ and it has favourable values. In 2019, there were three death cases due to complications during pregnancy, birth or during postpartum (maternal mortality rate was 17.7 per 100,000 live births).

The priorities for improving the health of the population:

- Continuous improvement of the existing surveillance, aligning the criteria and quality of reporting infectious diseases, extending the diagnostic spectrum, and implementing other, active forms of surveillance.
- Further improvement of the public electronic service for reporting infectious diseases and linking primary and secondary with the tertiary level health care institutions, with the ultimate goal to enable daily, continuous insight / monitoring of infectious diseases and accelerate the flow of information.
- Implement systematic vaccination with high vaccine coverage of children, without territorial and population differences, and increase the immunization coverage of the adult population by vaccination against influenza, tetanus, and pneumococcus.
- Introduce an electronic immunization register.

Infrastructure and health staff:

Health care for the population of AP Vojvodina is provided by 93 health institutions: 44 health centers, 10 pharmacies, 3 institutes (occupational medicine, students healthcare and emergency medical services), 9 general hospitals, 11 special hospitals, Army medical Center of Novi Sad, Institute for health care of children and youth of Vojvodina and Institutes in Sremska Kamenica (Institute of Oncology of Vojvodina, Institute for Cardiovascular diseases of Vojvodina and Institute for pulmonary diseases of Vojvodina), Dentistry clinic of Vojvodina, 6 institutes for public health and Institute for antirabic protection of Novi Sad, Institute for blood transfusion of Vojvodina.

Total number of employees is 23.679 workers, out of which 18.614 are health professionals and 5.065 are non-health care workers. There were 4.599 doctors of which 3.091 were specialists, 393 dentists and 203 pharmacists.

In addition to those, in 2019 on the territory of AP Vojvodina health care was provided by 822 private health institutions or private practices. In these institutions there were 3.243 employees, out of which 705 doctors, 605 dentists, 410 pharmacists and 1.352 workers with a high school and higher professional education.

In outpatient health care, there is a pronounced shortage of staff in the service of polyvalent patronage, health care of workers and services for health care of the adult population, while in the services for women's health care there is a shortage of staff in some districts. The network of stationeries on the territory of AP Vojvodina consists of 30 health institutions with 10.538 hospital beds in all, which provides a satisfactory bed fund of 5.7 hospital beds per 1.000 inhabitants. Hospital bed capacity in general hospitals is different, with it being the smallest in the Srem district (1.7 beds per 1.000 population), and the biggest in the West Bačka district (4.2 beds per 1000 population). Number of medical staff within general hospitals of AP Vojvodina varies, and depends on the different structure of hospital capacities.

Key institutions in the provision of medical care in the districts:¹⁵¹

North Bačka

- General Hospital Subotica
 - Health center Topola
 - Health center Mali Idoš
 - Health center Subotica

West Bačka

- General Hospital Sombor
 - Health center Apatin
 - Health center Kula
 - Health center Sombor
 - Health center Odžaci

Srem

- General Hospital Sremska Mitrovica
 - Health center Ruma
 - Health center Šid
 - Health center Pećinci
 - Health center Stara Pazova
 - Health center Inđija
 - Health center Irig
 - Health center Sremska Mitrovica.

¹⁵¹Optimization of the network of health institutions in Serbia, <https://optimizacijazdravstva.rs/lat/region-vojvodine>
Trenutno stanje - Javne zdravstvene ustanove u regionu Vojvodine
<https://optimizacijazdravstva.rs/lat/region-zapadne-srbije>
Javne zdravstvene ustanove u regionu Zapadne Srbije

South Bačka

- Clinical Center of Vojvodina
- General Hospital Vrbas
 - Health center Novi Sad
 - Health center Bač
 - Health center Bački Petrovac
 - Health center Bečej
 - Health center Temerin
 - Health center Titel
 - Health center Žabalj
 - Health center Beočin
 - Health center Srbobran
 - Health center Bačka Palanka
 - Health center Vrbas

Mačva

- General Hospital Šabac
- General Hospital Loznica
 - Health center Šabac
 - Health center Loznica
 - Health center Bogatić
 - Health center Ljubovija
 - Health center Koceljeva
 - Health center Krupanj
 - Health center Mali Zvornik
 - Health center Vladimirci.

- Croatia:

In the area of Osijek-Baranja County in 2019, there were three inpatient health care institutions: The Clinical Hospital Center Osijek, the General County Hospital Našice and the Spa "Bizovačke toplice". In 2019, Osijek-Baranja County had a total of 1,223 beds (981 in the Clinical Hospital Center Osijek, 126 in the General Hospital Našice and 116 in the Bizovačke Toplice Health Resort). There were 2.3 beds per doctor. The average length of treatment was 6.65 days, as opposed to the average for the Republic of Croatia, which was 8.17 days. The number of beds per 1,000 inhabitants in the county in 2019 was 4.0, which is less than at the level of Croatia (5.4). In Osijek-Baranja County, in 2019, out of the total number of hospitalizations, 42,146 the most common reasons for hospitalization were neoplasms (6,698 hospitalizations or 15.9% of the total number of hospitalizations), diseases of the circulatory system (5,916 or 14.0%), diseases of the digestive

system (3,231 or 7.7%). The leading cause of death is still diseases of the circulatory system for both Osijek-Baranja County and Croatia, of which 1,698 people died in Osijek-Baranja County.¹⁵²

Like in Osijek-Baranja County, the most common causes of death in Brod-Posavina County in 2017 are still diseases of the circulatory system, of which 46% of deaths out of the total number of deaths. The second most common cause of death is malignant neoplasms with 26.7%, which is an increase in frequency compared to 2016 (24.5%). The average of the Republic of Croatia in 2017 was 26.1%. According to the records of the Register of Health Care Workers of the Croatian Institute of Public Health, at the end of 2018, a total of 2,171 health care workers were employed in the Brod-Posavina County. The number of doctors in health care institutions during 2018 is 449, dentists 80. In 2018, the number of pharmacists is 76. All these employees are assigned to two general hospitals in two locations - Slavonski Brod and Nova Gradiška, one psychiatric hospital, two Health center, the Institute of Public Health, the Institute of Emergency Medicine, private surgeries, pharmacies, private institutions for home health care and the Center for Rehabilitation of Children "Golden Sequin". There are three inpatient institutions in Brod-Posavina County: General Hospital "Dr. Josip Benčević" in Slavonski Brod and OB "Nova Gradiška" in Nova Gradiška, and Special Hospital for Psychiatry and Palliative Care "Sveti Rafael", Šumetlica.¹⁵³

Table 43. Health care statistics¹⁵⁴

	Medical doctors	Dentists	Pharmacists	Number of insured people
Požega-Slavonia County	220	41	38	71.000
Brod-Posavina County	449	78	76	146.000
Osijek-Baranja County	1.007	162	144	285.000
Vukovar-Srijem County	452	84	78	164.000 ¹⁵⁵
West Bačka District	371	37	9	174.283
South Bačka District	1.897	164	63	596.735
North Bačka District	382	37	39	171.981
Srem District	553	63	42	285.861
Mačva District	629	62	48	276.282

Sources: ¹⁵⁶

¹⁵² INSTITUTE OF PUBLIC HEALTH FOR THE OSIJEK-BARANYA COUNTY, DEPARTMENT OF PUBLIC HEALTH, Inpatient health facilities in Osijek-Baranja County in 2019, http://www.zzjosijek.hr/uploads/pdf/publikacije/zzjz_sjz_stacionarna_zdravstvena_zastita_obz_2019.pdf

¹⁵³ PUBLIC HEALTH INSTITUTE OF BROD-POSAVINA COZNTY, HEALTH CONDITION OF THE POPULATION AND WORK OF HEALTH ACTIVITIES OF BRODKO-POSAVSKA COUNTY IN 2018, <http://zzjzbpz.hr/images/stories/OVISNOSTI/Ljetopis-za-2018godinu.pdf>

¹⁵⁴ Croatia: CBS, Statistical Information, https://www.dzs.hr/Hrv_Eng/StatInfo/pdf/StatInfo2019.pdf

Serbia: Statistical Office of the Republic of Serbia, Statistical Yearbook, 2019, <https://publikacije.stat.gov.rs/G2019/PdfE/G20192052.pdf>

¹⁵⁵ Croatia: CBS, Statistical Information, 2020, <https://www.dzs.hr/Statistikeinformacije> 2020.

Key institutions in the provision of medical care in the counties:¹⁵⁷

Osijek-Baranja

- Clinical Hospital Osijek
- Našice County General Hospital
 - Beli Manastir Health Center
 - Donji Miholjac Health Center
 - Našice Health Center
 - Health center Đakovo
 - Osijek Health Center
 - Valpovo Health Center

Požega-Slavonia

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

Brod-Posavina

- General Hospital Nova Gradiška
- General Hospital »Dr. Josip Benčević «- Slavonski Brod
 - Nova Gradiška Health Center
 - Health center Slavonski Brod

Vukovar-Srijem

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

3.5.5. Tourism and culture

The cross-border area of Croatia and Serbia abounds with natural, historic and cultural resources, but with a general low level of marketing of the region's cultural heritage.

a. Croatia

According to the European Commission, Croatia is the first among other member states in the European union to depend mostly on tourism, observed as a 25% of its GDP with more than 90% of total tourism traffic located on the coast during the main summer tourist season. According to the eVisitor system, in 2019 the number of foreign tourist arrivals was about 18 million (an increase of 4.4%) and in the same period, around 94 million overnight stays were realized (growth of 1.7%) which is 12 million more overnight stays than it was estimated within the Tourism Development

¹⁵⁶ Republic Health Insurance Fund, Number of insured persons, 2017, <https://www.rfzo.rs/index.php/broj-osiguranika-stat>

¹⁵⁷ MINISTRY OF HEALTH AND SOCIAL WELFARE, PUBLIC HEALTH SERVICE NETWORK, 2008, http://www.hzzo-net.hr/dload/ostalo/03_01.pdf

Strategy. Croatia has an average annual growth of 4.8% per year of overnight stays, which is about 43% more than in 2011, i.e., about 26% more than the estimates done in 2015. This clearly burdens communal infrastructure and the environment, and defines the socio-economic status of residents, which in terms of global crisis such as COVID-19 is a great threat to an overall wellbeing. Croatia is also one of the ten countries with the highest number of tourists per capita in the world, so we can conclude that the intertwined relationship that Croatia has with tourism, on the one hand the development of it based on mass tourism and the other hand the sustainable development and balance that need to be achieved for quality life of its residents and preservation of natural and cultural heritage is complex. At the same time, the unregulated growth of tourist capacities, which puts great pressure on resources, leaves Croatian territory, especially the coast, with negative consequences on the environment and the further sustainable development of tourism.

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

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

In accordance with the strategic framework, heritage tourism belongs to the group of products of cultural tourism, and it is important to emphasize that cultural heritage, as an element of the tourist offer, has an impact on about a third of Croatian guests. Cultural heritage is understood as movable and immovable cultural goods and intangible heritage. The Register of Cultural Heritage of the Republic of Croatia contains about 8,000 registered cultural assets, 7 of which are on the UNESCO World Heritage List and 14 on the UNESCO Representative List of the Intangible Cultural Heritage of Humanity.

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

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

Natural heritage can be categorized as protected and unprotected parts of nature. It is important to point out that there are more than 400 protected natural areas in Croatia, out of which 36.53% are located within the EU Natura 2000 ecological network, which is approximately twice the average of the European Union.

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

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

b. Serbia

Tourism in Serbia is officially recognised as a primary area for economic and social growth. In 2017, tourism's direct contribution to GDP was 0.9%, and this was expected to increase by 2.3% in 2018 to a total of RSD 104.8 billion. The total contribution of the tourism industry to the Serbian economy, including the effects from investment, supply chain and induced income impacts, amounted to RSD 294.6 billion in 2017, or 6.7% of GDP, and was expected to have grown by 2.7% to RSD 302.5 billion in 2018.

The tourism industry directly generated 32 000 jobs in the Republic of Serbia in 2018, representing 1.8% of the country's total employment. The industry attracted capital investment of RSD 33.8

billion, 4.1% of total national investment, with the expectation of further rise 2% over the next ten years to RSD 43.5 billion.

The total number of tourist arrivals in 2018 was 3.4 million, an increase of 11.2% from 2017. International arrivals accounted for 49.9% of total arrivals and showed a 14.2% increase on 2017. Domestic arrivals increased by 8.3% in 2018 compared to 2017.¹⁵⁸

The key source markets for international arrivals in 2018 were Bosnia and Herzegovina (15.4% market share), Montenegro (12.3%), and China (10.5%), followed closely by Croatia and Turkey. All of the five top markets showed growth in volume of arrivals between 2017 and 2018, particularly China which showed an increase of 89%.

The Ministry of Trade, Tourism and Telecommunications is the national government authority overseeing tourism in Serbia. The Ministry has jurisdiction over the National Tourism Organisation of Serbia (NTOS), which is the national agency for promoting tourism in the country and abroad. The NTOS also undertakes tourism market research and collects relevant tourism information.

Three Regional Tourism Organisations have been established, as well as 116 Local Tourism Organisations, owned and operated by Serbia's local and regional governments and supported by the private sector. The regional and local tourism organisations act in accordance with the National Tourism Strategy and the plans and programmes of the NTOS. The Serbian Convention Bureau was established in 2007 as a part of the National Tourism Organisation of Serbia in to develop MICE tourism.

Professional tourism associations have also been established including the:

- Serbian Spas and Resorts Association (consisting of municipalities, institutes, and special hospitals)
- Associations of Tourist Agencies
- Business Association of Hotels and Catering Operations
- International Centre for Tourism and Hospitality Development.

The key document for governing tourism is the Tourism Development Strategy of the Republic of Serbia that runs from 2016 to 2025. The development goals of the Strategy include increasing the number of hotels and similar facilities by 50% and increasing overall accommodation occupancy by 30%. The Strategy also aims to increase tourist arrivals, overnight stays, and expenditure, and to double the tourism industry's direct contribution to GDP. Furthermore, it aims to increase direct employment in tourism by at least 50%.

¹⁵⁸ OECD, Serbia, Tourism in the economy, <https://www.oecd-ilibrary.org/sites/e653213b-en/index.html?itemId=/content/component/e653213b-en>

c. Regional level

The programme area does not include any Adriatic counties in Croatia, but nevertheless, the area both in Croatia and Serbia has a huge potential for tourism and culture development.

In Croatian part of the programme area, there are cities of ancient tradition, such as Vinkovci, Požega, Osijek, and Slavonski Brod. Some of the important cultural sites are Osijek and Slavonski Brod fortress, cathedrals in Osijek, and Đakovo, Meštrović gallery in Brod-Posavina County, Eltz museum in Vukovar to name only a few. The most famous nature sights are: Kopački rit nature park in Osijek-Baranja County, Papuk nature park in Požega-Slavonia County, Spačva forest (Vukovar-Srijem County) and Rupnica, a unique geological monument in Požega-Slavonia County. There are three examples of intangible cultural heritage under UNESCO protection in the programme area: Kraljice or Ljelje - annual spring procession from Gorjani, gingerbread craft from the north-west Croatia and Slavonia area and Bečarac, traditional musical and verbal form from the area of Slavonia, Baranja, and Srijem. Each year many cultural manifestations are being held, such as Đakovački vezovi, Vinkovačke jeseni, Aurea fest Požega and Carnival riding in Brod-Posavina and Osijek-Baranja County. A very big role in keeping Croatian tradition alive play cultural and artistic societies (KUD), a total of 33 in Brod-Posavina County, 10 in Požega-Slavonia County, 89 in Osijek-Baranja County and 64 in Vukovar-Srijem County.

Some of the more famous cultural sites and monuments in Serbian part of the programme area are Fruška Gora Monasteries, Svetozar Miletić Square in Novi Sad, Petrovaradin Catacombs, Petrovaradin Fortress, Subotica City Hall, Fortress Šabac, Episcopium in Novi Sad, synagogue in Subotica, Rajhel Ferenc Palace in Subotica and Dunderski/FantasCastle. Some of the natural sights in the programme area are national park Fruška gora, a mountain area in Srem district, Gornje Podunavlje special nature reserve on the Danube river (West Bačka district), Palić lake near Subotica in the North Bačka district, Karađorđevo special nature reserve (South Bačka district) and Zasavica Nature Reserve (Srem). Some of the more prominent manifestations held yearly in the programme area are Drina regatta (Mačva) and Petrovdanska fijakerijada (South Bačka) and Danube Day in Novi Sad. One of the main festivals in the region is EXIT festival in Novi Sad that is one of the most renown festivals in Europe.

Table 44. Number of arrivals and overnight stays *(NA – not available)

	2014		2019		Index
	Arrivals	Overnight stay	Arrivals	Overnight stay	
Brod-Posavina	24,295	40,668	36,759	60,030	+1,4
Osijek-Baranja	74,026	150,466	107,598	217,692	+1,5
Požega- Slavonia	9,890	24,733	19,706	41,486	+1,8
Vukovar-Srijem	43,709	83,159	80,549	134,308	+1,7
Croatia area total	151,920	299,026	244,612	453,516	+1,5

NorthBačka	NA	NA	106,800	187,548	NA
SouthBačka	NA	NA	253,054	502,893	NA
WestBačka	NA	NA	24,944	98,398	NA
Srem	NA	NA	84,134	222,334	NA
Mačva	NA	NA	67,227	266,519	NA
Serbia area total	NA	NA	536,159	1.277,692	NA

Sources: ¹⁵⁹, ¹⁶⁰

3.5.6. Conclusions and recommendations

The overall employment rate in Croatia remains one of the lowest in the EU as is the case in Serbia with also facing a rather low activity rate among the working-age population. The overall unemployment rate more than halved since its peak in 2013. In Croatia, but there are still large regional differences in unemployment and labour market conditions in general, with the Eastern part of Croatia being in the most unfavourable situation. In Serbia, the current unemployment rate is 9%, while the employment rate is 49.9%, both pretty similar to Croatia. Inactivity and unemployment also in the programme area remain high although things are getting better - in the Serbian programme area there is a decline in unemployment by 1,4 percent point in 2019. However, unemployment jumps higher in the unskilled workforce. The labour market infrastructure that helps with the unemployment is in both countries in place being decentralized and geographically diverse. Both countries have diverse and numerous active labour market programmes, with the ones in Serbia for youth employment yet to be seen in action.

