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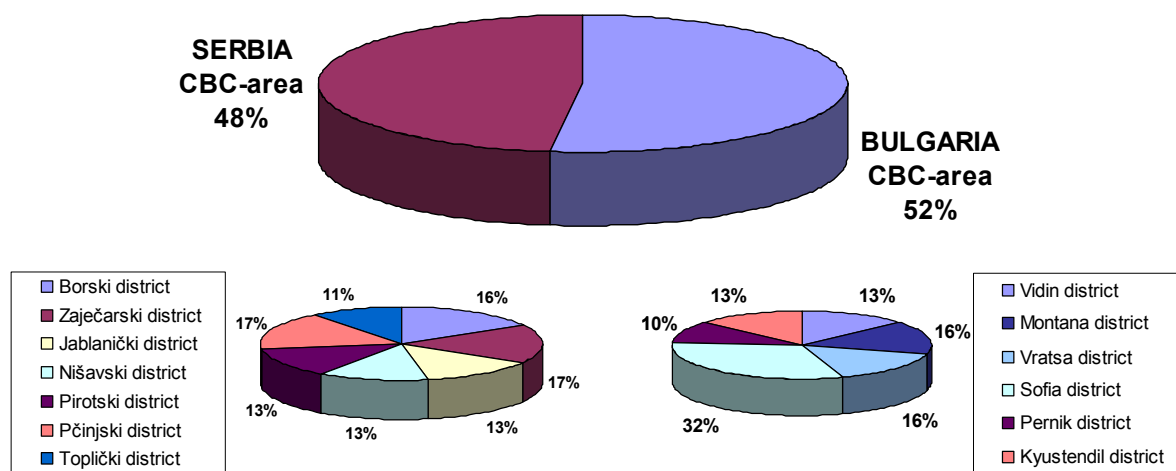
I. SITUATION ANALYSIS OF THE BORDER REGION

1.1. Programme area and regional structure

The eligible border area of Bulgaria-Serbia IPA Cross-border Programme (2014-2020) covers **a territory of 43 933 km²**, or around 22% of the both countries' territories (Bulgaria and Serbia). It borders with Romania to the North and with the former Yugoslav Republic of Macedonia to the South. The border length between the two countries is 341 km.

The common Bulgarian-Serbian border area includes 13 administrative units: **6 districts in Bulgaria**, which correspond to NUTS level III (EUROSTAT)¹, and the equivalent NUTS III **7 districts in Serbia**. The core programme area remains in larger part the same as in the period 2007 – 2013, with the addition of 2 districts: on the Bulgarian side – the Vratsa district, and on the Serbian side – the Toplička district.

Figure 1: The Bulgaria-Serbia IPA Cross-border Programme (2014-2020) - territorial area by NUTS 3 regions²



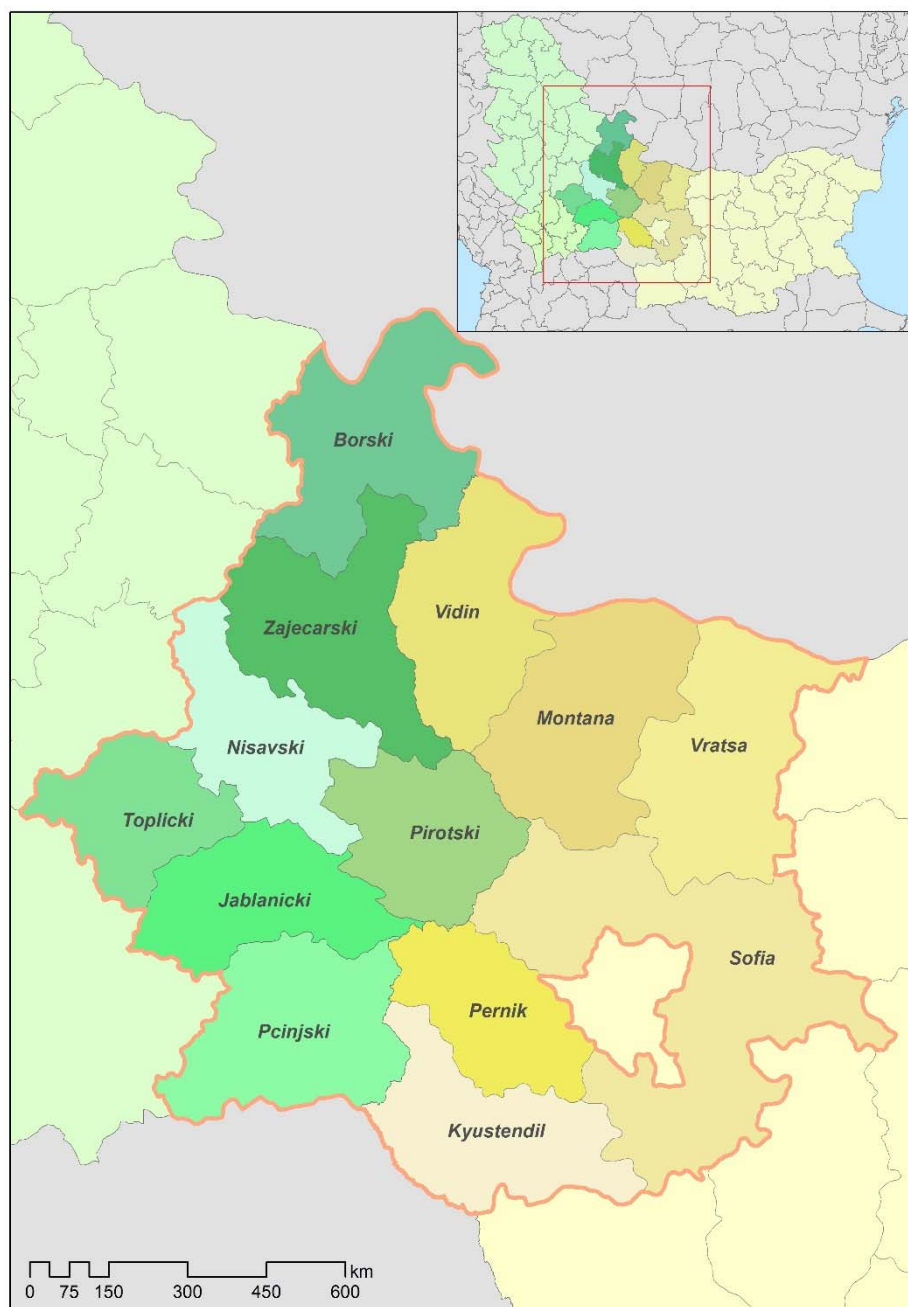
The **settlement structure** of the border area is characterized by sparse population, small size of settlements and limited number of bigger cities. The total number of settlements is 2754, distributed in 105 municipalities. The major urban areas are concentrated in the districts' administrative centres.