Main stakeholders of the education system (higher education) in the programme area are Novi Sad university and Osijek University. These centres make a substantial contribution, particularly on a regional level, to linking industry and academic institutions and enabling knowledge transfer among them. In addition, there is a clear need for lifelong learning and education, i.e., adult education and informal education courses together with VET training and reform.

State of integration of marginalised communities and disadvantaged groups is not at a level it should be and shows room for improvement with discrimination being still very visible in both societies. There are large numbers of non-governmental organizations specialized in the field of the protection and promotion of human rights active in both counties. Poverty in Croatia is stagnant and slightly decreasing over time —although still those who become poor need a long period to escape from poverty. The at-risk-of-poverty rate in 2019 was 18.3% and this remains significant despite the registered decrease in the poverty rate compared to 2017. The elderly aged 65 and over now make up more than 20 % of the total population (in Croatia) - this poses a danger to the pension system and economy in general. In Serbia, the problems are the same with

¹⁵⁹Central Bureau of Statistics, Statistical Indicators in the Field of Tourism, https://www.dzs.hr/Hrv_Eng/Pokazatelj/Turizam.xlsx

¹⁶⁰Statistical Office of the Republic of Serbia, <https://publikacije.stat.gov.rs/G2020/Xls/G202013047.xlsx>

increased aging and low birth rate. This makes a strong argument towards better development of existing services and introduction of new ones, especially insufficient, non-institutional social welfare services since there is a low percentage of non - institutional social service especially for the elderly. Regarding national minorities, both national minorities are being represented and their rights guaranteed but Roma people are not fully integrated into the community and are often discriminated against. No preconditions have been created for the exercise of the fundamental right to independent living and community life - ensuring accessibility and mobility for people with disabilities. Migrants have played an important part in the social system especially in the programme area that is part of the Balkan route thus jeopardizing the safety of local community and posing a humanitarian risk for the community.

On the local level, social care services within the mandate of local self-governments in Serbia were not sufficiently developed and were unevenly available. Although there are numerous efforts to decentralize the system of social care, this has not been the case given the fact that local governments don't have the financial resources to deal with the issue. Given the differences in economy mentioned in the general introduction, other social indicators are following the same logic - the Croatian part of the programme is having a bigger share of poor people and lesser services compared to the country level, while the Serbian part, being more economically developed.

The health systems are well developed in both countries but pose a question of sustainability with debts and public investment being high. The GDP % for healthcare is pretty much the same with low long term care investment. In both regions and countries, the main cause of death are illnesses connected to the circulatory system. Better infrastructure for an ever more aging population is needed with better palliative care and more non institutional care.

Tourism and culture play an important role in the economies and identity of both countries. Although the importance to the state economy is more visible and important in Croatia than in Serbia, with the GDP share of tourism being as high as 20%, making the economy dependent on an ever-growing number of arrivals and foreign tourists visiting it is also important in Serbia. When accompanied with a short tourist season in Croatia that is limited and focused on 3 months of peak season and 3 months of pre-season, it is evident that this poses a great risk which has now sadly been put into practice with the pandemic having a huge impact on tourism worldwide. Serbia on the other hand has not been so dependent on tourism but is only starting to develop its potential and was struck by the pandemic when being on the high rise with big plans. Increase in tourist arrivals by at least by 50% by 2025 and increase of the direct share of tourism to Serbia's GDP by 100% with the amount of direct employment in the tourism industry by at least 50% surely have to be re-addressed given the circumstances.

Nevertheless, tourism will have a huge impact on the recovery of the economy with a potentially different, more locally centred approach. This has to be also taken into consideration in planning further activities in the Programme. New trends in promotion and booking, new accommodation types, and travel motivations in the global tourism market have to be taken into account when planning activities that would foster the development of tourism in the region. In addition, this has

to be planned with increasing levels of environmental consciousness and a bigger interest in heritage and culture, while strengthening local economic activity at the same time. The support to the development of visitor activities that enable visitors to meet local residents and engage in cultural tourism activities and events will be key in fostering this sector. This being said, plans for tourism development and culture heritage have to be well thought out and planned regionally to harness the full development potential. It is vital to create a joint offer of tourist products and services and provide new destination management tools. Cross-border destinations, although having great potential, are not fully aware of the importance of gastronomy in developing tourism and stimulating local, regional and national economies and this surely has to be one of the focus for investment and planning. Furthermore, it is important to highlight the potentials of tourism related to other specific objectives, primarily health tourism and inclusive tourism associated with the needs of people with disabilities. Within the health sector, clusters of health tourism can promote synergy development and improve the provision of services in health tourism, while cooperating with all branches that complement the offer of health tourism, from health care institutions to various tourist facilities and hotel and catering facilities which would result in a jointly created basis for year-round tourism.

3.6. Europe closer to citizens

Europe closer to its citizens refers to the sustainable and integrated sustainable development of urban, rural and coastal areas and local initiatives. By providing a strategic framework which enables the development of specified areas, the governments and local administrations can effectively tackle the economic, environmental, climate, demographic and social challenges affecting specific areas. The Commission has proposed an incentive framework that, forward, provides EU countries and regions with more ways to exploit the rich potential of such areas. As part of the goal of a Europe closer to civic policy, EU countries and regions facing geographical specificities due to their island, mountainous or sparsely populated nature will be able to use a wide range of tools. This includes locally driven development strategies (CLLD) and integrated territorial investment (ITI), as well as tailor-made financial engineering instruments, cross-border or transnational programs that are strengthened and simplified.

Concern was expressed about the fact that in the previous programming period 2014-2020, the territorial tool on islands, mountains and sparsely populated areas was very poorly applied. Some of the participants attributed this to the complexity of the rules, while others attributed it to administrative capacity in small local and regional administrations in these areas. The idea of creating a special support unit within DG REGIO is to provide tailored support and guidance to local authorities in these areas, to improve coordination between all relevant European Commission services, and thus between key EU sectoral policies for islands, mountains, and sparsely populated areas.

Description of current state in key analysis areas

3.6.1. Integrated development in urban areas

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

a. Croatia

The problems and challenges faced by urban areas are not limited to their administrative boundaries. According to the national framework of urban / local development planning, instead of being limited to individual administrative units, cities can form wider urban areas consisting of densely populated central units of local self-government (Centers of urban areas) and neighbouring urban and / or rural units of local self-government. Such spatial complexity requires an equally complex multidimensional approach that can respond to modern challenges of urban development (combined cross-sectoral and territorial approach) that should be the result of structured analysis and planning of common needs of all relevant stakeholders. In this sense, the process of strategic planning of urban development is a complex task that includes prioritization

of development needs, development of integrated development strategies simultaneously focused on different sectors and interconnected specific activities, putting everything in the appropriate territorial context. ZRR defines UADS¹⁶¹ as a basic strategic document in which development goals and priorities for urban areas are determined.¹⁶²

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

1. Four urban agglomerations-centered on the four largest Croatian cities: Zagreb, Split, Rijeka and Osijek;
2. Larger urban areas - i.e., cities that, according to the last census, have more than 35,000 inhabitants, provided they are not included in urban agglomerations;
3. Smaller urban areas - i.e., cities that, according to the last census, have less than 35,000 inhabitants and at least 10,000 inhabitants in their central settlement and / or are the county Center.

The urban development strategy should include the following additions:

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

Given that joint planning involves local governments with different characteristics and dimensions, the UADS must be the result of partnership consultations involving representatives of all local governments as well as representatives of all relevant stakeholders in urban development throughout the strategic planning process, seeking their contributions and including them according to needs. The UADS should also include a list of strategic projects (5-10 most important projects planned to be implemented during the implementation of the UADS) that will concretely and realistically contribute to the achievement of the set strategic goals. Funds for the implementation of identified projects are provided from the budgets of local and regional units, EU funds, state funds or other funds as needed. Prior to the adoption of the UADS, since the UADS is adopted in accordance with the principle of partnership and cooperation, it is necessary to obtain the opinion of the Partnership Council for Urban Areas on the final draft of the UADS¹⁶³. The UADS is adopted by the representative body of the local self-government unit that is responsible for its development, i.e., the Center of the urban area, with the previously obtained opinion of the representative bodies of all local self-government units from that urban area¹⁶⁴. Table 45 lists the

¹⁶¹ UADS - Urban area development strategies

¹⁶² Official Gazette Regional Development Act of the Republic of Croatia, <https://www.zakon.hr/z/239/Zakon-o-regionalnom-razvoju-Republike-Hrvatske>

¹⁶³ Official Gazette Regional Development Act of the Republic of Croatia, <https://www.zakon.hr/z/239/Zakon-o-regionalnom-razvoju-Republike-Hrvatske>

¹⁶⁴ In the case of urban areas, potential beneficiaries of the integrated territorial investment mechanism (Official Gazette Regional Development Act of the Republic of Croatia, <https://www.zakon.hr/z/239/Zakon-o-regionalnom-razvoju-Republike-Hrvatske> Article 15, paragraph 5)

strategies in the program area of the Republic of Croatia. Through the goals of the strategies, it is evident that they have the same goals that need to be met. Some of the goals are:

- increasing the quality of life of the population (achieve a better quality of life, public services, and social inclusion of all population groups),
- creating a positive environment for economic development (enable economic growth and job creation in accordance with the needs of residents and entrepreneurs),
- establishment of clean, energy efficient environments effective development management infrastructure improvement.

Table 45. List of strategies in the program area of the Republic of Croatia until 2020

County	Strategy	Period
Osijek-Baranja	Urban agglomeration development strategy Osijek	2016-2020
	Development Strategy of the City of Valpovo	2015-2020
	Development Strategy of the City of Osijek from an industrial to an intelligent city	2014-2020
	Intervention plan of the City of Beli Manastir and the Municipality of Darda	
Brod-Posavina	Strategy for the development of the urban area of Slavonski Brod until 2020	2014-2020
	Nova Gradiška City Development Strategy	do 2020
Požega-Slavonia	Development strategy of the City of Požega	2015-2020
	Development Strategy of the City of Pleternica	2014-2020
	Development Strategy of the City of Lipik	do 2020
	Development strategy of the City of Kutjevo	2015-2020
	Pakrac City Development Strategy	2013-2020
Vukovar-Srijem	Strategic development program of the City Otok	2016-2020
	Development Strategy of the City of Ilok	2016-2020
	Reconstruction and development strategy of the City of Vukovar	2014-2020
	Development strategy of Vukovar-Srijem County until 2020	-2020

The intervention plans are conceived as integrated (cross-sectoral) territorial and participatory documents aimed at identifying development needs and defining goals and development priorities, as well as action plans for implementing physical, economic and social reconstruction interventions in cities. Two intervention plans have come to life in the program area: Reconstruction and development strategy of the City of Vukovar and Intervention plan of the City of Beli Manastir and the Municipality of Darda.

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

There are a large number of local development agencies in the Croatian program area. Below are some of the most prominent agencies with a brief description of their activities. Osijek Software City is a project by which Osijek IT companies work towards the local community with the aim of increasing the attractiveness of the development profession in Osijek, the competitiveness of developers in the market and encouraging entrepreneurship in the ICT sector. Development Agency of Slavonski Brod Ltd. coordinates activities aimed at ensuring quality project development through the professional support of the Agency, for the benefit of the City of Slavonski Brod and its inhabitants. They are engaged in the development of all types of projects to attract EU funds, the development of economic projects and studies and the coordination of activities related to the development of tourism and many others. The Public Institution for the Management of Protected Natural Values of the Vukovar-Srijem County deals with the topics of Water management, Evaluation systems and results. The Association for Nature and Environmental Protection Osijek is an independent, non-profit, non-governmental organization with the aim of educating and activating citizens in the field of nature conservation, improving the quality of life through advocacy, promotion and application of environmentally friendly technologies and sustainable development.

b. Serbia

On 20 June 2018, the National Assembly of the Republic of Serbia adopted the Law on Amendments to the Law on Local Self-Government¹⁶⁵, and local self-government units are obliged

¹⁶⁵Official Gazette of the Republic of Serbia, Law on Amendments to the Law on Local Self-Government, https://www.paragraf.rs/izmene_i_dopune/200618-zakon-o-izmenama-i-dopunama-zakona-o-lokalnoj-samoupravi.html

to harmonize their laws and other general acts with this law within nine months of entry into force. The Law on the Planning System of the Republic of Serbia¹⁶⁶ regulates the management of the system of public policies and medium-term planning. A planning document is an act by which a participant in the planning system sets goals, determines the priorities of public policies, i.e., plans measures and activities for their achievement, within the scope of its competencies and in connection with its functioning. The LSG (LSG -Local Surface Group) development plan is a development planning document and as such is a planning document of the widest scope and greatest importance for the holder, i.e., local self-government. The LSG Development Plan is a document of a long-term development adopted by the Assembly at the proposal of the competent LSG executive body. According to the law governing local self-government, the LSG Council represents the competent executive body. The ZPS stipulates that during the preparation and adoption of planning documents, care must be taken to ensure their compliance with the Constitution, ratified international agreements, law and obligations assumed in the EU integration process. When drafting the Development Plan, the local self-government is obliged to take into account the compliance with the planning documents adopted at the national level and the level of the autonomous province (when the local self-government is located on the territory of the AP, like in case of this programme area). Development planning documents at the national and provincial level (RS Development Plan, AP Development Plan and RS Investment Plan) are not available in the initial cycle of development of LSG development plans. Once adopted, these plans will be an important link for the vertical alignment of LSG development plans.

When drafting the LSG Development Plan, the priority development goals and measures for achieving the desired goals in the LSG Development Plan, should be harmonized with the goals and measures envisaged by the valid planning documents prescribed by the Law on Planning and Construction (https://www.paragraf.rs/propisi/zakon_o_planiranju_i_izgradnji.html):

- General urban plan (which provides strategic guidelines for the development of settlements with urban status),
- General regulation plan (which determines the purpose of land and elements of regulation for urban and larger rural settlements or tourist complexes), with
- Measures envisaged by detailed regulation plans (which determine the purpose of the land and elements of regulation for certain parts of the settlement or construction area).

The Sustainable Urban Development Strategy (SUDS) of the Republic of Serbia until 2030¹⁶⁷ adopted in 2019 unites several thematic areas that determine the priority areas of intervention and priority projects of urban development in urban settlements in the Republic of Serbia. LSGs can adopt their own integrated urban development strategies (SIUR), which would contribute to the implementation of spatial and urban planning documents within the competence of LSGs, LSG Development Plans and other local plans and programs by planning and implementing priority

¹⁶⁶ Official Gazette of the Republic of Serbia, LAW ON THE PLANNING SYSTEM OF THE REPUBLIC OF SERBIA, 2018, <https://www.paragraf.rs/propisi/zakon-o-planskom-sistemu-republike-srbije.html>

¹⁶⁷ Official Gazette of the Republic of Serbia, STRATEGY OF SUSTAINABLE URBAN DEVELOPMENT OF THE REPUBLIC OF SERBIA UNTIL 2030, <http://extwprlegs1.fao.org/docs/pdf/srb189515.pdf>

urban development projects. At the moment, the first national Action plan for the implementation of the SUDS in period 2020-2022 is in the procedure of adoption.

Until recently, in the program area of the Republic of Serbia, the Development Program of AP Vojvodina 2014-2020¹⁶⁸ was current, i.e., the Action Plan for the realization of priorities - Development Program of AP Vojvodina 2014-2020¹⁶⁹. The Development Program of AP Vojvodina sets four key priorities and 24 measures. Projects from the Action Plan for the period 2018-2020¹⁷⁰ are proposed in relation to the following priority measures: human development and resources, infrastructure development and conditions for a decent life and work, sustainable economic growth, and the development of institutional infrastructure.

Strategy of sustainable development of the City of Novi Sad¹⁷¹ is an umbrella planning document which defines the directions of development of the City in the period from 2016 to 2020. It brings together different processes keeping in mind the different needs in the sectors of economic development, infrastructure and utilities, spatial and urban planning, environmental protection, social development, and poverty reduction. The adoption of the Sustainable Development Strategy will enable the City of Novi Sad to improve the system of implementation, monitoring, and evaluation of the achievement of strategic goals and better harmonization of local policies with the national legislative and planning framework recommended by the European Union for sustainable cities. The urban development of the City of Novi Sad, led by the strategic goals and measures of the national SUDS, is one of the basic preconditions for its sustainable development and harmonization. ensures that the City functions as a sustainable system. At the same time, it is extremely important to harmonize the interests of business and other sectors, protect and improve the environment, as well as stimulate and encourage community development. The urban development of the City of Novi Sad aims to preserve and improve specific urban identity, protect, and improve the environment, introduce renewable energy sources, improve energy efficiency, improve the utility system and infrastructure, improve the urban transport system and infrastructure, stimulate social and economic development and good governance (introduction of e-government).

Table 46 contains the remaining strategic documents of AP Vojvodina and the Mačva district. Through the goals of the strategies, it is evident that they have the same –i.e., compatible– goals that need to be met. Some of the goals are:

- reconstructions in railway, road, and water transport,

¹⁶⁸ AP VOJVODINA DEVELOPMENT PROGRAM 2014–2020 http://programrazvoja.vojvodina.gov.rs/wp-content/uploads/2016/03/Program_razvoja_AP_Vojvodine_2014_2020_3891.pdf

¹⁶⁹ Government of AP Vojvodina, Action plan for the realization of the priorities of the Development Program of AP Vojvodina 2014-2020, 2014, http://programrazvoja.vojvodina.gov.rs/wp-content/uploads/2016/02/Akcioni_plan_3901-1.pdf

¹⁷⁰ ACTION PLAN FOR REALIZATION OF PRIORITIES FROM THE DEVELOPMENT PROGRAM OF AP VOJVODINA FOR THE PERIOD 2018-2020 http://programrazvoja.vojvodina.gov.rs/wp-content/uploads/2016/02/Akcioni-plan-2018_komplet.pdf

¹⁷¹ Official Gazette of the City of Novi Sad, STRATEGY OF SUSTAINABLE DEVELOPMENT OF THE CITY OF NOVI SAD, 2017, http://demo.paragraf.rs/demo/combined/Old/t/t2018_01/t01_0167.htm

- creating a positive environment for economic development (enable economic growth and job creation in accordance with the needs of residents and entrepreneurs, support for the development of entrepreneurship and SMEs)
- creating conditions for the development of tourism (cultural, health and sports-recreational)
- establishment of clean, energy efficient environments effective development management infrastructure improvement.

Table 46. List of strategies in the program area of the Republic of Serbia until 2020

Area	Strategy	Period
AP Vojvodina	Sustainable Development Strategy of the City of Sombor	2014-2020
	Sustainable Development Strategy of the City of Sremska Mitrovica	2010-2020
Mačva	Local and sustainable development strategy of the City of Loznica	2012-2020
	Sustainable Development Strategy of the City of Šabac	2010-2020

In the program area of the Republic of Serbia, there are also local development agencies. Regional development agency Srem encourages regional development by using local and national sources of funds and available EU funds and other funds of the international community, as well as by attracting foreign investors. Business Incubator Novi Sad helps young companies find their way to the market and provides support for projects based on knowledge and new technologies. TERRA's Association Subotica was founded as a non-governmental and non-profit civil society organization that aims to preserve and develop the environment, as well as health care. The Local Development Agency of Vojvodina was established under the auspices of the Provincial Government, with the aim of providing support to the implementation of the development, agricultural and rural development policy of AP Vojvodina. Through their work, they encourage the inflow of foreign and domestic investments and provide professional services to companies investing in AP Vojvodina, analyse economic potentials and existing resources, create proposals for measures to support economic development, agriculture, energy, tourism and rural development - with special emphasis on innovation and technology development. The Bačka Regional Development Agency was established in 2010 in Novi Sad in accordance with the Law on Regional Development. The members of the agency are 16 local governments from the territory of Bačka. The initiative for the establishment of the agency was initiated by local governments in Bačka, in the desire to jointly cooperate and implement projects through domestic and foreign programs, to strengthen the work of local governments and improve the overall socio-economic development of this part of AP Vojvodina.

Table 47. List of local and regional development agencies

Name of the agency
Regional Development Agency Bačka
Regional Development Agency Srem
Regional Development Agency PANONREG
Vojvodina Development Agency

3.6.2. Integrated development in other areas

Improving the quality of life in rural areas and reducing poverty, equal share of income distribution and economic opportunities, as well as their fairer social position, are important aspects of sustainable rural development that the Republic of Croatia and the Republic of Serbia strive for. The LEADER (Liaison Entre Actions de Development de l'Economie Rurale - Links between rural economic development activities) approach at the level of the European Union is a significant measure of rural development that addresses specific problems at the local level, enabling the population organized in partnerships - Local Action Groups (LAGs) to implement smaller local projects relevant to developing and improving quality of life in rural areas.

a. Croatia

The EU 2020 Territorial Agenda, the EU's overarching document in the field of spatial planning, has set the goal of spatial development through new forms of territorial governance and partnerships between rural and urban areas. The shortcomings and challenges faced by Croatian rural areas are described in the Development Strategy of the Republic of Croatia for the period until the end of 2020¹⁷². One of the biggest challenges in rural areas is depopulation. Aging and emigration are very serious problems that lead to reduced operability in the business community. Aging and emigration are very serious problems that lead to reduced operability in the business community. Additional challenges facing rural areas are poor access to social services, lack of mobile social service teams, lower quality of life, underdeveloped broadband internet and poor mobility of workers and the population. In the draft Rural Development Program 2014-2020, for the purposes of implementing rural development measures, rural or mixed areas in the Republic of Croatia are considered all local self-government units belonging to predominantly rural or mixed counties (NUTS3) separated using the original OECD methodology. Exceptions are the units of the City of Zagreb, the City of Split, the City of Rijeka, and the City of Osijek. Due to the significant size of the seat settlements, all settlements that administratively belong to them are considered rural or mixed, except for the seat settlements themselves (Zagreb, Split, Rijeka, and Osijek).

¹⁷²GOVERNMENT OF THE REPUBLIC OF CROATIA, REGIONAL DEVELOPMENT STRATEGY OF THE REPUBLIC OF CROATIA FOR THE PERIOD UNTIL THE END OF 2020, 2017, <https://razvoj.gov.hr/UserDocImages/O%20ministarstvu/Regionalni%20razvoj/razvojne%20strategije/Strategija%20regionalnog%20razvoja%20Republike%20Hrvatske%20za%20razdoblje%20do%20kraja%202020. HS.pdf>

Table 48. Differentiation of area types according to the new urban-rural typology (NUTS-3)

Share in population (%)			
	Mostly urban regions	Transition regions	Mostly rural regions
EU-27	42.4	35.3	22.3
Croatia	18	25.3	56.7
Area share (%)			
	Mostly urban regions	Transition regions	Mostly rural regions
EU-27	9.9	38.7	51.4
Croatia	1.1	30.8	62.9

Source: Urban-rural typology update, Eurostat

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

CLLD (CLLD - Community-led local development) is a specific tool for use at sub-regional level, which is complementary to other development support at local level. CLLD can mobilise and involve local communities and organisations to contribute to achieving the Europe 2020 Strategy goals of smart, sustainable, and inclusive growth, fostering territorial cohesion, and reaching specific policy objectives. LEADER is a mechanism for implementing EU rural development policy measures and is based on the implementation of local development strategies managed by local action groups (hereinafter: LAG). LAG is a partnership of representatives of the public, economic and civil sector of a particular rural area, which was established with the intention of developing and implementing a local development strategy in that area, and whose members can be natural and legal persons.

The LAG area is a rural area of at least 10,000 to a maximum of 150,000 inhabitants including settlements with a population below 25,000 inhabitants. The objectives of the LEADER approach in the Republic of Croatia in the period 2014-2020, arising from the identified strengths and weaknesses and opportunities and threats were as follows: promoting rural development through local initiatives and partnerships, improving and promoting rural development policy, - raising awareness of bottom-up approach upwards and the importance of defining a local development strategy, - improving rural living and working conditions, including well-being and others. There are 56 LAGs in Croatia. They cover an area of 52,190.05 km², which is 92.30% of the total area of Croatia. The area of LAGs has 2,446,567 inhabitants, which is 57.10% of the total population of Croatia. Croatian LAGs comprise 531 local self-government units (121 cities and 410

municipalities), which is 95.50% of the total number of local self-government units in Croatia¹⁷³. Below is a table with a list of LAGs in the programming area of the Republic of Croatia in the programming period 2014-2020.

Table 49. LAGs in the program area of the Republic of Croatia in the programming period 2014-2020¹⁷⁴

	Number of local self-government units	Town	Surface Area (km ²)	Population
LAG Baranja	10	Beli Manastir, Osijek (settlements: Podravlje i Tvrdavica)	1.154,00	40.355
LAG Karašica	17	Belišće, Donji Miholjac, Našice, Valpovo	1.586,15	83.875
LAG Posavina	7	Bebrina, Brodski Stupnik, Nova Kapela, Sibenj, Oriovac, Podcrkavlje (Brod-Posavina County), Čaglin (Požega-Slavonia County)	758,50	28.51
LAG Slavonska ravnica	11	Bukovlje, Donji Andrijevi, Garčin, Gornja Vrba, Gundinci, Klakar, Oprisavci, Sikirevci, Slavonski Šamac, Velika Kopanica i Vrpolje	563,11	32.463
LAG Srijem	13	City of Ilok; Mirkovci settlement as a part of the City of Vinkovci; the Municipality of Tovarnik, Tompojevci, Lovas, Negoslavci, Stari Jankovci, Tordinci, Nuštar and Bogdanovci, the City of Vukovar with the suburbs of Sotin and Lipovača and the Municipality of Markušica	743,60	43.053
LAG Strossmayer	8	Đakovo	740,42	44.155
LAG Šumanovci	6	Bošnjaci, Drenovci, Gunja, Vrbanja and City of Županja	607,19	30.966
LAG Vuka - Dunav	8	Osijek (settlements: Tenja, Josipovac, Brijest, Sarvaš i Višnjevci)	586,20	50.762
LAG Zapadna Slavonija	10	Nova Gradiška, Okučani, Stara Gradiška, Gornji Bogičevci, Dragalić, Cernik, Rešetari, Vrbje, Davor, Staro Petrovo Selo	839,31	41.184
LAG „Zeleni trokut“	5	Novska, Kutina (settlement Janja Lipa), Lipik, Pakrac, Jasenovac	1.077,91	30.351
LAG Bosutski niz	11	Andrijaševci, Babina Greda, Cerna, Gradište, Jarmina, Ivankovo, Nijemci, Privlaka, Stari Mikanovci, Vođinci and City Otok	850,50	44 403

b. Serbia

In recent years, the Republic of Serbia has adopted a large number of documents, strategies, laws, as well as bylaws that regulate important issues related to the development of agriculture and rural areas. The National Rural Development Program from 2018 to 2020¹⁷⁵ prescribes the development of rural areas and describes in detail the ways of implementing rural development measures for the programming period 2018-2020. At the same time, this document is in line with the strategic framework of the Common Agricultural Policy Framework of the European Union for

¹⁷³ LEADER Croatian network, Catalog of LAGs: http://www.lmh.hr/images/lhm_katalog_v8b-min.pdf

¹⁷⁴ LEADER, Catalog of LAGs, http://www.lmh.hr/images/lhm_katalog_v8b-min.pdf

¹⁷⁵ NATIONAL RURAL DEVELOPMENT PROGRAM FROM 2018 TO 2020 <http://agroservis.rs/natsionalni-program-ruralnog-razvo-od-2018-do-2020-godine>

the period 2014-2020, taking into account the specific needs and priorities for the development of agriculture and rural areas of the Republic of Serbia.

Table 50. Geographical and demographic indicators of rural areas of the Republic of Serbia¹⁷⁶

Indicators	Serbia	Rural areas
Geographical indicators		
Area (km ²)	88.499	69.04
Number of settlements	6.158	5.965
Demographic indicators		
Population (2011 census)	7.186.862	2.914.990
Population density (Population / km ²)	93	62
Share of population under 15 (%)	14,3	13,9
Share of population older than 65 years (%)	17,4	20,1
Aging rate	1,2	1,4
Average age	42,2	43,6
Educational structure of the population older than 15 year		
% without formal education	13,7	23,4
% with primary school	20,8	27,7
% with high school	48,9	42,4
% of higher and higher education	16,2	6,1
% unknown	0,4	0,4

The depopulation trend is accompanied by a parallel process of deagrarization of rural areas, i.e., a decrease in the share of agriculture in the total population. The age structure of the population of rural areas is significantly less favourable in the central and especially south-eastern parts of the country compared to the regions of Belgrade and AP Vojvodina. Unemployment is one of the key economic, structural, and social problems of the Serbian economy as a whole, including rural areas. Although the rural economy has a high unemployment rate. Only 21% of young people aged 15 to 24 are employed in the non-agricultural sectors.

Although as many as half of the inactive are in this age group, what indicates difficulties in accessing jobs is the significantly higher share of the unemployed, which in this category, as well as in the next age category (25-34 years), is only 15.5%. Incomes of rural households mainly (35–42%) come from employment income (regular and additional), followed by the share of pensions, which is very high and growing (around 30% in 2012). Incomes from agriculture vary in the range of 6-9% of the total available funds of households, which is highly determined by the yields from agriculture in certain years.

At the same time, the value of natural consumption, which is mainly attributed to the consumption of food produced on the farm, is stable at the level of 12-14%.¹⁷⁷ In any case,

¹⁷⁶NATIONAL RURAL DEVELOPMENT PROGRAM FROM 2018 TO 2020 <http://agroservis.rs/natsionalni-program-ruralnog-razvo-od-2018-do-2020-godine>

agricultural incomes are relatively low compared to wages from other sectors and social benefits, which is a clear indicator of the low productivity of the sector. Rural infrastructure in the Republic of Serbia is underdeveloped. Rural areas are characterized by low equipment of roads, communal infrastructure, and other important elements of living standards.

Activities on the implementation of the LEADER approach in Serbia began in 2007 through the implementation of various projects by the civil sector.¹⁷⁸ The LEADER National Network (NLN) is Serbia's largest non-profit network of rural "creators of change". Contributes to the growth of rural organizations or LAG initiatives, facilitates access to funds for rural people, necessary for funding, employment, and quality services, supports policies that provide the structure and regulations needed for IPARD and other instruments to support rural development. The Serbian Rural Development Network was established by the Ministry of Agriculture and Environmental Protection Republic of Serbia as an umbrella association of 16 regional offices active in the field of rural development. The EU-funded project "Capacity Building for the Establishment and Implementation of the LEADER Initiative in the Republic of Serbia" resulted in 20 newly established local partnerships identified as potential LAGs. A group of these partnerships has established the National LEADER Network (NLN). However, there is no reliable national data on the number of active LAGs.

3.6.3. Conclusions and recommendations

Both program areas have taken a positive attitude towards arranging a strategic framework in their planning processes and there is a visible shift from the perspective of a short-term project based on opportunities to a strategic, long-term perspective. In large part, in the Croatian case, this is due to EU membership and increased access and contact with European best practices as well as funding available for integrated urban and local development. Regarding the perspective of stakeholders in the thematic area, the interest of their organizations is mainly in the areas of environmental protection and natural diversity (59.2%) and the development of the tourist offer (59.2%). From these percentages we can conclude that, although there is still a noticeable lack of strategic thinking in the aspect of rural tourism, it is definitely an area where there is significant potential for improvement and sufficient interest in it.

- In both countries, rural areas have significant potential, which are currently some of the least developed areas in Europe. In addition to the obvious and visible demographic and economic problems in these areas, there are several ways in which states can improve the development of these areas:
- Creating specific long-term rural development strategies with action plans that clearly state the deadlines, responsibilities and measures that will be implemented and that are actually adhered to.

¹⁷⁷ Official Gazette of the Republic of Serbia, No. 85 of August 12, 2014. Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024, 2014, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/strategija/2014/85/1/reg>

¹⁷⁸ Network for Rural Development of Serbia, LEADER approach and local action groups (LAGs) <http://www.ruralsrbija.rs/en/page/leader-approach-and-local-action-groups-lags>

- Creating specific rural tourism strategies that outline target areas, their potential and investment in tourism development and marketing of specific areas.

Although urban areas in both countries are significantly more developed than rural ones, they are still not in line with European standards. Foreign investment and the adoption of best practices in urban renewal and the development of brownfield projects could serve as a mean of improving the image of urban areas in both countries.

According to the policy objective legislation, in to foster and develop the integrated territorial development approach, investments in the form of territorial tools such as integrated territorial investments ('ITI'), community-led local development ('CLLD') or any other territorial tool under policy objective "a Europe closer to citizens" for investments programmed for the ERDF should be based on territorial and local development strategies. For the purposes of abovementioned investments minimum requirements should be set out for the content of territorial strategies. Those territorial strategies should be developed and endorsed under the responsibility of relevant authorities or bodies.

To ensure the involvement of relevant authorities or bodies in implementing territorial strategies, those authorities or bodies should be responsible for the selection of operations to be supported, or involved in that selection. This approach creates overwhelming obstacles in the sense of choosing this PO as relevant for the programme, since there are no common strategies for joint governance of certain territories or fields of interest. The creation of such joint strategies is a prerequisite for the usage of funds under this objective. Since such strategies are not planned or developed, it is evident that this PO is not to be taken into account.

According to the survey data, the largest number of respondents see the current capacity in the development of the tourist offer with the aim of promoting cultural heritage, 59.2% of them, which shows that culture and tourism is still a very important subject. To strengthen the integrated territorial development approach, investments in the form of territorial tools such as integrated territorial investments ('ITI'), community-led local development ('CLLD') or any other territorial tool under policy objective "a Europe closer to citizens" supporting initiatives designed by the Member State for investments programmed for the ERDF should be based on territorial and local development strategies.

For the purposes of ITIs and territorial tools designed by Member States, minimum requirements should be set out for the content of territorial strategies. Those territorial strategies should be developed and endorsed under the responsibility of relevant authorities or bodies. To ensure the involvement of relevant authorities or bodies in implementing territorial strategies, those authorities or bodies should be responsible for the selection of operations to be supported or involved in that selection.