The eligible cross-border area for the Bulgaria-Serbia IPA Cross-border Programme (2014-2020) is illustrated on the map below.

¹ In accordance with the requirements of the EC Regulation 1059/2003 on NUTS classification and in line with the EC draft Guidance Note of January 2004.

² As regards the participation of beneficiaries from Sofia city district (previously being eligible under 2007-2013 Programme as adjacent area) and/or others districts from Bulgaria and Serbia, it was decided the flexibility rule of Article 45 (2) of the draft IPA II Rules of Application to be applied (if the conditions under Article 45 are fulfilled).

Figure 2: The Bulgaria-Serbia IPA Cross-border Programme (2014-2020) area



1.2. Natural, physical and geographic characteristics

The Programme area is characterized by wide geographical and environmental diversity. The location **in the centre of the Balkan Peninsula** is its strongest asset, since the European transport corridors 7 (Danube river), and 10 cross the territory of both Serbian and Bulgarian part, and corridors 4 and 8 cross Bulgarian part of the eligible territory.

Most of the border-region is mountainous to alpine terrain, except for a short undulating and hilly terrain in the northern part and a strip in the area where the main road from Sofia to Belgrade passes. Most of the borderline coincides with the ridgeline of the Western Balkan Mountains and has few road connections between both sides.

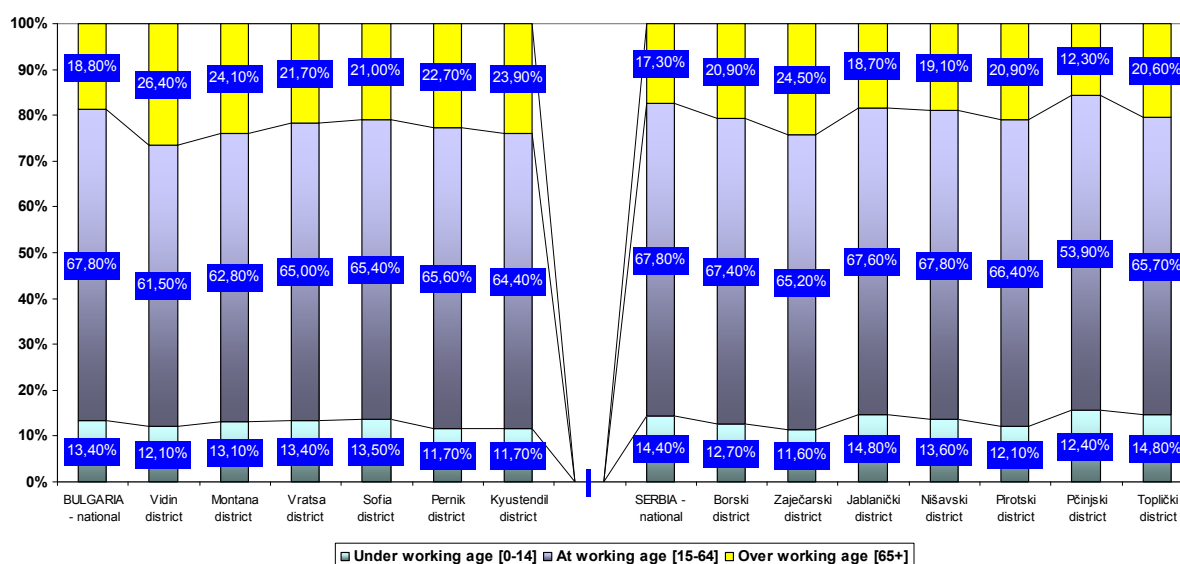
A big area of the border region could be categorized as **economically underdeveloped rural area**. It is characterized by clean and preserved natural environment and large biodiversity. Numerous plains and valleys form a strong natural potential for the development of agriculture, forestry and tourism. A variety of unique natural landmarks, natural parks and protected sites, are located in the area. A further credit to the natural wealth of the region bring also its healthy thermal springs, which form a factor with significant added value to the potential for tourism development in the region.