3.7. Better cooperation governance

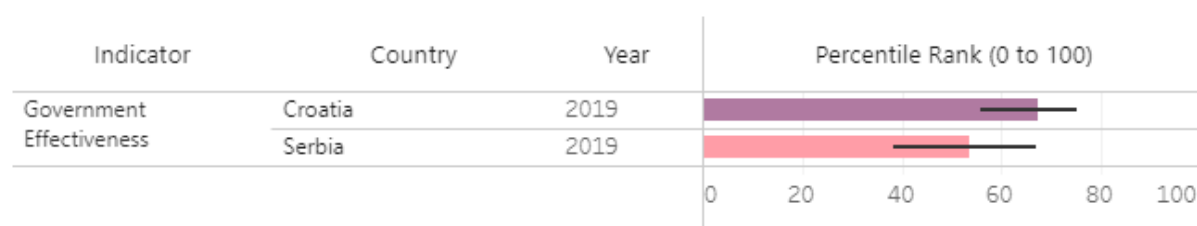
Description of current state in key analysis areas

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

3.7.1. Local and regional governance

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

As a useful tool to compare countries in a broad sense, the government effectiveness index is an index elaborated by the World Bank Group which measures the quality of public services, civil service, policy formulation, policy implementation and credibility of the government's commitment to raise these qualities or keeping them high. This index includes 193 countries, and it is one in a broad set of government quality indicators with Serbia ranking 53,37 and Croatia ranking 67,31.



a. Croatia

The local and regional development is defined by the Law on regional development, that marks a comprehensive and harmonized set of goals, priorities, measures, and activities aimed at stimulating long-term economic growth and overall increase in quality of life, in accordance with the principles of sustainable development aimed at reducing regional disparities. It also denotes development of the Republic of Croatia, in accordance with the principles of sustainable

development by creating conditions that will enable all parts of the country to strengthen competitiveness and realize their own development potentials.¹⁷⁹

The territory of the Republic of Croatia is administratively divided into 128 cities and 428 municipalities. Municipalities and cities in Croatia make up the lowest level of self-government while counties are higher units of local i.e., regional self-government, organized by municipalities and cities. There are 21 counties as the second-tier governments and local levels, 428 municipalities and 128 towns, 17 of which have the special status of large towns. The total number of local governments is 576 (counties included). Almost 51% of local governments have fewer than 3 000 inhabitants, and an additional 20% fewer than 5 000 inhabitants.¹⁸⁰

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

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

According to the research Analysis of digital readiness of Croatian cities 2020, cities in Croatia show a tendency towards more transparent public resources management and budget planning. There is an evident trend in integrating participation in budget planning and transparency on spending, including cities in the programming area such as Slavonski Brod. In terms of average budget transparency of all local governments, measured by the number of key budget documents published, the best performer (from the programme area) was the Požega-Slavonia County, while the least transparent (from the programme area) was Vukovar-Srijem County. The most transparent cities are those in the Brod-Posavina County while the least transparent cities are located in the Vukovar-Srijem County. It is reassuring that around 40% of local governments maintained the highest level of budget transparency and that 30% of them published more documents than in the previous research cycle.¹⁸¹ According to the Open Budget Survey by International Budget Partnership, which assesses the public's access to information on how the

¹⁷⁹Official Gazette Regional Development Act of the Republic of Croatia, <https://www.zakon.hr/z/239/Zakon-o-regionalnom-razvoju-Republike-Hrvatske>

¹⁸⁰Public administration characteristics and performance in EU28: Croatia

¹⁸¹Institute of Public Finance, Budget transparency in Croatian counties, cities and municipalities: November 2019 – April 2020

central government raises and spends public resources, Croatia ranks 68 and is marked as a country that provides “substantial Information” on budget spending.

For statistical purposes, Croatia is divided into NUTS 2 and NUTS 3 regions:

NUTS 2 - there has been a recent change in the NUTS 2 classification, from 2 regions to 4:

Pannonian Croatia City of Zagreb North Croatia Adriatic Croatia NUTS 3 regions are following the division of counties, so they are followed by administrative and governance roles as well-there are all together 21 counties.

Another indicator, the Democracy Index (an index compiled by the Economist Intelligence Unit (EIU), the research division of the Economist Group¹⁸²), is conducted around five topics: electoral process and pluralism, civil liberties, functioning of governance, political participation, and political culture. In 2019, Croatia was ranked 59/167 showing a slight democracy decline from 2013 onward, thus remaining in the category of “Flawed democracies”¹⁸³. In 2019 Croatia scored the highest for Electoral process and pluralism (9.17) which is a score related to “Full democracies” category, while all other topics, Functioning, of governance (6.07), Civil liberties (7.06), Political participation (5.56) and Political culture (5.00), remained on the spectrum for “Flawed democracies”.

b. Serbia

The Ministry of Public Administration and Local Self-Government was formed on 26 April 2014 under the Law on Ministries, with coordination of public administration as a key competence within its purview. Public administration reform, as one of the three pillars of EU expansion policy, is also an essential prerequisite for successful implementation of reform principles and objectives across all spheres of the society. Within the Ministry, the Sector for Local Self-Government System is in charge of the duties pertaining to the system of local self-government and territorial autonomy and territorial organisation of the Republic of Serbia. It prepares regulations which govern the election of local self-government bodies and oversees the legality of operations and bylaws of local self-government units. The Sector provides support to local self-government units to address sector-specific issues, builds the capacities of local self-government units, monitors the number of employees at local self-government units and prepares Decisions by which the Government approves new employment and hiring.

The Local Self-Government (LSG) system in Serbia is guaranteed by the Constitution and regulated by the Law on LSG, the Law on LSG finance, the Law on Territorial Organisation, as well as by several other laws that regulate specific issues such as local elections, communal police, communal affairs, etc. There are number of laws that regulate issues across political jurisdictions, including the local level (such as the law on public property, law on environmental protection, law

¹⁸²The Economist, Economist Intelligence Unit 2020.

¹⁸³Flawed democracies (6.01-8) are nations where elections are fair and free and basic civil liberties are honoured but may have issues (e.g. media freedom infringement and minor suppression of political opposition and critics). The senations have significant faults in other democratic aspects, including underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance.

on education system and many others). Among the biggest challenges of the LSG system in Serbia is the lack of a decentralisation strategy that should provide a systematic approach in solving overlaps in vertical division of power between different tiers of government. Fiscal decentralization often does not follow the transfer of competencies from the national level (and, in case of AP Vojvodina, provincial level), which affects effective operations of cities and especially (smaller) municipalities in Serbia.

Srbija is divided in 23 Cities + Belgrade and 150 Municipalities (opština). Municipalities are the basic local self-government units and cities have more than 100.000 inhabitants with the City of Belgrade having a special status. Altogether, the system of local self-government is integrated, arranged into 174 local self-government units, and based on the monotypic model of municipality. The territory and seat of the unit of local self-government is determined by the Law on Territorial Organization, which determines the criteria for the establishment of municipalities and cities.

In addition, Serbia is divided for statistical purposes as well¹⁸⁴:

NUTS 1 - divided into part - Srbija - North, Srbija - South

NUTS 2 - divided in regions - the term “region” as a “statistically functional territorial unit consisting of one or more areas, established for the planning and implementation of regional development policy, in accordance with the nomenclature of statistical territorial units at level 2 and no administrative territorial unit and no legal entity”.

NUTS 3 - 24 districts (okruzi) that also have no administrative power out of which the following are in the programme area:

- West Bačka District
- South Bačka District
- North Bačka District
- Srem District
- Mačva District

Regarding other organisations that are dealing with the development of local government, as in Croatia, the Standing Conference of Towns and Municipalities - Association of Towns and Municipalities of Serbia (SCTM) represent the interests of local self-governments and support their development through the joint operation of the membership, providing high quality services in accordance with European standards, with the goal of creating the conditions for the functioning of developed and efficient local self-governments.

According to the Democracy Index for 2019, compiled by the Economist Intelligence Unit (EIU), Serbia fell to 66th place, five lower than 2018 and is categorised among the “flawed democracies”. This places Serbia in the category of “incomplete democracies”, with the overall score of 6.41/10. Serbia scored the highest for Electoral process and pluralism (8.25) which is the only score related to the “Full democracies” category. This score is followed by scores for Civil liberties (7.35) and Political participation (6.11) which are related to “Flawed democracies” category where Serbia is

¹⁸⁴ European Commission, Statistical regions in the European Union and partner countries - 2020 edition:
<https://ec.europa.eu/eurostat/documents/3859598/10967554/KS-GQ-20-092-EN-N.pdf/9d57ae79-3ee7-3c14-da3e-34726da385cf>

generally placed. The lowest scores are for the topics Functioning of government (5.36) and Political culture (5.00), which amount to the “Hybrid regimes” category.

c. Regional level

The Programme area in Serbia consists mainly of parts of AP Vojvodina that has its administrative powers. The Statute of AP Vojvodina and the Law Establishing the Authority of the Autonomous Province of Vojvodina was defined by the Constitution of the Republic of Serbia in 2006. The AP Vojvodina contains 7 Districts, 6 Cities and 45 Municipalities. The rights and duties of the Province are described in the Constitution and in the Province's Statute. The Provincial Secretariat for Regional Development, Interregional Cooperation and Local Self-Government, in accordance with the law and Statute, performs the tasks of the provincial administration, in the field of regional development, related to the preparation of acts for the Provincial Assembly or the Provincial Government.

The area included in the programme area covers the following NUTS 3 regions:

- West Bačka
- North Bačka
- South Bačka
- Srem
- Mačva.

In Croatia, the procedure of assessment and classification of all units of local and regional self-government according to the development index is carried out. In accordance with the Regulation, the following indicators are used to calculate the development index:

1. average income per capita
2. average source income per capita
3. average unemployment rate
4. general population movement
5. level of education of the population (tertiary education)
6. aging index.

The table below shows that neither of the counties included are above the national average.

Table 51. Show of County Development Group and County Development Index in Croatian programme area

County	County Development Group	County Development Index
Osijek-Baranja	2	96.009
Požega-Slavonia	2	93.947
Brod-Posavina	1	93.449
Vukovar-Srijem	1	91.992

Out of 111 local self-government units in the area of 4 Croatian counties included in the programme area, only 6 are above average, i.e., above Croatian average, and the other are considered to be underdeveloped.

Table 52. List of local self-government above average in the Croatian programme area

Osijek	Osijek-Baranja	7	106.211
Vinkovci	Vukovar-Srijem	6	103.966
Požega	Požega-Slavonia	6	103.064
Slavonski Brod	Brod-Posavina	6	102.673
Našice	Osijek-Baranja	5	100.656
Antunovac	Osijek-Baranja	5	100.350

3.7.2. Institutional capacity of public authorities and stakeholders

a. Croatia

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

According to the Ministry of Administration for 2018, 2,206 people were employed in the counties, the cities had 5,963 employees, while the municipalities had 2,867 employees. This makes a total of 14,058 employees in local government and self-government units while about 293 000 employees or approximately 18% of the workforce is employed by the state in total.¹⁸⁵ The table shows an overview of the number of employees by counties and cities that are part of the programming area.

Table 53. Overview of the number of employees by counties and cities

County	Number of cities and municipalities	Number of employees	Main City	Number of employees
Požega-Slavonia	10	175	Požega	44
Brod-Posavina	28	326	Slavonski Brod	86
Vukovar-Srijem	31	504	Vukovar	101
Osijek-Baranja	42	825	Osijek	209

¹⁸⁵Public administration characteristics and performance in EU28: Croatia

One of the main weaknesses of the Croatian public administration is at municipal level. Numerous small municipalities are granted responsibilities and competences in providing public services that they cannot fulfil for lack of adequate financial, administrative and personnel resources. This in turn creates large disparities in public-service provision between financially and administratively strong and weak local units across the country. No significant measures have been taken to address fragmentation of the public administration at municipality level.¹⁸⁶

EUR 522.6 million (from ESIF) has been allocated for strengthening capacity of public administrations at different levels. The Catching up Regions Initiative delivers targeted technical assistance and financing for developing five counties in the Eastern Croatia – Slavonia, Baranja and Srijem Project. On the other hand, the European Union allocates significant funds to CSO projects, but given the EU procedures, the beneficiary associations of these funds have problems in raising funds for pre/inter-financing and co-financing.

b. Serbia

In Serbia, the capacity of public authorities on the local level is not adequate and not fully developed. The main problem usually sums up to the lack of financial capacity for the enforcement of any serious development strategy, with exceptions being larger cities such as Novi Sad.

According to one research that measured the capacity of local governments, there is certainly room for significant improvement in the conduct of local self-government, as well as significant differences between local self-government units.¹⁸⁷ At the lower end of the scale are the local self-government units that achieved a result of only 18%; at the upper end is a score of 63.6% according to the developed index of good governance. The research shows that economic development is key in good governance of local government. Local self-government units that belong to the first of four development groups, (according to Regulation on the establishment of a unique list of regional development of local self-government from 2014) have achieved a score of as much as 47% - two percentage points higher than the score achieved by cities. Also, cities that do not belong to the first group of development, have achieved a slightly worse score than the municipalities that belong to that group. These results indicate that we will find good governance practices more often in the most developed units of local self-government, whether they are cities or municipalities, than, on average, we find them in cities. The results for less developed categories of local self-government units further confirm this finding: for each next category according to the level of development, the score on the index decreases: to 43% in the second group, 37% in the third and 35% in the fourth group.¹⁸⁸

¹⁸⁶ European Commission, Croatia – Country Report 2020

¹⁸⁷ Association of Cities and Municipalities of Serbia, e.g. GIZ funded project of creating the index of good governance on local level, <http://www.skgo.org/vesti/detaljno/1961/predstavljen-indeks-dobre-uprave-na-lokalnom-nivou>

¹⁸⁸ Partner Solutions d.o.o., ANALIZA UČINKA I KAPACITETA JEDINICA LOKALNIH SAMOUPRAVA U PRIMENI PRINCIPA DOBROG UPRAVLJANJA, 2018, <https://www.swisspro.org.rs/uploads/files/101-969-analiza-idu-60-jls-izvod-srpski.pdf>

Local self-government units approach their community development planning relatively responsibly (above 90% of LSGs have valid strategies of sustainable development, and over 95% of them spatial and urban plans for part or all of the space). On the other hand, the Good Governance Index indicates that there is significant room for improvement in strengthening the institutional framework and procedures that should translate the plans into development. In other words, there is a clear readiness of local self-government units to adopt appropriate plans and other acts, but the implementation of envisaged development and projects is not always as planned – due to lack of capacity or overwhelming project numbers.

Finally, the results of the research show that there is a clear need for a more comprehensive data collection and management regarding key indicators of local development. In addition, due to scarce financial resources of some local governments, the establishment of inter-municipal cooperation as a mechanism for overcoming limitations should be favoured.

c. Regional level

In terms of capacities on regional level, there is little data or research on the subject regarding municipalities inside the programme area. Therefore, some good examples have been specified based on the awards that were handed from NALED in Serbia in different categories:

- The Municipality of Stara Pazova is the winner of the Champions of Local Development award in the category of Support to the Economy, which recognizes the Municipality of Stara Pazova as an example of good practice, which will be promoted as a way for other local governments and cities in Serbia to achieve.
- Thanks to the initiative for citizens to decide on how they will spend the funds from the property tax in their local community, the City of Šabac won the title Champion of Local Development in the category of citizen service. The project defines the right of local communities to a refund of property tax and the power to decide on how to spend it. This decision stipulates that the money will be invested in projects that are decided by the residents of local communities by voting in the direct voting procedure.
- Involving the economy in making strategic decisions and implementing their initiatives in order to create a favourable business environment through the One-stop-shop brought the City of Šabac also the title of Local Development Champion in the category of economic support. The one-stop-shop for the economy is a unique counter where businesses and entrepreneurs can quickly complete all the work of founding and registering their new company. One-stop-shop in Šabac is realized through the Department for Local Economic Development (LED), which is a place where investors get all the necessary information, present their needs and problems.
- The system of local incentives and the economic council that connects 200 local companies with the municipal administration brought the title of Vice Champion of Local

Development to the municipality of Stara Pazova in the category of economic support. The Municipality of Stara Pazova continues the tradition of the most developed entrepreneurial community from the previous period with full commitment to economic development and all forms of economic organization - from small entrepreneurial shops with rare crafts to smaller industrial plants, to large investors with large capital investments. The Economic Council of the municipality has about 200 members and aims to improve the business environment and is a link between businesses and local government. In addition to the above, the municipality has been organizing the Regional Fair of Economy for 13 years in a row, which gathers over 200 exhibitors from the country and abroad.

- Bečej won the first prize for efficient management, thanks to the introduction of an electronic register. The municipal information system is now a complete unit, which relies on a single database and a series of applications that access the database and use the data, update, delete and add it without unnecessary duplication. The most important part of the system is the ORDER application, i.e., software for maintaining order in the documentation, better known as the E-register. This system has solved major problems and challenges in keeping documentation related to financial transactions performed by the municipal administration and users of budget funds in line. Budget users through ORDER form E-requests for the transfer of funds, sign them with an E-signature, and send them directly to the municipal administration with scanned attachments (invoices, situations, salary calculations, etc.).
- Loznica went a step further with new technologies in the presentation of tourist wealth through the creation of virtual tours of the city. This endeavour brought Loznica not only new tourists, but also the title of Vice Champion of Local Development in the field of tourism and culture promotion. The City of Loznica and the Tourist Organization have put an emphasis on digital promotion of tourist potentials. This approach was assessed as necessary for further communication and placement of the desired information to tourists. In addition to launching a new, modern site with updated information and photos, tourists also have access to virtual tours that make the promotion of tourist potentials more complete.

On the Croatian side, based on relevant public awards done by several media companies in cooperation with the Government and research organisations, none of the cities in the programme area have won awards in any of the categories. However, there were some that made the finals, e.g., the City of Belišće for the eco city award, City of Vinkovci for EU funds award and the City of Osijek for the Smart city award.

Out of the cities in the Croatian part of programme five cities have been included in the analysis of digital readiness of Croatian cities 2020, with the city of Đakovo having the highest number of budget plans through the years available on its web site. All the cities upload their budget plans in the form of tabular presentations with visualizations, without any additional interactive element. Along with Đakovo, Slavonski Brod received the best score out of the five cities in terms of citizen

participation in decision-making. Slavonski Brod was the only city in the programme area to introduce participatory budgeting in 2020. In the area of citizen participation in decision-making and budget planning, Vinkovci scored the lowest. All the cities in the programme area, except for Vinkovci, showed improvement in this section compared to previous research in 2019.

3.7.3. Cooperation of public administration

Since cooperation in its definition requires both sides to be active, there is no need for separation in terms of subheadings in this area. Partnership is one of the basic principles of both local and regional development. Cooperation of all developing entities, i.e., participants in a certain area, contributes to decentralization, which improves the management of the development of the area, strengthening the commitment, responsibility, motivation, self-initiative and readiness for change. The application of this principle enables a holistic approach to development, strengthens the bargaining power of the local community, facilitates the local community actors to decide on their own development, enables consensus on important development decisions, facilitates goal setting and priority and facilitates the mobilization of financial and other development resources. At the same time, the partnership facilitates the integration of local and regional development into development plans and programs at the central level and enables better coordination of existing resources and access to international development programs.¹⁸⁹

IPA cross-border cooperation in the period 2007-2013 marked the first Interreg partnership between Croatia and Serbia. It was adopted by European Commission in December 2007. As two key priorities, sustainable socio-economic development and technical aid were identified. Their corresponding measures were Economic Development, Environmental Protection, People-to-people, Program management and implementation and Program information, promotion, and evaluation. Projects were funded up to 85% non-refundable EU funds, while co-financing by beneficiaries was at least 15%.¹⁹⁰ In 2009, a financing agreement was made between the Government of the Republic of Croatia and the Commission of the European Communities on the Croatia-Serbia cross-border cooperation program. The goal of the agreement was to promote socio-economic integration of border areas through strengthening of economic, social, and cultural relations between the two countries. The programme areas included were the same as in the current Interreg partnership.¹⁹¹

The most recent cooperation programme was Interreg IPA Cross-border Cooperation Programme Croatia-Serbia 2014-2020. The programme was a continuation of a successful cooperation in the previous financial perspective (2007-2013). The goal was to strengthen social, economic and

¹⁸⁹ Sanja Maleković, Local development actors:

https://www.pilar.hr/wp-content/images/stories/dokumenti/zbornici/15/z_15_143.pdf

¹⁹⁰ IPA Cross-border Cooperation Programme Croatia-Serbia 2007-2013

¹⁹¹ Decision on the promulgation of the Law on Ratification of the Financing Agreement between the Government of the Republic of Croatia and the Commission of the European Communities on the Croatia-Serbia Cross-Border Cooperation Program, within the IPA Cross-Border Cooperation Component, for 2008

https://narodne-novine.nn.hr/clanci/međunarodni/2009_11_10_130.html

territorial development of the cross-border area through four main priority axes: PA1 - Improving the quality of public social and health services in the programme area; PA2 - Protecting the environment and biodiversity, improving risk prevention and promoting sustainable energy and energy efficiency; PA3 - Contributing to the development of tourism and preserving cultural and natural heritage; PA4 - Enhancing competitiveness and developing business environment in the programme area. The programme area covered 9 NUTS III regions in the cross-border territory (4 Croatian counties and 5 Serbian districts), the same as the current Interreg partnership.¹⁹²

The first EU funded twinning project between public administrations was in 2017. For the first time since Croatia's EU accession, a Twinning project has been awarded to Croatia for implementation and it will take place in Serbia. For six months, Serbian authorities have benefited from the experience of Croatian and Spanish public experts on transfusion medicine.¹⁹³ Another good example is the Twinning project "Strengthening of the Institutional Capacities of the National Bank of Serbia in the Process of EU Accession" that was recently successfully completed. Invited by the Croatian National Bank, Hanfa participated in this project in activities related to the insurance sector, which in the Republic of Serbia is under the supervision of the National Bank of Serbia.¹⁹⁴

Officially, no cross-border entities have been established for better cooperation between the areas, given the obstacles in legal and operational capacity. Bodies that implement the INTERREG programme are the closest to cooperation on an official level.

3.7.4. Conclusions and recommendations

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

¹⁹²Interreg Croatia - Serbia, programme facts:

<https://www.interreg-croatia-serbia2014-2020.eu/about-programme/programme-facts/>

¹⁹³ European Commission, Boosting cooperation and dialogue: Croatia awarded Twinning project in Serbia for the first time:

https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/boosting-cooperation-and-dialogue-western-balkans-croatia-awarded-twinning-project_en

¹⁹⁴ HANFA, Twinning project for the National Bank of Serbia successfully completed, <https://www.hanfa.hr/news/twinning-project-for-the-national-bank-of-serbia-successfully-completed/>

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

3.8. A safer and more secure Europe

Description of current state in key analysis areas

The issue of security and safety has undergone a transformation in the programme area, but also in the whole of Europe in recent years. This happened with the outbreak of the migrant crisis, which requires increased border control and increased cooperation of all European countries. The programme area is of great importance because it represents a vital link in the Balkan route of immigration, where the largest number of migrants from the Middle East come from, with Western Europe as their ultimate destination. This has been additionally a point of dispute between the two countries since the border represents the external border of the EU, thus making it even more important from the European point of view.

3.8.1. Border crossing management

Croatia and Serbia share a total of eight road border crossings (Bajakovo/Batrovci, Batina/Bezdan, Erdut/Bogojevo, Ilok/Bačka Palanka, Principovac/Sot, Tovarnik/Šid, Principovac II/Ljuba and Ilok II/Neštin which are permanent border crossings for international traffic of passengers and goods and Bajakovo, which is a border crossing with inspection services), as well as two railway border crossings (Tovarnik and Erdut).¹⁹⁵ In 2019, Croatia recorded a total of 2.473, 805 passenger vehicle entries across Croatian-Serbian border and the number of people who entered Croatia across those borders was 6.825, 956.¹⁹⁶

In 2018, Croatia had a total of 6,500 border police officers and modern technological equipment for border protection. In 2019, new border police station was built in Tovarnik (Vukovar-Srijem County). For the technical equipping of the border and strengthening the capacity of the border police in 2018, using the funds of the Internal Security Fund (ISF), projects with a total value of 34,528,821.55 euros were contracted and new modern border surveillance equipment was procured.

In September 2019, Croatia adopted a new Integrated Border Management Strategy and Action Plan for the implementation of the Strategy to coordinate with the new European concept of integrated border management strategy. To try to solve the problem of illegal border crossings, surveillance systems were established on green borders and stationary cameras were installed, out of which 12 at the border with Serbia. During 2019, Croatia participated in joint Frontex operations, one of which was FOA Western Balkan conducted at Bajakovo and Tovarnik police stations. In October 2019, the European Commission verified the full implementation of the Schengen acquis in Croatia, stating that the Republic of Croatia fulfilled the technical criteria.¹⁹⁷

¹⁹⁵Official Journal of EU, C 242/2: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:242:0002:0012:HR:PDF>

¹⁹⁶ Central Bureau of Statistics, Transport and Communications: https://www.dzs.hr/Hrv_Eng/Pokazatelj/Transport%20i%20komunikacije/Transport%20-%202005%20granici%20promet.xlsx

¹⁹⁷Annual Report on Migration and Asylum in Croatia in 2019: 55-60.

The Republic of Serbia adopted the newest Integrated Border Management Strategy in 2017, for the period 2017-2020, to meet the European standards. The strategy includes coordination and data exchange with other countries of the region, as well as capacity building, which would facilitate border-crossing of passengers and goods and help prevent cross-border crime and illegal migration.¹⁹⁸ Serbia continued to significantly contribute to the management of the mixed migration flows towards the EU by playing an active and constructive role and cooperating effectively with its neighbours and EU Member States. It also continued to effectively implement the integrated border management strategy and its action plan.

3.8.2. Mobility and migration management

Until 2015, the migration in the programme area mainly viewed migration as an economic issue, as most immigrants arrived to and from work, and often they were citizens of neighboring countries or countries of the Western Balkans who were granted work permits. The migrant crisis has prompted both countries to face issues with which they had little experience until 2015. Illegal migration has become a problem on daily basis and there has been a need to expand the regulatory legal framework so that countries can deal with it in the right way.

The conditions of entry, movement, residence, and work of third-country nationals in Croatia are regulated by The Foreigners Act. Legal migration in Croatia includes mainly economic migration and the issuance of work permits for which quotas are defined each year, given the needs of the labour market. Most immigrants come from Europe. In 2019, the total number of immigrants was 37,726 and out of that number, 25,309 people came from the countries that aren't EU member states.¹⁹⁹ The rise of illegal migrations is a problem. Compared to 2018, the number of illegal entries in 2019 increased by 142.6% and summed up to a total of 19,683 detected illegal migrants. Most of the illegal immigrants came from Pakistan, Afghanistan, Turkey, Iraq, and Syria. Due to illegal entries, 946 criminal charges were filed, and 983 people were deported, which is an increase of 53% compared to 2018. The Ministry of the Interior is in charge of measures to prevent, detect and punish offenses related to illegal migration and human trafficking, where cooperation with the EU is of great importance.²⁰⁰ In order to improve the management of external borders, prevent illegal entry and simplify the management of migration flows, a Regulation of the European Parliament and of the Council establishing an entry and exit system has been adopted.²⁰¹ In 2019, a total of 2,456 third-country nationals were returned to their countries, of which 64% were forced and 36% voluntary departed the country. Croatia has signed a total of 26 readmission agreements, the most important of which are with neighbouring countries. Cooperation on the reception and

¹⁹⁸ Official Gazette of the Republic of Serbia, Strategy of integrated border management to the Republic of Serbia, http://www.mup.gov.rs/wps/wcm/connect/5038a97c-2f2b-4492-88e2-a4662aa6f00c/pdf_lat_Strategija+integrisanog+upravljanja+granicom+u+Republici+Srbiji+2017-2020+-lat.pdf?MOD=AJPERES&CVID=mbdO.06

¹⁹⁹ CBS, Publication: Croatia in figures 2020, 9., https://www.dzs.hr/Hrv_Eng/CroInFig/croinfig_2020.pdf

²⁰⁰ ARM, National report, Annual Report on Migration and Asylum in Croatia 2019, 61., https://ec.europa.eu/home-affairs/sites/homeaffairs/files/04_croatia_arm_2019_part2_en.pdf

²⁰¹ Report on the implementation of the national security strategy of the Republic of Croatia, 11.

return of third-country nationals with neighbouring countries (Slovenia, Serbia, Bosnia and Herzegovina and Montenegro) takes place almost on daily basis.²⁰²

In the context of migration between countries, based on the data from the Croatian Statistic Bureau, there is a relatively large number of Serbian nationals that have migrated to Croatia as seen in the table below. Unfortunately, the Serbian statistics bureau does not conduct research on international migration.

Table 54. Immigrant and Emigrant population to/from Republic of Croatia – by country of origin²⁰³

	2018		2019	
	Immigrants	Emigrants	Immigrants	Emigrants
Serbia - according to the country of origin	2880	1613	4800	2842

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

Since the outbreak of the migrant crisis in 2015, the number of migrants passing through the programme area has increased significantly and is still very high. The issue of illegal migrations and unregistered migrants remains. Recorded numbers of migrants are only estimating, since many still pass through the programme area undetected. Given that most of the migrants come from war-affected, unstable areas where human lives are endangered, deportation is rarely an option. Therefore, strategies for migrant protection and integration need to be developed. When dealing with migrants, it is crucial to take into account their fundamental human rights, to provide humanitarian and health assistance when needed, and to ensure that their integrity remains intact.

According to the data from 2019, in Croatia, 1,986 people intended to request international protection (most of them from Iraq, Afghanistan, Syria and Iran), while 158 people were granted international protection. In Croatia, refugees are placed in reception centers which provide health and social services, as well as primary and secondary education for children.²⁰⁴ The integration of migrants into Croatian society isn't sufficiently organized. In 2017, an Action Plan for the integration of persons granted international protection was adopted, but by 2019 there was little effect in implementation, so in October the Ministry of the Interior issued an offer to include civil society organizations in integration. Some of the recipients of international protection are housed in 28 state-owned apartments (some of which are in Požega), while others sought private accommodation. Aside from free legal aid, various social workshops, language courses and social

²⁰²ARM, National report, Annual Report on Migration and Asylum in Croatia 2019, 72., https://ec.europa.eu/home-affairs/sites/homeaffairs/files/04_croatia_arm_2019_part2_en.pdf

²⁰³ CBS, https://www.dzs.hr/Hrv_Eng/Pokazatelj/Stanovnistvo%20-%20Migracije.xlsx

²⁰⁴ARM, National report, Annual Report on Migration and Asylum in Croatia 2019, 25., https://ec.europa.eu/home-affairs/sites/homeaffairs/files/04_croatia_arm_2019_part2_en.pdf

and medical aid, refugees are offered the possibility to attend six-month employment assistance programs (e.g., for kitchen work, construction and elderly care).²⁰⁵ Beneficiaries of international protection still face significant challenges in exercising their rights in almost all areas, as persisting obstacles are still not solved nor sufficiently addressed at state level. Hate speech is present, not only on news portals in the form of unmoderated reader comments, but also among public servants (for example, a police officer whose mistreatment of immigrants was recorded by media)²⁰⁶

In the Republic of Croatia, asylum procedure is an administrative procedure prescribed by the Act on International and Temporary Protection.²⁰⁷ There is a difference in the duration of residence permits. For those who are granted asylum (refugee status), the duration of a residence permit is 5 years, and for those who are granted subsidiary protection 3 years. Permanent residence can be granted to a foreigner who has had legal residence in Croatia in an uninterrupted period of 5 years.²⁰⁸

In Serbia, in 2019, 12,935 of migrants were registered who expressed the intention to seek international protection. However, only 252 of those people actually requested international protection, most of them from Iraq and Afghanistan. In 2019, 34 people were granted international protection.²⁰⁹ In Serbia, there are a total of 19 governmental reception facilities which can provide long-term accommodation for 6,000 people and short-term accommodation for around a 1,000 people. In those centres, health care is provided, as well as education for children who are being integrated in the national education system. Most of the migrants currently in Serbia are placed in temporary accommodation facilities and do not have any legal status. During 2019 the number of migrants accommodated in Serbia fluctuated from over 4 000 in January, to 2 300 in the summer and reaching 4 500 by the end of 2019. Most of the migrants come from Afghanistan, Syria, Pakistan, Iraq and Bangladesh. Mobile centres for irregular migrants for the purposes of registration and short-term accommodation are operational.²¹⁰ Overall, the reception conditions in Asylum Centres can be considered as satisfactory. However, living conditions in the Temporary Reception Centres continue to raise serious concerns as they are not adequate for hosting asylum seekers for long periods. The lack of security in many reception facilities is a serious concern, and the presence of organised crime groups involved in smuggling and potentially human trafficking is

²⁰⁵ARM, National report, Annual Report on Migration and Asylum in Croatia 2019, 35.-42., https://ec.europa.eu/home-affairs/sites/homeaffairs/files/04_croatia_arm_2019_part2_en.pdf

²⁰⁶Asylum Information Database, Country report Croatia, 2019, https://asylumineurope.org/wp-content/uploads/2014/08/AIDA-HR_2019update.pdf, 17.

²⁰⁷ARM, National report, Annual Report on Migration and Asylum in Croatia 2019, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/04_croatia_arm_2019_part2_en.pdf

²⁰⁸Asylum Information Database, Country report Croatia, 2019, https://asylumineurope.org/wp-content/uploads/2014/08/AIDA-HR_2019update.pdf, 97-98.

²⁰⁹Migration profile of the Republic of Serbia 2019, 29-30.

²¹⁰ European Commission, Serbia 2020 Report, 47-48., Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

evident. This is particularly worrying for unaccompanied asylum-seeking children (UASC) who are at serious risk in almost all reception facilities.²¹¹

Programmes for social integration, access to accommodation, language learning and access to the labour market for people granted asylum or subsidiary protection are in place. The legal framework for integration exists, but it hasn't yet been harmonised with the law on Asylum and Temporary Protection, which is necessary in order to properly implement integration measures. Serbia signed the Global Compact for Refugees as well as the Global Compact for Safe, Orderly and Regulated Migration.²¹² The duration of residence for those granted asylum (refugee status) in Serbia is 5 years and for those granted subsidiary protection 1 year. The Long-Term Residence Directive is not applicable in Serbia.²¹³

Table 55. Applications and granting of protection status at first instance: 2019

	Applicants in 2019	Refugee status	Subsidiary protection	Rejection	Refugee rate	Sub. protection rate	Rejection rate
Croatia	1.400	55	0	265	17%	0%	83%
Serbia	252	13	13	54	16,25%	16,25%	67,5%

Source: https://asylumineurope.org/wp-content/uploads/2014/08/AIDA-HR_2019update.pdf,
https://asylumineurope.org/wp-content/uploads/2020/05/report-download_aida_sr_2019update.pdf

3.8.4. Conclusions and recommendations

Illegal migration has become a problem on daily basis and there has been a need to expand the regulatory legal framework so that countries can deal with it in the right way. This has mainly been done since the outbreak of the migrant crisis in 2015. However, the programme area is still under pressure by the migrant population, and the potential of a new migrant wave is increasing with wars still being active in the middle east and Africa. In this respect, Serbian programme area has been more exposed to the migrant problem, although Croatia has taken the burden on its external border with problems of humanitarian and ethical concerns. Although the northern part of AP Vojvodina (not in the programme area) has been mostly affected by the number of migrants, the town of Subotica has had its share as well.

Therefore, it is clear that police cooperation and coordination should be continued to ensure safety of the citizens but also to show humanitarian response for the people in need. Beneficiaries of international protection still face significant challenges in exercising their rights in almost all areas, as persisting obstacles are still not solved nor sufficiently addressed at state level in Serbia.

²¹¹Asylum Information Database, 2019, https://asylumineurope.org/wp-content/uploads/2020/05/report-download_aida_sr_2019update.pdf, 14

²¹² European Commission, Serbia 2020 Report, 50., Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

²¹³Asylum information database, Country Report: Serbia, https://asylumineurope.org/wp-content/uploads/2020/05/report-download_aida_sr_2019update.pdf, 83.