1.3. Demographic trends

Population development is often seen as an indicator for the long-term economic development and attractiveness of a region for people and business. In both countries, Bulgaria and Serbia, these developments have been characterized by **strong population decline** over the last decades, especially in the border regions. The population decline in Bulgaria (-5.5%) was the highest of all EU member states in 2012. The decline in Serbia was less (-4.9%), but still among the highest in Europe, despite small net migration gains. In both countries, the population decline is mainly caused by natural population loss. In Bulgaria, however, this is, in contrast to Serbia, strengthened by a net outward migration.

Migration between the two countries is very limited and mainly due to the ethnic Bulgarians, living in Serbian border districts, who are interested to trade or study in Bulgaria. Nevertheless, the border is relatively less porous, compared to other borders in the vicinity (for ex-ample the Bulgarian-Greek or Bulgarian-Turkish border), due to the low level of development of the region and the similar economic development of both countries.

Figure 3: The Bulgaria-Serbia cross-border area – population by age groups (%), 2012



The total population of the CB area (as of 2012) is **2 144 054 inhabitants**, which represents 14.7% of the total population of both countries. It should also be recognized that the depopulation from these peripheral areas is significantly higher than from core areas around the capital cities. Loss of population can be often observed in the periphery, but in the Bulgarian border region the loss is twice as high as on average at the country level and in Serbia even four times as high. In terms of **population density**, there are high differences between the

regions, where the urban areas are considerably more populated than rural territories. The average population density is **49 inhabitants per km²**.

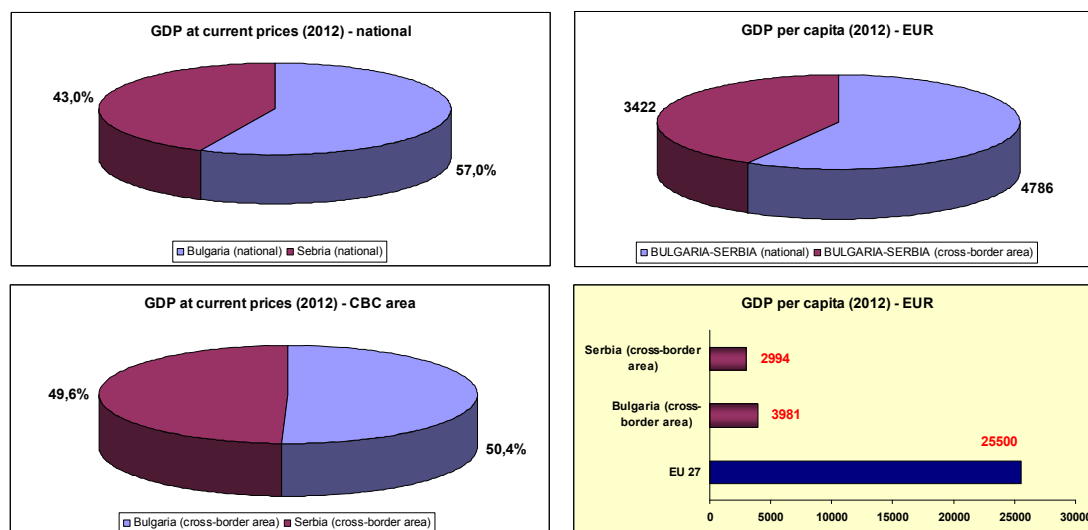
The demographic situation and development of the border area is characterized by a continuous tendency of decreasing birth rates and aging population, which coupled with significant outer migration, leads to a **general trend of depopulation**. The region is characterized by a negative natural growth. Compared to losses due to net migration, the natural change is five times higher.

The border area is characterised by **ethnic and cultural diversity**, although ethnic Bulgarians and Serbs form the core part of the population. The constitutions of both countries guarantee the rights of minorities so that all citizens have equal rights and responsibilities and enjoy full national equality. The rich ethnic diversity and traditional good relations between the peoples of both countries form a base for continuous and beneficial cross-border cooperation.

1.4. Economic development

A common characteristic of the regions from both sides of the border is their **low economic development**, mainly represented by the trade and service sector, being clearly underdeveloped, compared to the rest of the partnering countries' territories. As a result, the cross-border economic cooperation is very limited, despite the existing regional development strategies in the border regions.

Figure 4: The Bulgaria-Serbia border area – Gross Domestic Product (GDP)



The GDP is low as compared to the rest of the European countries. In Serbia in 2012 it was 29 932 million EUR (EUROSTAT - GDP), while in Bulgaria it was 39 668 million EUR (EUROSTAT - GDP). A more stable recent tendency in the behaviour is observed in the case of Bulgaria, mainly due to its accession to the EU and the corresponding EU-funded programmes. In the border region, **GDP per capita is about EUR 3 422**, with EUR 3 981 at the Bulgarian side of the border, and EUR 2 994 on the Serbian side. The significant income disparity is evident; however its impact may be controlled through active targeted economic and social cohesion activities.