Living conditions in the Temporary Reception Centres continue to raise serious concerns as they are not adequate for hosting asylum seekers for long periods. The lack of security in many reception facilities is a serious concern, and the presence of organised crime groups involved in smuggling and potentially human trafficking is evident in Serbia. It is recommended to continue increasing border controls, especially border surveillance including identification and registration measures in full respect of fundamental rights and increase efforts to detect and prevent smuggling of migrants with better cooperation of police and border controls. Finally, the situation with the migrants should not make everyday migration of workforce and local inhabitants even more difficult since this is a prerequisite to better cooperation between states.

4. SWOT analysis

A smarter Europe	
Strengths	Weaknesses
<ul style="list-style-type: none"> • R&D investments have increased • digitalisation is high on the priority list • rise in percentages of computer and internet usage • strong support infrastructure for SMEs • Increase in usage of online e-government services • strong ICT SMEs and support infrastructure 	<ul style="list-style-type: none"> • access to finance for SMEs remains low • low patent level • weak link/gap between market needs and education • an unresponsive administration • high unemployment of people with lower and intermediate education • bureaucratic burden on entrepreneurship
Opportunities	Threats
<ul style="list-style-type: none"> • venture capital investments • commercialisation of innovative research in universities • leaders in digital transformation and ICT • focus on S3 SME development • development of VET qualifications and curricula • agriculture and ICT interconnection • strong university centers • ICT usage increase • development of e-services and broadband 	<ul style="list-style-type: none"> • large gap between urban and rural areas in development and IT usage • High cost of digital transformation of public administration, society and business sector • COVID-19 related consequences, economic crisis
A greener, low-carbon Europe	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Good geographical location • High percentage of renewable energy - Croatia • High biodiversity that has a positive impact on the environment, the economy and tourism • project for energy efficiency • digital infrastructure for energy management 	<ul style="list-style-type: none"> • Low awareness of low-energy solutions • Insufficient use of renewable energy sources - dominant fossil fuels • Insufficiently developed recycling systems • Poor climate change adaptation systems • Lack of diversity of energy resources used

	<ul style="list-style-type: none"> High CO2 emissions
Opportunities	Threats
<ul style="list-style-type: none"> Development of the potential for the use of liquefied gas Energy renovation of buildings projects and R&D on renewable energy Energy potential for the use of renewable energy sources - biomass, but also solar, thermal, etc. Continuation of previous cross-border projects (e.g. R-SOL-E) 	<ul style="list-style-type: none"> Insufficient development of administrative and technical capacities Lack of initiative for the transition to renewable energy sources The danger of natural disasters in programme area Pollution of natural resources
A more connected Europe	
Strengths	Weaknesses
<ul style="list-style-type: none"> Coverage of the fixed network with a very large capacity in Croatia High level of alignment with the EU acquis in Serbia Growth in the number of electric and hybrid vehicles Good coverage of all settlements by public transport in Croatia The programme area abound on bike trails of various types 	<ul style="list-style-type: none"> Obsolete infrastructure of public road and rail operators The outdated and limited railway network Large noise emissions from urban areas Lack of parking spaces for individual vehicles Underdeveloped use of public transport
Opportunities	Threats
<ul style="list-style-type: none"> Upgrading and electrification of railway traffic Positive developments in Serbia in opening the railway market with nine private freight companies Increasing intermodality in passenger transport Diverse possibilities in terms of mode of transport according to geographical location 	<ul style="list-style-type: none"> High costs of intermodal transport development The scope of railway reconstruction needs too great for financial possibilities Insufficient charging station for electric cars
A more social Europe	
Strengths	Weaknesses
<ul style="list-style-type: none"> reduced unemployment rate labour market infrastructure in place diverse and numerous active labour 	<ul style="list-style-type: none"> overall employment rate in Croatia remains one of the lowest in the EU discrimination of marginalized groups

<p>market programmes</p> <ul style="list-style-type: none"> • strong CSOs • poverty risk declining • national minorities being represented adequately • health infrastructure locally in place • strong cultural heritage, locally rooted • unique nature reserves in the programme area 	<p>still present</p> <ul style="list-style-type: none"> • Roma people are not fully integrated into the community • accessibility and mobility not ensured fully for people with disabilities • social services on local level not adequately financed • no long term care plans and strategies
Opportunities	Threats
<ul style="list-style-type: none"> • potential of lifelong learning and education • better linkage of VET education with dual education models • introduction of non-institutional services • better cooperation in health services • inclusive tourism • development of cross border destination management 	<ul style="list-style-type: none"> • Covid-19 related consequences • unemployment rise • further regional disparities • continuation of emigration of young people • aging of population • new wave of migrants • collapse of health system due to high debts • dependence on tourism as primary source of income (Croatia)
A Europe closer to citizens	
Strengths	Weaknesses
<ul style="list-style-type: none"> • regional development agencies play an important part in sustainable development • existence of strategic documents • partnerships between rural and urban areas • recent trends in implementing smart city projects 	<ul style="list-style-type: none"> • a large share of poverty in rural areas and poor social status - underdeveloped rural areas • unequal share in income distribution and economic opportunities • very weak index of county development in the program area of the Republic of Croatia • lack of urban regeneration projects which leads to urban degradation
Opportunities	Threats
<ul style="list-style-type: none"> • achieving a better quality of life, public services and social inclusion • creating a positive environment for economic development • establishment of clean, energy-efficient environments • increase in governance transparency, 	<ul style="list-style-type: none"> • continuation of depopulation trends, aging, and emigration in rural areas • expiration of existing strategies and not setting new strategic frameworks for the future period • no systematic collection of data on NUTS 3 level

especially related to budget	<ul style="list-style-type: none"> responsibilities of lower governance levels don't match the capacities of the public officials
Better Cooperation governance	
Strengths	Weaknesses
<ul style="list-style-type: none"> strong autonomy of AP Vojvodina good examples of city led development in different areas Increase in governance transparency strong INTERREG involvement of local governments 	<ul style="list-style-type: none"> no systematic collection of data on NUTS 3 level low financial capacity of municipalities no real power of regions in Serbia fragmentation of local government - small territories no cooperation between neighbouring local governments responsibilities of lower governance levels don't match the capacities of the public officials
Opportunities	Threats
<ul style="list-style-type: none"> Public administration reform implementation better cooperation of cities and local development agencies further twinning projects regarding public capacities between countries in different areas strengthening the institutional framework and procedures that should make the strategic plans operational 	<ul style="list-style-type: none"> further fiscal capacity reduction no real decentralisation reform (in Serbia) and low capacity of counties (in Croatia)
A safer and more secure Europe	
Strengths	Weaknesses
<ul style="list-style-type: none"> legal framework for migration in place in both countries A large number of readmission agreements, both with the EU member states, as well as with the countries outside of the EU 	<ul style="list-style-type: none"> bad living conditions in the Temporary Reception Centres - in Serbia lack of security in many reception facilities human trafficking not fully stopped Insufficient technology and infrastructure for border protection A great influx of illegal immigrants Insufficient administrative capacity to communicate and process asylum seekers' requests

Opportunities	Threats
<ul style="list-style-type: none"> • Continuation and expansion of cooperation in the deployment of border patrols and control • Cross-border cooperation in establishing control over the influx of illegal immigrants • new methods and technologies for more efficient border control • importance of the border for the EU (external border of the EU) gives added opportunity for funding 	<ul style="list-style-type: none"> • Uncontrolled influx of illegal migrants at green borders • Unsuccessful integration of asylum seekers due to insufficient capacity • new wave of migrants • safety of local population • no real cross border exchange within the population due to migrant risks • humanitarian crisis due to potentially large number of migrants

5. Final conclusions and recommendations

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

I. SMARTER EUROPE

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

Key strength recognized in the programme area is the increase of R&D investments by the private sector and a relatively strong entrepreneurial support in the programme area. SMEs are the backbone of economic development and should be cooperated with more closely. The usage of broadband Internet is relatively high by the public and businesses and can be developed further.

Obstacles for the successful implementation of projects in the upcoming period in this policy objective could potentially be a high cost of digital transformation of public administration and poor transparency and usage of digital technologies for the public by the government. One of key weaknesses recognized in the area is the poor cooperation between the business sector and research and scientific organisations which creates a mismatch between education and labour market.

The policy objective is considered to be relevant in the context of developing the programme area. Reaping the benefits of digitisation for citizens, companies, research organisations and public authorities should be the focus of financed projects. This would in the future develop the competitiveness of SMEs while in parallel adapting the educational system to the needs of the market. There is a clear opportunity for the development of projects that would be aimed at 2 goals: digitalisation (1) and SME development (2) - both being equally relevant:

1. IT sector is well developed in two main cities in the programme area and could be used as a generator of further digitisation in different fields (cross border smart agriculture, smart city solutions etc.). People are more and more likely to use public digital services, with higher percentages of computer and internet usage across both countries, so partnership between the IT sector and local public authorities should be financed (possible joint solutions for e-services in both countries). The focus should also be put on diminishing the differences between urban and rural areas regarding ICT usage and infrastructure, with greater focus on the latter.
2. Primary focus should be on S3 areas identified as key for the regional development: agriculture, metal industry, tourism, and IT. The existing SME support infrastructure could be more connected cross border and encourage the modernization and innovation of industry and the economy. This should be additionally encouraged by stimulating partnerships between universities/research organisations and the business sector, which would result in better integration into the EU single market and more competitiveness.

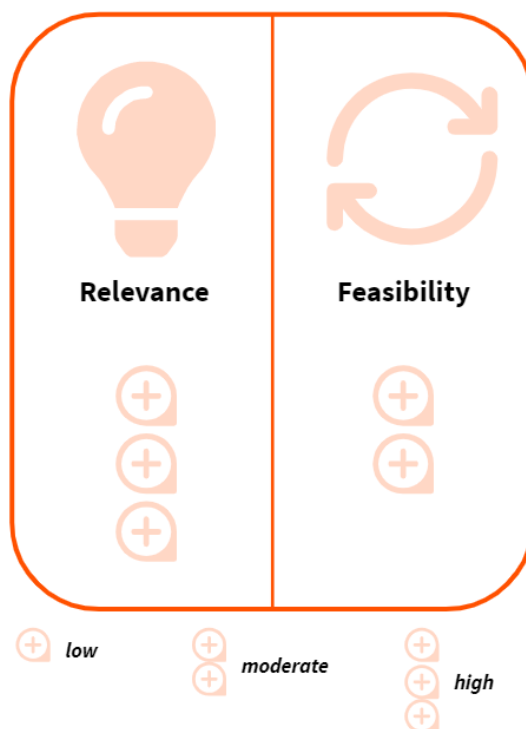
Given the feasibility of successful implementation of future projects for the Smart Europe policy, capacities are considered well developed. The public sector is showing interest in cooperating with the private sector, especially in the field of digitalisation, where there are significant capacities in the two main urban areas of Osijek and Novi Sad that could be deployed in that area. There are also capacities in the research and development sector that should be closely linked to well-positioned universities. In addition, the education system has recognized the importance of better cooperation with the private sector, so the dual education model should be more developed through pilot projects.

In the previous cross border programme similar projects have been financed through the 4th priority axis - enhancing competitiveness and developing business environment in the programme area. This has already strengthened the capacities in the area, which should be additionally financed through projects that would continue the work already carried out and capitalize on them.

Possibility for relevant cross border partnership in this policy objective is considered likely to happen, given the capacities and interest in place. All specific objectives within this policy objective would create a positive outcome if financed, but the focus should be put on the following:

- developing and enhancing research and innovation capacities
- digitisation for citizens, companies, research organisations and public authorities,
- sustainable growth and competitiveness of SMEs

PO 1: SMARTER EUROPE



II. GREENER EUROPE

In the **policy objective Green Europe**, the current situation is considered underdeveloped compared to EU countries. This policy objective (PO) is considered crucial in the future, which is why it was made obligatory for financing in the upcoming period following the regulation currently in place.

Key strength is recognized in the favourable geographical position of the programme area, that provides great potential for the use of renewable energy sources such as solar, hydropower plants, and thermal energy. High biodiversity has a positive impact on the environment, that can generate additional benefits for the economy, especially tourism that can be promoted as sustainable and aimed at nature preservation. Fruška gora, Papuk, as well as the Upper Danube region represent a great natural potential that has to be preserved and presented through soft tourism related projects in the program area.

Obstacles for the successful implementation of projects in the upcoming period is the insufficient development of administrative and technical capacities, unpreparedness and lack of initiative for the transition to renewable sources among different actors. The concept of circular economy, recognized as one of the main activator of change, is not well known among key stakeholders, and its implementation could be fragmented, thus not rising to its full potential.

The policy objective, in particular some of its specific objectives, is considered relevant in the context of programme area development. Green transition should be a trigger for change in the economy and the concept of local and regional development. Identified opportunities in the programme area are a high potential for the development of renewable sources (such as wind and sun), prepared projects for energy efficiency of buildings, and an increase in awareness among people, and their desire to use renewable energy sources. Renewable energy sources already represent a significant share of total energy production in some programme area, but this is mainly the use of hydro power plants, while the use of other renewable sources (such as wind and solar) has not yet taken root to a greater extent. The needs of the area are also related to the additional development and use of the potential of the programme area through the involvement of research institutions in developing innovations with the aim of increasing the use of renewable sources.

The programme area shows great interest in developing tourist aimed projects, and the opportunity is to link the tourism industry to the circular economy concept, apply the circular economy as a new conceptual framework for guiding a sustainable, resilient and future recovery of the travel and tourism industry. Projects should be designed to be regenerative of natural, human, and social capital, operating within the earth's and local destinations' sustainable boundaries. With this concept, the protection and preservation of natural habitats is seen as a prerequisite and should be financed in the upcoming period. Capacities for these types of projects are seen in CSOs, SMEs in the tourism sector and institutions in charge of nature preservation that could work together and accomplish many goals.

Finally, multimodal mobility, also a relatively new concept, was recognized as a possibility for development. With centralization around Osijek and Novi Sad, the problem of efficient mobility solutions that would lead to a net zero car bone economy can be addressed through pilot projects in these areas.

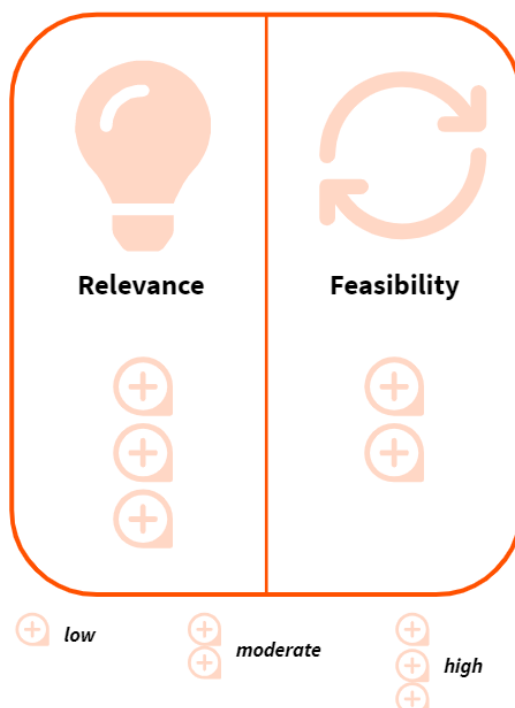
In the previous programming period, various thematic projects were funded, e.g. R-SOL-E (short for Renewable Solar Energy) that addressed the potential of renewable energy in the cross-border area. It also addressed the issue of drafting strategic documents (SEAP), which could be a starting point for future project activities in this area.

Given the feasibility of successful implementation of future projects for the purpose of Green Europe policy, capacities are considered favourable (public institutions implementing energy renovation, development agencies, utilities and water companies). Additional capacities are reflected in the stakeholders of the previous program who have successfully implemented projects for the purpose of greener Europe.

However, further steps are needed to achieve better energy efficiency, reduce pollution caused by the over use of fossil fuels in transport and heating, and better environmental protection in general. The possibility of a relevant cross-border partnership in this policy objective is considered very likely given the problems and opportunities present in both program areas. The following specific objectives are likely to be relevant and feasible for implementation in the next period:

- Promoting renewable energy in accordance with the Renewable Energy Directive (EU) 2018/2019, including the sustainability criteria set out the rein
- Promoting energy efficiency and reducing green house gas emissions to further the need for energy efficiency
- Promoting climate change adaptation and disaster risk prevention, resilience, taking into account ecosystem based approaches
- Promoting the transition to a circular and resource-efficient economy
- Enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution
- Promoting sustainable multimodal urban mobility, as part of the transition to a net-zero carbon economy

PO 2: GREENER EUROPE



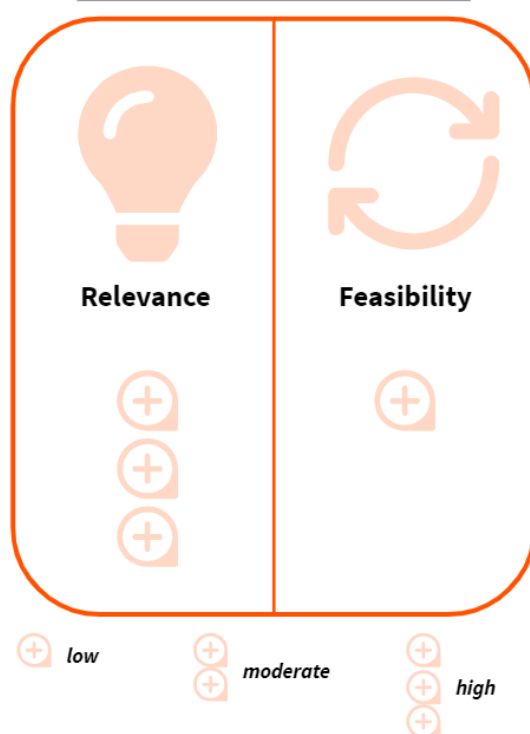
III. MORE CONNECTED EUROPE

In the **policy objective Connected Europe**, the current situation is not at a satisfactory level and further development is needed in this area. The key strengths of the program area development are the potential for the production of alternative fuels from domestic materials already used in other sectors, well-developed road transport in Croatia that needs regular maintenance and monitoring and the potential for better integration of the railway system into existing public transport systems. The variety of possibilities in terms of modes of transport with regard to geographical location (river, air, road, rail) can create more possibilities for the integration of several forms of transport. Suitable terrain and temperate climate are favourable conditions for the development of active walking and cycling and encouraging sustainable mobility.

Obstacles to the successful implementation of projects in the coming period are recognized as the size and scope of projects in the "Connected Europe", as well as the different focuses and development goals of Croatia and Serbia. In the program area, the biggest problem is the under development of railway transport, as well as its poor integration with other forms of transport. Given the limited financial resources of the program and the low level of awareness and knowledge about sustainable modes of transport, it is reasonable that the use of alternative renewable energy sources in both countries has not yet taken root. Developing awareness and educating the population about the cost-effectiveness of sustainable transport is the first step to be taken.

Potentials for cross-border cooperation are reflected in the possibilities of railway infrastructure and better interconnection of countries by rail, border crossings, and their modernization, encouraging cross-border intermodal transport. Following the analysis, it seems that the policy objective of Connected Europe is not relevant enough for the program area and should not be considered for funding in the coming period. The reasons for this are the large scale and expensive costs of transport development projects (such as the expansion of the railway network). Given the feasibility of successfully implementing future projects for the Connected Europe policy, capacity, although growing, is considered sufficient. In the previous cross-border program, similar projects were not funded and the possibility of a relevant cross-border partnership in this policy objective is unlikely to be nurtured.

PO 3: CONNECTED EUROPE



IV. SOCIAL EUROPE

In the policy objective **Social Europe**, there is room for improvement and usage of cross border cooperation programme funds for the development of services and infrastructure.

Key strengths visible in the area is the well-developed labour market infrastructure (for unemployed and for lifelong learning) geographically well distributed and in place for more services regarding reskilling and adaptation to market needs. The health system, although questionably sustainable in the long run, also has a well-placed infrastructure that can be modernised in order to be more effective and correspond to local needs of the population. Finally, the programme is strong in terms of cultural heritage that is locally rooted and tourism related initiatives and projects that can offer diversified services with key actors that are willing to cooperate across borders.

Obstacles for the successful implementation of projects in the upcoming period are primarily recognized in the aging population and demographic decline that brings problems of its own in terms of long-term economic sustainability of the region and greater burden on social services. In addition, social services on local level are not always adequately financed, and the health system, although in place is, not sustainable in the long term given the additional burden following the pandemic.

The policy objective, especially some of its specific objectives are considered to be relevant in the context of developing the programme area. The needs are connected to the following:

- development of health and social services (especially after the pandemic);

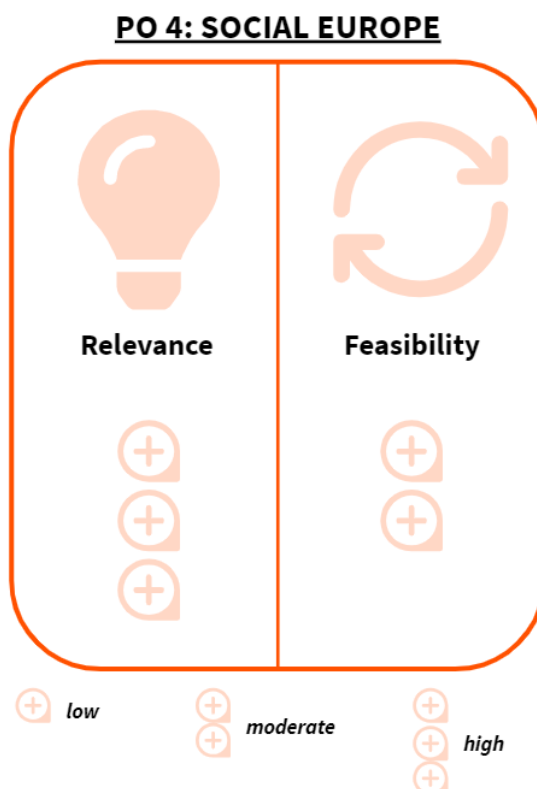
- more lifelong learning activities together with upskilling and reskilling of the workforce;
- implementing new social innovation activities in area of culture and tourism.

There is a clear opportunity for the development of projects that would be aimed at educational programmes for lifelong learning, especially VET programmes for the unemployed. In addition, in the context of the ever-increasing needs for quality health services, and in line with the trends of deinstitutionalized and long-term community care, there is a clear need for new social and health services together with the possibilities of developing e-solutions in the health system. Finally, tourism and culture are recognized as key areas of interest and capacities in the area. Focus will have to be on the tourism sector that was hit hard by the pandemic and will need all the help to be restructured. In this context, sustainable tourism and social innovation could prove to be more resilient in the long term, and therefore financed through the programme through projects dealing with special types of tourism. Within the health sector, clusters of health tourism can promote synergy development and improve the provision of services in health tourism, while cooperating with all branches that complement the offer of health tourism, from health care institutions to various tourist facilities and hotel and catering facilities which would result in a jointly created basis for year-round tourism. In addition, through these types of projects, developing cross border destinations should be key.

Given the feasibility of successful implementation of future projects for Social Europe policy, as already mentioned, capacities are considered to exist. On both sides of the border there are various employment services that could cooperate, as well as numerous vocational education and lifelong learning programs for the unemployed. The main stakeholders in the education system (higher education) in the program area can be generators of a new skilled workforce. The social and health system has several institutions that can be involved in cross-border cooperation and infrastructure modernization. These projects can be strengthened through partnerships with civil society organizations in the field of social services and deinstitutionalisation of services.

In the previous cross-border programme, similar projects were already funded and well received by end-users. The same can be continued with funded infrastructure projects, e.g., day centers for elderly, community living, etc. that would be complementary to soft type activities. Possibility for relevant cross border partnership in this policy objective is considered to be highly likely given the problems that are present in both counties. The following specific objectives are most likely to be relevant and feasible for implementation in the upcoming period:

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



V. EUROPE CLOSER TO CITIZENS

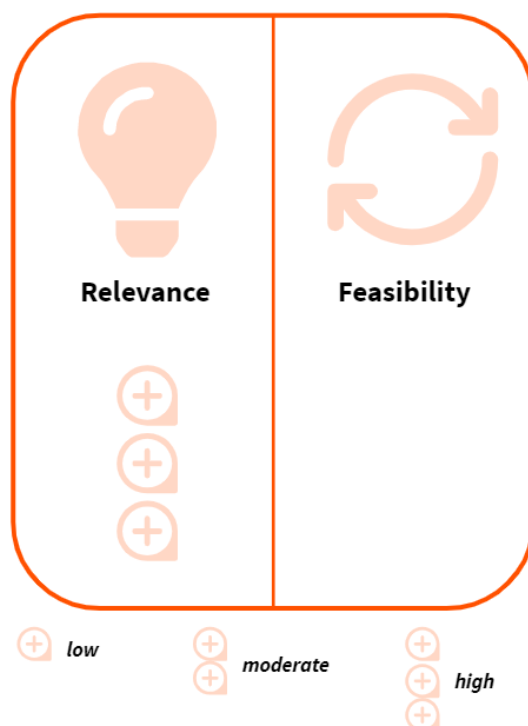
In the **policy objective Europe closer to the citizens**, the current situation is promising, but needs to be improved. The key strength is reflected in the growing role that regional development agencies play in sustainable development. The main obstacle to the successful implementation of projects in the coming period is certainly the lack of strategic documents related to the international program area and the impossibility of their development. Other obstacles are recognized as underdeveloped rural areas, poor demographic conditions in urban and other areas, and underdeveloped civil society organizations.

The policy objective, in particular some of its specific objectives, are considered relevant in the context of the development of the program area, in particular: nurturing culture, natural heritage, sustainable tourism in urban and rural areas. In the programme area, both countries have high capacities in rural areas as well as in human capacities (rural tourism is one of the main interests), i.e., there is a clear opportunity to develop projects that would be aimed at developing rural tourism capacities in the program area. Additional capacity is represented by large number of LAGs and local development agencies that have the common goal of increasing the attractiveness of the development structure of the program area, encouraging entrepreneurship, employment, raising the competitiveness of rural and urban areas.

After analysis, it seems that the political goal of a Europe closer to the citizens is not relevant enough for the programme area and should not be considered for funding in the coming period. The reasons for this are the lack of strategic intersectoral documents affecting both programme countries, which should be the primary precondition for financing and implementing projects in the programme area.

Given the feasibility of successful implementation of future projects in the policy objective Europe closer to the citizens, capacities, although growing, are considered insufficient. In the previous cross-border programme, similar projects were not funded and the possibility of a relevant cross-border partnership in this policy objective is unlikely to be nurtured.

PO 5: EUROPE CLOSER TO CITIZENS



ISO1. BETTER COOPERATION GOVERNANCE

Based on the analysis, the policy objective “**A better cooperation governance**” is not considered to be high on the priority for financing in the cross-border programme. Key strengths in this policy objective are recognized in good examples of city led development in different areas and an increase in governance transparency, especially related to budget planning. Finally, the trend of digital services on a local level is on the rise.

Obstacles for the successful implementation of projects in the upcoming period are recognized in low financial capacity of some municipalities and fragmentation of local government, i.e., their small territories and demographic decline. In addition, cooperation between neighbouring authorities is not always active.

Following the analysis, the policy objective does not seem to be relevant enough for the programme area and should not be considered for financing in the upcoming period. The specificity of this policy objective that focuses mainly on key actors and their capacity is not as relevant as other areas of development in the area.

Regarding the feasibility of successful implementation of future projects in the policy objective, the capacity of local government is high, with support of development agencies. In addition, CSOs

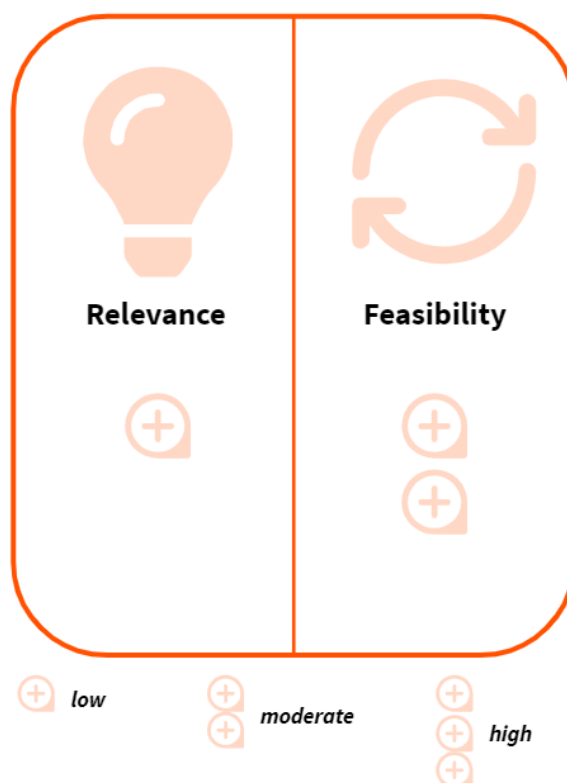
are developed in the area, but are mainly focused on specific areas of cooperation (social, green, youth, etc.).

In the previous cross border programme, projects aimed at strengthening the capacity for cooperation were not financed separately, although public authorities and CSOs were key applicants and partners in different projects. Possibility for relevant cross border partnership in this policy objective is considered to be likely but again in specific areas of cooperation that seems to be more relevant, rather than pure capacity building for cooperation.

Although people-to-people projects focusing primarily on promoting contacts and interaction between people on different sides of the border are always welcome in cross border programmes, the burden put on the administration to implement and control a high number of those small projects, makes them less attractive and feasible.

Key specific objectives of this policy objectives should be included in other POs and financed through other projects, e.g., local initiatives and digitalisation of public bodies. It is expected that the development of institutional capacity of public authorities and efficient public administration will be addressed in other projects by promoting participation and dialogue as a prerequisite for successful implementation. Although the capacity to implement local strategies should be developed, this can be done in other POs, as local development strategies are based on other areas such as health, social services, entrepreneurship, etc. - all covered in specific POs. This is also the case with the objective of better cooperation with CSOs, as they are considered to be highly relevant actors especially in social and greener themes.

ISO1: A BETTER COOPERATION GOVERNANCE



ISO2. A SAFER AND MORE SECURE EUROPE

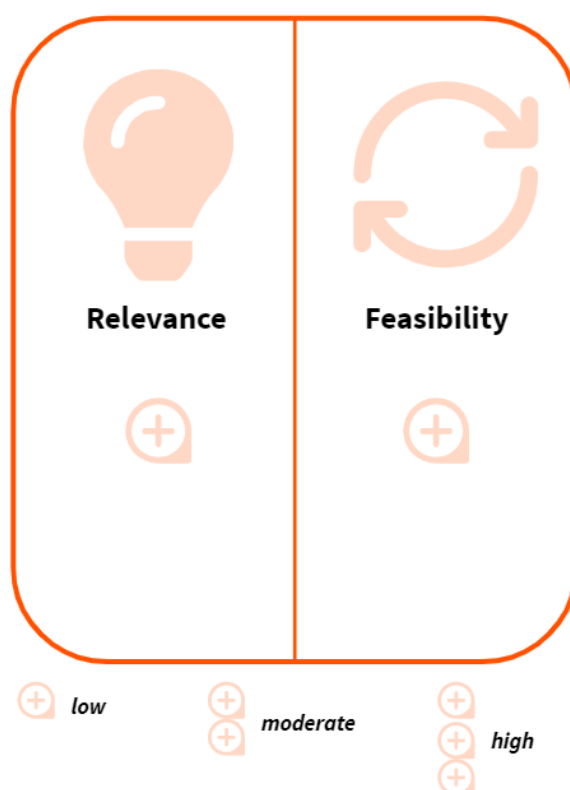
In the policy objective **A safer and more secure Europe** the current situation, although affecting the border areas at most, is not seen as relevant for financing through the cross-border programme. After the migrant crisis in 2015, the legal framework for migration is now in place in both countries, and large number of readmission agreements are set up, both with the EU member states, as well as with the countries outside of the EU.

Key obstacles for the successful implementation of projects in the upcoming period through the cross-border programme is the lack of jurisdictions of local authorities and need for cooperation on state levels that would include the Ministry of internal affairs, i.e., police authorities of both countries.

Although the policy objective can prove to be most relevant in case of new migrant waves in the future, projects addressing these issues should not be considered for financing through this cross-border programme. The reasons for this are numerous other sources of funding, such as Asylum, Migration and Integration Fund, Integrated Border Management Fund and Internal Security Fund available from the new EU perspective.

Possibility for relevant cross border partnership in this policy objective is considered to be useful and likely to happen between police authorities of both countries, with projects aimed at cooperation in border crossing management and migration management. The social integration of third country nationals including migrants can be addressed through the policy objective A more social Europe, creating an enabling environment for their integration.

ISO2: A SAFER AND MORE SECURE EUROPE



Finally, it is recommended to consider only those POs that are highly relevant and highly or moderately feasible based on the analysis. These would include the following POs:

1. Smarter Europe
2. Greener Europe – obligatory but also relevant
3. Social Europe

Annex 1 - good practices in thematic and territorial concentration in cross-border cooperation programme at the European level

Case study: territorial focus in INTERREG IPA Cross-border Cooperation Programme Croatia - Serbia 2021-2027

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1. The context: why territorial focus?

Possible importance in territorial focus comes out of the preamble of the Proposal for a Regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments, states that one of the changes expected in from the 2021 - 2027 perspective in relation to the Interreg programmes is “Adapting the architecture of Interreg programmes to take better account of functional areas. Cross-border programmes will be better streamlined to concentrate resources on land borders where there is a high degree of cross-border interaction. Maritime cooperation will be reinforced by combining the cross-border and transnational dimension of working across sea basins in new maritime programmes.”

In technical terms, the new regulation proposes as a possible modality of territorial focus the options proposed by Article 22 of the new CP, i.e. supporting integrated territorial development through territorial and local development strategies through integrated territorial investments; community-led local development or other territorial tools supporting initiatives designed by the Member State for investments programmed for the ERDF under the policy objective 5, “Europe closer to citizens”.

For Interreg programmes, the relevant urban, local or other territorial authorities or bodies responsible for drawing up territorial or local development strategies as listed in Article [22] of Regulation (EU) [new CPR] or responsible for the selection of operations to be supported under those strategies as referred to in Article [23(4)] of that Regulation or for both shall be either cross-border legal bodies or EGTCs. A cross-border legal body or an EGTC implementing an integrated territorial investment under Article [24] of Regulation (EU) [new CPR] or another territorial tool under point (c) of Article [22] of that Regulation may also be the sole beneficiary pursuant to Article 23(5) of this Regulation, provided that there is a separation of function inside the cross-border legal body or the EGTC.

A case study was undertaken in order to look at examples of territorial concentration that were present in the current period which can provide answers to the key questions that might arise in the programming period 2021 - 2027 for the programme Interreg IPA CBC programme Croatia - Serbia 2021-2027. (Interreg Italy-Slovenia, Gorizia-Nova Gorica-Šempeter Vrtojba region; Interreg Portugal-Spain, North Portugal - Galicia region and Interreg France-Italy, ALCOTRA, with a number of integrated programmes

2. Findings of the Case Studies

1. Of the 10-factor model presented by Eduardo Medeiros from Lisbon University in Interact Conference in Leuven in March 2020, the most prominent bases for the integration are:

- Cultural and historical: either similar cultures and languages (e.g., North-Portugal and Galicia) or a shared history which also bring lack of linguistic barriers due to bilingualism (e.g., on Italy-Slovenia border)
- Spatial: often the examples analysed represent twining urban systems, such as the Nova Gorica - Gorizia

To some extent, all of the areas analysed have a high demographic connection involving great cross-border commuting and, to a lesser extent ethnic minority across the borders. The demographic dynamics is interlinked with the economic ties as they mutually reinforce each other, by movement of workers and students and exchange of goods and services (both in POCTEP and in Italy-Slovenia examples). Two out of 3 examples analysed, and a majority of other examples seen during the preliminary research demonstrate Institutional connections in the form of the pre-existing Euro-region or EGTC. To some level, the Italy-Slovenia example is based also on the environmental connection of the shared Soča river. Other factors, such as availability of data, social services, and joint infrastructures have not played a significant role in the concentration, or such was not clear from the available resources.