The restructuring of the industry following the transition to market-led economy and the agricultural reform (e.g. in Bulgaria) have significantly affected the region thus resulting in increased unemployment rates, higher levels of long-term unemployment with severe skill depreciation of lay-offs from the closed down large industrial enterprises, as well as inadequate utilization of the available natural resources and industrial infrastructure. Therefore, **the economic structure of the border region could be described as outdated and with related risks for competitiveness, employment and innovations.** This is particularly expressed on the level of municipalities – the economic structure of most (smaller) municipalities is mono-sector.

The **industry** on both sides of the border is mainly represented by mining, being a leading sector in the past and still keeping its most important part in the regional industrial production. The most famous mining centres are Bor (Serbia) with the extraction of copper, Zaječar (Serbia) with the extraction of coal and quartz, and Svoje and Pernik (Bulgaria) with the extraction of coal. Other important industries are energy generation, metallurgy and machine engineering, chemicals, textiles, tobacco industry, etc. In Bulgaria and partly in Serbia industrial production had a substantial drop during the time of the transition to market economy with restructuring and the privatization of major enterprises, and it has not yet recovered.

Agriculture holds a substantial share in GDP for all border districts (average for the CB area 16,2%). Due to the fertile land and the favourable climate conditions a great variety of agricultural crops are grown in the region – cereals and fodder, fruit and vegetables, vines, sunflower, sugar beat, etc. Stockbreeding covers all types of animals, involving also a wide use of mountain pastures.

The region's geographical location and rich natural resources form an excellent base for the development of the **service sector**, specifically international trade, transport and related services, tourism, thus becoming an important engine for boosting the socio-economic development of the border region. However, the underdeveloped transport links in the bordering region has predetermined the relative isolation of the area. The proximity to the Pan-European corridors and the major infrastructure projects to be completed in the coming years (the most important for the region being the highway Sofia-Niš) should become the driving force for the development of various trade and transport-related services – wholesale markets and showrooms, logistic parks, warehouse facilities, hotels and catering, repair services, etc.

As regards **Foreign Direct Investments (FDI)** in the border region, only the Sofia district has higher FDI growth because of its proximity to the capital of Bulgaria (Sofia-city) and the relatively good business opportunities. In districts close to the border, foreign direct investments are almost negligible. Most of the FDIs are in the industry and services sector. A very small part of them are designated for agriculture and the peripheral areas. An example for the latter is the investment of a Chinese public company, Tjanjin State Farms Agribusiness Group Company, which with the support of the Bulgarian Ministry of agriculture has rented an enormous plot of land (some 20 000 acres) and investing 10 million EUR in the Boynitsa Municipality (Vidin district). The company plans to invest 20 million EUR more into the region.

The **SME sector** on the Bulgarian side of the border is 98% in industry and 99% in services. On the Serbian side, the SME share is still rather weak; a major drawback is the low level of technological development – 49% of the equipment used is obsolete. The SMEs in the border region have a very difficult access to external financing – too expensive bank credits because of the unstable market. On the other hand, the SMEs in the region benefit from an extensive **business-support network** of chambers of commerce, RDAs, business incubators, national

employment agencies.

Good examples for the successful activities of the **business incubators** are the ones operating in Bulgaria – i.e. in Vidin, Montana, Belogradchik, Pernik and Samokov. Additionally, Serbia has 8 business incubators, including business start-up centres and technology incubators – i.e. those located in Nis, Bor, Vranje, Prokuplje, Zaječar, Kladovo, Knjaževac and Boljevac. They provide consultancy services, training and information; have experience in working with international investors, and are members of well-established and -developed national and international networks. They form an excellent base for increasing cross-border economic cooperation, stimulating the establishing of joint ventures, know-how transfer and dissemination of best practices.

There are also approx. 20 **industrial clusters** operating on the Serbian side of the border, including Cluster House initiative being an association of primary industrial clusters³. The city of Niš hosts 15 of those clusters, while Knajževac and Vranje host 2 each, and 1 cluster is located in Leskovac.

Regional Development Agencies (RDAs) are vital interface between the national government institutions and local municipalities in the process of the development of regional development strategies. As regards the border area, the Serbian RDAs are located in Zaječar, Niš and Leskovac, while a SME Centre operates in Vranje. On the Bulgarian side, members of the Bulgarian Association of RDAs are represented in the district centres of Vidin, Vratsa, Pernik and Sofia.

1.5. Labour market

The territory is characterized by low **level of employment** of the population, low wages and low mobility of labour force. The average employment rate in the Bulgarian border region as of 2012 is about 42%. Compared to 2009, the percentage remains stable. The activity rate is 47.7%, which is close to the 58.8% average for the country. On the Serbian side of the border region, the employment rate for 2012 is 29.9%. The most important sector in employment creation is agriculture, forestry and fishing, followed by manufacturing and wholesale and retail trade, repairs.