2. The examples show different modalities of integration of the cross-border functional areas into the programmes. In the case of Italy-Slovenia, the highest degree of integration is seen. It implies: a specific ITI part of the Operational Programme with a separate financial allocation and a specific Intermediary Body (EGTC) that manages it.

In case of the ALCOTRA programme, ITI's aimed at territorial and thematic focus are part of the programme and as such, integrated in the programming documents, but they do not imply a specific implementing structure. They are directly managed by the Programme MA and coordinated as any project by the Lead Partner/Coordinator.

In case of the POCTEP programme, the territorial focus is not integrated to the Interreg programme - it is only supported. The programme allows for its financing as the EGTC, and its members act as possible applicants.

3. Most of the programmes encountered in preliminary research and 2 out of 3 case studies have a pre-existing EGTC or Euroregion that manages and runs the territorially focused part of the cross-border programmes. There is in most of the cases a programme-level decision on the preference for the territorial focus and/or a limited competition. Formally, however, there are two options for introducing the EGTC into a programme, as it acts variably as a beneficiary (POCTEP) or as an Intermediary Body (Italy-Slovenia).

4. From the thematic perspective, there are no limits or specific rules for the topics to be covered by operations in the functional area and they cover areas of economy, education, environment, social services, and cultural cooperation. There are some limits in terms of transport components in relation to multilevel governance and the fact that stronger infrastructure investment is mainly managed on the national level, as justified in available resources. However, such considerations are applicable to cross-border cooperation in general and not specific to territorial concentration

in the functional areas. Operations can function either as individual projects (e.g., Italy-Slovenia), or small programmes with a strategic basis (e.g. ALCOTRA).

As a conclusion, options for the Interreg IPA CBC programme Croatia – Serbia 2021-2027 in terms of territorial focus and functional areas within the programme will be limited predominantly with the lack of previously existing institutional arrangements for cooperation of the smaller functional areas. Furthermore, the challenges to management structures of specific arrangements of possible ITIs within the programmes should be taken into account and discussed. Finally, financial limits to “segmentation” of the programme into smaller financial envelopes dedicated to a specific area might be a basis for avoidance of ITIs and territorial concentration.

A reason to possibly consider the functional territorial concentration even under the given circumstances is the possibility to pre-define bigger strategic projects that benefit a specific area with high level of spatial, cultural, historic, and economic integration and allow stronger impact. Such decisions should depend on capacities of the Programme Bodies and potential beneficiaries to develop respective integrated projects to a sufficient level during the programming period.

3. Possible options for territorial focus

Based on the preliminary desk research and stakeholder consultations, two concentrated areas within the programme area might be considered. The proposed delimitations might be narrower or broader.

1. **Lower Danube area:** e.g., Municipalities of Ilok, Lovas and Tovarnik in Croatia and Bačka Palanka, Šid, Beočin and Bač in Serbia

The area geographically marks a pocket of Croatian territory in Serbian, following the flow of Danube River. The municipalities and towns in the area have been historically closely related with one another throughout the history. The state border divides them since 1991 and it makes the traditional commutes and exchanges between the inhabitants, who are ethnically mixed, difficult. The border crossing Tovarnik-Šid and the bridge from Ilok to Bačka Palanka make the towns on both sides of the crossings potential twin cities whose economies and labour markets were once closely connected. However, the lack of public transportation and entitlement of inhabitants only to public services only on their side of the border makes the exchanges difficult.

Economically, the area on both sides relies on a mix of agriculture - especially known for winemaking - industry and tourism with tourist potential in Danube River, vineyards, and old town of Ilok and Fruška gora Park of Nature. Fruška gora's westernmost slopes end in Croatia. The area has a potential to become a cross-border tourist destination, with preservation and promotion of natural heritage and biodiversity in mind.

If the area is to be a focus of territorial cooperation within the Interreg programme, the potentially important topics to be addressed in the area are:

In relation to PO2

- promoting access to water and sustainable water management
- enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution

In relation to PO4

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

2. Upper Danube area, e.g., the area of Croatian municipalities of Draž, Bilje, Erdut, Kneževi Vinogradi and Serbian municipalities/towns Apatin, Sombor and Odžaci

While the whole historical area of Baranya and Srem on both sides of the border share a common cultural heritage and are an area characterised by an ethnic and cultural mix of Croats, Serbs, Hungarian and other minorities from former Austria-Hungary, the narrower strip of municipalities by Danube particularly demonstrates this character. In addition to the specific cultural and historical mix, this part of the border region shares a common natural heritage of Danube river and surrounding marshes, which is protected in the Upper Danube Park of Nature and Kopačevo park of nature.

The region is known for its vineyards and winemaking tradition that has become an important part of gastronomy in Croatia and Serbia likewise and a centrepiece of growing tourism offer in Baranya and Srem. If the area is to be a focus of territorial cooperation within the Interreg programme, the potentially important topics to be addressed in the area are:

In relation to PO2:

- promoting access to water and sustainable water management
- enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution

In relation to PO4:

- enhancing the role of culture and sustainable tourism in economic development, social inclusion, and social innovation

4. Conclusions: pros and contras of territorial focus

Potential for territorial focus on specific functional areas that form pockets of purely geographical and/or thematic concentration in the programme does exist. However, the question of the added value of such concentration is questionable, in particular in the Croatia - Serbia cross-border area which is in itself compact and concentrated around relatively short border.

Thematic concentration might come in the format of specific subset of measures or one measure that is focused primarily on the functional area identified and managed by the programme bodies or, as seen in the examples from 2014 - 2020 period on the Member States Border, by a specifically designated joint body. While creation of additional implementing agents in the relatively small programmes is not a favourable option, a potential specific targeted measure that are aimed at the narrower are might be considered either.

Certain proportion of funding should be reserved specifically for the functional region because it is of specific importance to the programme area. This implies a previous certainty that there indeed exists a potential and a likely project pipeline to support such separate allocation,

Or b) Specific needs and thematic areas of support in the functional region are different from those of the rest of the programme area and it might need funding for topics that are not financed in the other parts of the area.

In response to the two criteria, the conclusion that arise from the analysis are as follows:

While there are specific areas where potential and the need for cross-border cooperation is higher than in the rest of the programme territory, there is no unequivocal understanding expressed in the preliminary analysis as to the delimitation of such areas and the readiness to focus higher levels of funding into specific sub-regions. Since in particular there is no clear project pipeline or specifically strong institutional capacity which might ensure that specific functional areas might attract more funding, there is no particular rational a priori reserving part of the programme to them. The higher intensity of project funding for functionally closer border areas may arise spontaneously through open calls, without reservation of funding in a targeted measure.

The areas potentially identified as functional do not differ in the topics that make them functionally close from the general programme area, i.e., POs and specific objectives that would be suitable to their specific needs are already recognised as potential topics for overall programme-level cooperation. While there is no obstacle for territorial concentration of the programme in the functional areas no added value can be identified at this point of analysis.

Finally, there is also a lack of legislation concerning the formation of such functional areas in practice. Authorities or the bodies responsible for drawing up territorial or local development strategies of functional areas must be cross-border legal bodies or form European Grouping of Territorial Cooperation (EGTC). Currently, entities of the Republic of Serbia cannot participate as full members in an EGTC because no law stipulates a possibility of setting up entities like EGTC, i.e., a possibility of concluding agreements on joining a legal entity which is registered on the territory of another country.²¹⁴

²¹⁴Serbia's participation in European grouping of Territorial cooperation (EGTC) and Euroregional Cooperation Grouping (ECG), http://legalaccess.cesci-net.eu/wp-content/uploads/2018/02/JOGa2_1a_EGTC_CESCI.pdf

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12. Presentation 'Territorial tools - Integrated territorial investment (ITI)' (Sandra Sodini, EGTC Euregio Senza Confini)
13. Presentation 'Territorial tools - Territorial Action Plan for Employment'(link is external) (Silvester Holop, Interreg Slovakia - Hungary Programme)
14. Presentation 'Using Policy Objective 5' (Nathalie Verschelde, EC DG Regio)
15. Video 'Territorial tools - CLLD' (Christian Stampfer, Land Tyrol, Austria)
16. Video 'Territorial tools - Integrated territorial & thematic plans' (Alessandra Giovinazzo, Interreg ALCOTRA Programme)
17. Video 'Territorial tools - Integrated territorial investment (ITI)' (Sandra Sodini, EGTC Euregio Senza Confini)
18. Video 'Territorial tools - Territorial Action Plan for Employment' (Silvester Holop, Interreg Slovakia - Hungary Programme)
19. Video 'Using Policy Objective 5' (Nathalie Verschelde, EC DG Regio)

Annex 2 – Consultation with stakeholders

In order to get the best possible feedback from key stakeholders in the programme area, a series of interviews was conducted, and a survey was sent to multiple stakeholders in the area.

The research served dominantly as an additional input from the field, since it was not methodologically representative to the fullest extent given the timeframe limitations and the extent to which this was relevant for the socioeconomic analysis.

After a detailed analysis of stakeholders, some were chosen for an interview and some for a focus group. The criteria for selection was the geographical and institutional representation of different stakeholders. In total there were 8 interviews and 2 focus groups organised. The organisations included were the following:

- Public institution County Development Agency of Osijek-Baranja County
- Centre for Development of Brod-Posavina County
- Association for nature and environment protection Green Osijek
- Ministry of Regional Development and EU Funds of the Republic of Croatia – National Authority
- University of Josip Juraj Strossmayer in Osijek, Faculty of Civil Engineering and Architecture Osijek
- National Alliance for Local Economic Development (NALED)
- Ministry of European Integration, Department for cross-border and transnational cooperation programmes and cooperation with local and regional authorities and organisations for more efficient use of funds (NA)– National Authority
- Sombor, Department of Economy, Tourism and Local Economic Development
- Business incubator Novi Sad
- Regional Development Agency Srem, Ruma
- Tourist Organization of Vojvodina
- Danube Competence Center
- Local Development Agency of the City of Belišće
- Unikom d.o.o.
- Vukovar-Srijem County Development Agency
- SEE ICT Association.

Main findings from the interviews and focus groups were the following:

- the participants were mainly focusing on their field of expertise or their geographical area, not being able to detect certain areas that would be beneficial to the whole programme area and stimulate additional cooperation;
- there is a great focus on the tourism sector in different aspects of development. The participants were aware that the area shouldn't be focused on mass tourism but rather on a special niche in the sector. Linking tourism to the following areas:
 - agriculture - specific food placement, gastro and eno tourism;
 - biodiversity and nature - cruising tourism on Dunav, soft projects that raise awareness;

- health - capacity for the development of health tourism
- culture - plans for linking cross border cultural heritage, and virtual cultural tourism with VR technologies;
- digital - big data in tourism planning
- social - accessible tourism for people with disabilities
- health was seen as a key area in the future period:
 - health is ever more important in the times of pandemic, and there is a clear need for investment in equipment and infrastructure that could be used across the border and shared;
 - development of joint health procedures, education of staff and education in remote diagnostics;
 - better cooperation between health centers;
 - elderly care with deinstitutionalized care facilities;
 - new digital technologies
- entrepreneurship is vital for the long term sustainability of the area in different ways:
 - better cooperation between public and private sector;
 - creation of educational programmes based on the needs of the market;
 - development of entrepreneurship in rural areas among smaller businesses;
 - smart agriculture;
 - help in commercialization and professional education of SME staff for modern entrepreneurship;
 - networking of similar SMEs and joint ventures;
 - VET training, reskilling based on needs;
- better education is vital for the development of the region:
 - more cooperation between Universities - make it more formal and obligatory
 - more cooperation between high schools - find good examples and foster this kind of cooperation
 - implementation of dual education model cross border - possibility of work experience in other country;
 - raising the expertise of educational staff by exchange;
 - better mobility of students, professors and sharing of specific equipment.
- risk management and prevention mechanisms are important and could be finance partially through this programme:
 - proactively follow climate change with focus on the river Sava - early warning systems and civil protection;
 - development of standard operational procedures (SOPs) for the region in case of floods or earthquakes.
- digital and green should be a cross cutting issue in all financed projects, included in the chosen POs;
- final goal should be the rise in quality of life for citizens, protection of life environment, putting the focus on young people and rural areas Circular economy - reducing the amount of waste and green urban infrastructure.

The survey was sent to all stakeholders and was published on-line. It was organized around the key areas mentioned in the policy objectives/specific objectives and structured in a way to show the most successful areas of cooperation in the previous period, opportunities, ideas and the most professional capacities and needs for financing. There was a total of 49 answers to the survey which is not enough for the survey to be representative, but still gives indications regarding the opinions of stakeholders.

Main findings from the survey were the following:

PO 1 Smarter Europe

- According to the survey results, 42.9% of respondents identified the largest number of opportunities, ideas and the most professional capacities for further cross-border cooperation in the field of research and development and in the field of digitalization of citizens, companies and public organizations (38.8%). When asked about future needs and what should be financed, the respondents identified the greatest need in entrepreneurship (49.6%), and then in the field of research and development;

PO 2 Greener Europe

- According to the survey data, 59.2% of respondents identified the largest number of opportunities, ideas, and the most professional capacities for further cross-border cooperation in the field of environmental protection and natural disasters management and in encouraging renewable energy sources (34.7%). Thematic areas in which respondents see the greatest future needs for financing cross-border cooperation projects in the upcoming period are in the field of also in environmental protection and natural disasters (59.2%) and interestingly in the encouragement of investments in green and blue energy with 40.8% and renewable energy sources with 30.6%. The survey also shows the lack of opportunities for the development of energy systems management in the area.

PO 3 Connected Europe

- When it comes to transport, respondents see the current capacity mostly in investing in digital infrastructure (40.8%). This is followed by investment in alternative transport models, with 18.4% of respondents considering current opportunities in this area. Only 6.1% of respondents see current opportunities in creating multimodal transport, which shows a clear lack of cooperation between states and counties and possible misunderstanding of the concept. Respondents still see the need for future investments in digital infrastructure, 28.6% and alternative transport (12.2%), while only 4.1% of respondents believe that in the future it is necessary to invest in creating multimodal transport.

PO 4 Social Europe

- According to the survey data, 28.6% of respondents believe there is capacity for the development of social innovations and infrastructure, as well as the organization of inclusive education and lifelong learning. Only 16.3% of respondents see the capacity to develop labour market improvements which could pose a risk for the future programme. Only 6.1% of respondents currently see opportunities in the field of integration of marginalized groups - including migrants since the crisis of 2015 has long been forgotten.

When it comes to future investments, 28.6% of respondents see the need to develop social innovations and infrastructure and a similar percentage would invest in the organization of inclusive education and lifelong learning. The percentage of respondents who see the need to invest in improving the labour market is also in third place by priorities. Some answers of the survey show that it is necessary to update the new education curriculum, which should be more adapted to the needs of the industry in order to change and update new curricula that are not in line with labour market requirements;

PO 5 Europe closer to citizens

- According to the survey data, the largest number of respondents see the current capacity in the development of the tourist offer with the aim of promoting cultural heritage, 59.2% of them, which shows that culture and tourism is still a very important subject. However, it is highly likely that respondents are not informed that strategies are necessary as a prerequisite to using the funds in this perspective Current opportunities in local development initiatives are seen by 38.8% of respondents as having good capacity, while 18.4% of respondents see current capacities in encouraging citizen participation and capacity building of civil society. In future investments, the respondents also saw the greatest needs in the development of the tourist offer with the aim of promoting cultural heritage - with numbers being over 50%. For the area of local development initiative, 30.6% of respondents see the need for future investments. In the area of encouraging citizen participation, the percentage of respondents has increased when compared to capacity evaluation to 24.5% of them believing that it is necessary to invest more in the mentioned area in the new programming period. Respondents also recognized the need for further investment in the development of civil society capacity, with 20.4%. of answers.

ISO 1 A better cooperation governance

- According to the survey, 8.2% of respondents see the current capacity in the area of strengthening the capacity of public bodies and stakeholders. 10.2% of respondents see current opportunities in encouraging cooperation between public administration, and 12.2% of respondents in the field of investment in local and regional self-government. When it comes to future investments in the new programming period, 6.2% of respondents see a need in area of strengthening the capacity of public bodies and stakeholders. 12.2% of respondents see a need for future investments in encouraging cooperation between public administration and investment in local and regional self-government. Looking at the percentage and comparing them to those in other specific objectives, it is clear that better cooperation governance is not a high priority among the respondents.

ISO 2 A safer and more secure Europe

- According to the survey, 8.2% of respondents see the current situation in the areas of border crossing management and cross-border mobility and migration. None of respondents believe that there are currently capacities to strengthen security in urban areas, probably thinking this is not in the jurisdiction of the programme. When it comes to future investments, 10.2% of respondents believe that they should continue to invest in border crossing management. 4.1% of respondents believe that there would be a need to invest in cross-border mobility and migration management in the new programming

period. 8.2% of respondents believe that it is necessary to invest in strengthening security in urban areas in the new programming period. As with the previous specific objective it is clear that safer and more secure Europe and its subareas is not a vital part of the future programme according to the survey results.

Following the answers from the survey and interviews/focus groups the following can be concluded:

- digital and green are seen as necessary and important for development
- tourism is the dominant subject but is understood cross sectoral
- development of SMEs is vital for economic growth
- better cooperation between education and market needs is necessary
- risk management is seen as an important area of cooperation across border.