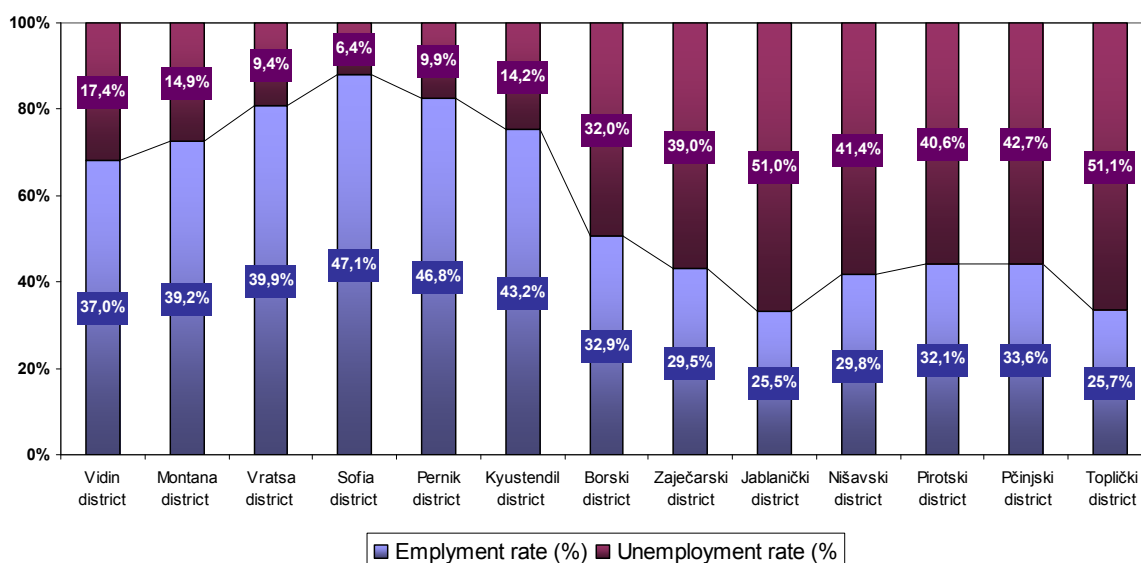
However, the current situation of the labour market does not enhance the porosity of the border with respect to the migration between both parts of the border region. There are **restrictions with respect to the labour regulation** between the two countries that make the economic permeability of the border very limited.

Officially, the **unemployment rate** in Serbia was 23.9% in 2012, while the border region with Bulgaria has the highest unemployment rate in the whole country with 42.5%. Unemployment affected mostly the people in the age group between 18-24 and 25-34. In Bulgaria, unemployment rate is 12.03%, which almost equals the average 12.3% for the country. 35% of the unemployed have been registered at the labour offices for more than one year. The unemployed not older than 29 years of age are 21.6%, and there are 33% unemployed at the age 50+.

Figure 5: The Bulgaria-Serbia border area – Labour Force

³ Source: MERD, Innovation Infrastructure: Serbia, report by WBC-INCO and Cluster House (LEDIB Programme)

Annex 7 Situation and SWOT analyses



The problem of **long-term unemployment** is particularly difficult to tackle given the fact that the bulk of long-term unemployed are people without professional qualification and with a low level of education thus in a particularly vulnerable position on the labour market. The highest share of unemployed is among the Roma population, with 80% or more officially unemployed. There is also an overall lack of employment opportunities, especially in rural areas and an increase in the grey economy. The similar, but very high unemployment on both sides does not enhance the permeability across the border and the young people from both sides are more willing to choose other survival strategies instead of looking for a job in the neighbouring country.

Long-term unemployment, coupled with low economic activity rates in the region, lead to an **increased risk of poverty**. Some 24.6% of Serbian citizens are exposed to the risk of becoming poor - those aged up to 18 being most at risk. Households comprising two adults with three or more dependent children had the highest at-risk-of-poverty rate in 2012 (44.4%), as well as single parents with one or more dependent children (36.2%). At the same time, Bulgaria has recorder the highest shares of persons being at risk of poverty or social exclusion in EU - almost 49.3% of the population (the EU average for 2012 was 24.8%). The figures at national level for both Bulgaria and Serbia are proportionally equal to those in the border region.

1.6. Youth and Education

The process of educational development in the eligible border region is bound within the established network of institutions at all educational levels. As of 2012, the **existing educational basis** of the border area includes 17 universities/faculties, 9 colleges, 172 vocational gymnasiums, training schools and special schools, and 1288 general (elementary) schools. The education, as a primary focus of every young person, is relatively good in the CB area. Though primary education infrastructure in Serbia is available in almost all cities, towns and villages the availability of secondary and tertiary learning institutions highlights disparities across the border. The **availability of teaching staff is also a problem** in rural and remote areas.

The initial research showed that there is a **large migration from smaller towns (villages) to bigger cities because there is no opportunity for prosperity in smaller settlements**. There

is no accurate data on number of youth that migrate, but it is suspected that there is a very small number of youth that returns after completed higher education (high school, university). However, the situation is not getting any better also in the cities, as there is a big competition and job offers are limited due to economic crisis; therefore, youth that migrated from villages to cities is “forced” to go back and start some private economic activity.

In general, **youth entrepreneurship** should be a cross-cutting issue in educational systems, and should not be a part of just students that took interest in economics. However, the Serbian educational system is outdated and does not recognise the entrepreneurship as a theme that needs to be included in the regular curriculum. On contrary, the Bulgarian educational systems, especially the vocational schools, could provide good know-how and practical experience on how to promote entrepreneurship amongst youths.

The Bulgaria-Serbia IPA Cross-border Programme proved to be a good starting point for the collaboration among youth of both countries. It initiated a large number of cross-border youth project and there is still a good interest.

1.7. Environment and resource efficiency

The preservation and careful management of the natural environment is one of the key factors for the sustainable development of the CB area and the improvement of its attractiveness as a tourist destination. It has wide-reaching social and economic implications in terms of added value to the quality of life in the region.

The diverse relief (hills and mountains, but also wide plains), the rich forests (over 30% share of the total regional territory), the thermal springs, the outlet to the Danube river and the continental-temperate climate, favour the development of agriculture, forestry and woodworking, as well as various forms of tourism throughout the year.

A distinctive feature of the Bulgarian-Serbian border region is its **wide biological diversity**. It is rich in **natural parks**, protected areas and natural reserves. Part of the largest national park of Bulgaria - The Rila National Park and the Vitosha National Park are located here. A smaller nature park “Belogradchishki Skali” is designated in 2004 as a result of local initiative. The area of Chuprene in Bulgaria is a natural reserve which is included in the UNESCO and UNO list of protected areas. Other protected sites are the Seven Lakes of Rila, and the Stob Pyramids. Special bird protection areas can be found on the Bulgarian side as well. Many natural areas have been proposed for inclusion in the NATURA 2000 areas.

The Djerdap National Park, located in the Serbian part of the region near the towns of Golubac, Kladovo and Majdanpek and the Nature Park Stara Planina are currently undergoing a procedure for designation as a **biosphere reserves**. Nature Park Sićevačka gorge and the landscape of outstanding qualities Vlasina are also located here. Area envisaged for protection in Serbia includes following sites (approximately 140.000 ha): Kučaj as National Park, Suva Planina as special nature reserve, Jerma as nature park and Radan as landscape of outstanding qualities. The Lazar Canyon is one of the most important centres of plant and trees diversity on the Balkans. The Mali and Veliki Krš mountains are interesting, being the habitat of 11 species of birds of prey that are endangered species in Europe.

Numerous geomorphologic phenomenon (caves, natural bridges, gorges and canyons), hydrologic (springs), dendrology monuments and smaller nature reserves are protected by formal instruments as well. Surrounding landscape of the archaeological site Gamzigrad is also formally protected as “Area of cultural and historical importance”. The surroundings of the town of Bor represent one of the most interesting geographical locations in Serbia. The area

has more than 200 explored caves, with two of them accessible for tourists. These natural beauties combined with the rich historical and cultural heritage of the region are unique regional assets which should be built on, invested in and further developed to improve the **region's attractiveness as a tourist destination** and a place for living with good quality of life.

Expenditures on **protection and restoration of the environment** made during the past few years are significant. The municipalities in the eligible region are relatively active in applying for and obtaining financing for construction and reconstruction of the sewerage and water supply network, but still the region is lagging behind the national average indicators on environment – population with access to WWTP, waste collection, population connected to sewerage networks. There are few WWT facilities currently in construction which are expected to significantly improve the environmental situation at the Bulgarian CBC region.

Table 1: The Bulgaria-Serbia border area – Environmental Risks and Prevention

Environmental Risks	Risk Level	Preventative Actions Taken and Current Situation
Air pollution	LOW	Decline of the industrial enterprises which seriously damaged the environment. A few regional black spots with heavy industrial pollution, mainly related to coal mining and heavy industries still exist. The industrial complexes in Negotin and Bor (Serbia), Sofia and Pernik (Bulgaria) impose serious air-pollution problems.
Water pollution	MODERATE	Apart from their commitment to comply with EU water and environmental legislation, Bulgaria and Serbia are effectively involved in trans-boundary cooperation within the frame of international conventions, particularly within the Danube river basin. As signatories to the Danube River Protection Convention, both countries have agreed to co-operate on fundamental water management issues by taking <i>"all appropriate legal, administrative and technical measures to at least maintain and where possible improve the current water quality and environmental conditions of the Danube river and of the waters in its catchments area, and to prevent and reduce as far as possible adverse impacts and changes occurring or likely to be caused."</i>
Damaging of valuable arable land and industrial and urban wastewater pollution	LOW	The municipalities within the Bulgarian eligible region are relatively active in applying for and obtaining financing for environmental protection.
Droughts, floods, forest fires, land slides	HIGH	Due to the ongoing climate change, future increase of natural risks like droughts, floods, forest fires, land slides has to be assumed for the Programme area. The Southern part of the area face greater risks from droughts, fires and land slides in the mountainous regions, while the Northern part of the area face greater risks from floods in the

Environmental Risks	Risk Level	Preventative Actions Taken and Current Situation
		plains. Forests in the region preserve the majority of the area's protected plants and endangered animal species. In that respect the forest fires also represent a specific risk for the environment in the region.

The biggest **environmental polluters** at the Serbian border side are the mining and smelting basin Bor and industrial complex in Kladovo. Beside the air pollution there is also a land and water pollution. According to the available data, the SO₂ that is released in the air is causing respiratory infections, heavily breathing and early death. The government in Serbia plans to invest around 42 million EUR from the WB credit line to mitigate the effects of that pollution.

During the 2012, the territory of the state forests that are governed by the Public Company "Serbia Forests" has recorded a total of 328 **forest fires** on the surface of 11,462.73 hectares. According to the Department for Emergency Situations Ministry of Interior, the total damage was around 50 million EUR. The largest part of the fire engulfed areas was reported in the south-eastern part of Serbia (part of the CB area) - around 60%. Similarly, in Bulgaria a fire engulfed about 32000 ha of forests (only for 2012).

In view of the above, a potential for establishment of joint CB initiatives towards fire fight and risk prevention exists.

1.8. Tourism and cultural heritage

Tourism development in various forms (eco, cultural, winter, spa) is a strong potential for the region which now is lagging behind compared to other areas in Bulgaria and Serbia. Tourism centres in the region include Belogradchik (cultural and eco-tourism), Chiprovzi (cultural tourism), Vurshez and Berkoviza (spa), Trun (eco-tourism and cultural tourism), Zemen (cultural), Kyustendil (spa), Sapareva Banja (spa), Vitosha (skiing) and Panichiste (mountain resort with skiing) and Rila monastery in Bulgaria; Gamzigrad (cultural tourism), Niš and Negotin (cultural tourism), Pirot (cultural tourism), Zvonačka banja (spa, district of Pirot), Vranjska banja (district of Pčinja), and Niška banja (spa, district of Nišava), Stara Planina (mountain tourism) in Serbia. These are complemented by cultural attractions, including various archeological sites, monasteries, museums and galleries.

Other biggest strengths of the border region are its rich and unique culture, which could easily be utilized as a driving engine for regional development, regeneration and prosperity. Culture is among the most important factors in the cross-border cooperation framework, since it provides a clear view of common features and provides a common identity for the region.

Professional institutes of culture are very well developed both in Bulgaria and in Serbia. Traditional cultural organizations such as libraries, museums, galleries, community and cultural centers, etc., have a long-lasting presence and are well recognized by local communities. Despite their very significant potential, the cultural heritage monuments are in disrepair and require enormous investments for restoration and preservation. Funds have been invested in culture preservation since 2007 but still the need of investment in development of tourist attractions and cultural monuments exists.

In overall, the region is attractive as **tourism destination**, developed in various forms (eco,

cultural, winter, spa). This is a strong potential for the region which now is lagging behind compared to other areas in Bulgaria and Serbia. Favourable natural and environmental characteristics, abundance of cultural landmarks and natural resources of the border area provide opportunities for diversification of the currently available tourist products and services for sustainable development of tourism.

1.9. Transport and accessibility

Although it is strategically located in view of current and future international transport traffic flows, the border area is presently not in a position to fully benefit from this asset.

The existing transport infrastructure is not adequate to the contemporary technical requirements and needs substantial rehabilitation and reconstruction. It is distributed unevenly throughout the region's territory and is not sufficiently developed to meet the intensifying traffic needs. Furthermore, the connections between the two parts of the regions are incomplete and limited (no motorway connection, only one railway line); there are **5 border crossing checkpoints**, but only one of them (at Kalotina – Gradina) is suited for international traffic.

All these factors not only hamper the accessibility of the region thus increasing its relative isolation, but also impede the development of cross-border relations between the two sides of the border. A new positive trend for improving regional accessibility is the agreement for opening of three new border crossing checkpoints between the two countries: Salash – Novo Korito, Bankya – Petachinci, and Treklyano – Bosilegrad.

The main **roads** relate to the Pan European corridors crossing the region: No. 4 – Greek border-Sofia-Vidin/Lom (with a ferry to Kalafat in Romania), No. 8 – Gjueshevo (former Yugoslav Republic of Macedonian border) – Sofia – Plovdiv – Burgas (with a highway between Sofia and Plovdiv – outside the border region) and No. 10 with a section that crosses the Bulgarian – Serbian border region.

Due to the social and economic difficulties in both countries, road maintenance activities have suffered from a lack of funding which has resulted in an increase deterioration of the roads. The majority of the roads are two lane; those which link smaller settlements and the roads in mountainous and semi-mountainous areas (4-class roads) are in an extremely poor condition. Since 2007 there have been some positive tendencies in transport infrastructure development, but transport in the region still suffers from a lag in the development of combined transportation and modern logistic technologies as well as from a low level of information technologies of the transport systems.

The road network in the eligible CB area has a total length of 15 806 km, 63% of which are municipal roads and only 7% are high-ways.

The **railway network** of the region is very much identical to the road one in terms of its general layout – almost each main road link has as a parallel railway line. Along corridor No. 4 this is the railroad Vidin-Sofia – Thessaloniki (Plovdiv-Istanbul), along corridor No. 8 – Gjueshevo – Sofia – Burgas, and along corridor No 10. – Belgrade – Niš – Sofia. The only railway connection between the two countries (Sofia-Niš-Belgrade) is single-tracked; at present almost fully electrified but has several black points where the speed has to be seriously slowed down (parts of the Niš – Preševo and the Niš – Dimitrovgrad lines are designed for speeds of only 80 – 100 km/ h).

With the purpose of meeting the intensifying traffic needs, both countries have operated a joint railway crosschecking control at Dimitrovgrad since December 2006. Most of the railway lines

inside the border area are quite old and need a complete overhaul. The situation is similar for the track equipments, the signals and the control system. The reconstruction of the rail infrastructure in the Bulgarian part of the CBC region is already in progress.

There are two main **airports** in the border region where the quantity of trade of commodities is substantial (besides personal traffic) - international airport in Sofia-city (the capital of Bulgaria) and the international airport in Niš (Serbia). Though the city of Sofia is out of the eligible area, this still is the only airport on the Bulgarian side of the border region. There is one more airport located at Vidin (Bulgaria) but it has not been in operation since the beginning of the 1990s. The airport in Niš is a small but developing international airport (the second biggest in Serbia). It was designed for both cargo and passenger transport. In order to boost the development of the airport, the local-self-government subsidised the plane tickets and that attracted several low cost companies.

The **waterborne transport** provides opportunities for the development of environmental friendly and low cost transport services which makes it a viable alternative to road transport. Having an outlet to one of the most important European waterways – the Pan European Corridor No. 7 – the Danube River, the region thus gains a significant advantage. Two of the Bulgarian ports with international importance are located in the border area – the ports of Lom and Vidin. Another important port in the region is the Serbian port – Kladovo. Their main problem is the outdated facilities, lack of investments to improve and develop the ports infrastructure.

The **public transport** is mainly concentrated in the municipal centres. The transport connections are limited and do not correspond to the population needs. Most of the routes of the intercity transport are indirect in order to cover more settlements. The most developed public transportation in the border region is that of the City of Niš.

1.10. Public utility

The provision of electricity and the **electric power distribution system** in the region is quite well developed to meet the existing local needs. However, there is an increasing need for further construction and rehabilitation of distribution systems in areas with tourism potential.

The energy potential of the **renewable resources** of the region has been underutilized for decades, but state priority investigations were undertaken in the last decade. The need to improve energy efficiency in the border region is one of the main priorities of the both governments. Improving energy efficiency will contribute to reducing emissions of carbon dioxide and other greenhouse gas emissions and help prevent climate change.

The Bulgarian National Action Plan on Climate Change includes provisions to increase the share of renewable energy resources in the total energy production of the country. Bulgarian Law of Energy and Law on Energy Efficiency provide essential benefits for the utilization of renewable energy resources. The energy efficiency in Serbia is at an early stage of implementation and realisation, with the adoption of an Energy Sector Development Strategy and its programme for implementation for the period 2007-2015.

The larger part of the region has **low wind energy potential** with average annual wind speed 2-3 m/s, which is a limit for economic expedience of the wind energy projects. The future development of wind energy projects at low wind speed depends on the implementation of new technical solutions.

Significant potential of renewable energy sources in the region is given by the large forest and

agriculture areas that can provide **energy biomass**. There is a big potential for usage of the forest and agriculture waste, wood, straw and other waste for bio-fuel and heating purposes, and for combined production of heat and electricity. But the biomass plant facilities require big investments. In the region still there are no operating facilities based on such renewable resources.

The programme eligible area is also rich in **geothermal resources**. Larger part of geothermal energy is used for swimming pools, bathing and balneology. Other small capacity is used for building heating systems, including heat pumps, and a part of the sources are used for direct use in greenhouse heating systems. Even though there are still persistent technical and financial difficulties in using geothermal heating systems, a number of projects for geothermal heating station, district heating and geothermal water network in Sapareva Banja and Kyustendil have already been initiated and prepared. The results of those projects is expected to form the basis for promotion of systematic use of geothermal energy both in Bulgaria and Serbia, while allowing the CB region to benefit from the transfer of knowledge of best applicable technology and most appropriate financing mechanisms.

The border region is in a much better position in terms of availability of **water supply resources** and infrastructure compared to many of other areas and localities in both countries. However, the obsolescent equipment, mostly asbestos pipes, leads not only to health and hygiene problems but also to ineffective operation (water losses, frequent need of repairs, etc.). The situation with the **sewerage and wastewater treatment infrastructure** is much worse. Only the main settlements (bigger municipalities) have sewerage systems. There is a great need for small waste water treatment plants (WWTP) as at present the majority of the regional waste waters flow directly to the rivers causing damages and significant environmental problems. As of 2012 only 38% of the Bulgarian population is served by WWTP. The situation at the Serbian side is even worse - only 7,15% of all waste water is treated. This means that pollution of the water is going to be higher and higher every year. As regards **solid wastes processing**, at the Bulgarian side of the border there are 42 active municipal landfills which serve almost the entire population of the region – 99.53%. Most polluted region is Pernik where the collected municipal wastes per capita of population served by municipal waste services (as of 2012) amounts to 1 446 kg/h/year. This contrast to the average for the rest 5 districts – 340 kg/h/year. The

1.11. Research, technological development and innovation

In recent years the **ICT sector** has been a major factor for the growth of the economic productivity and the development of the societies as a whole. As a potential development alternative to the regional transport infrastructure, ICTs can provide an important opportunity for the better connection of the border region to the outer world thus decreasing the problems arising from the relative isolation due to its peripheral location.

Despite the rapid development of the ITC sector, the percentage of people using internet is still lower compared to the countries average. There is an increase in share of population between 16 and 74 years who use IT technologies and internet but still some regions in the border area report lower percentage than average, mostly in smaller regions where people do not have access to the global network.

During the last few years, **telecommunications** in both countries have developed rapidly. The liberalization of the Bulgarian and Serbian market favours the development of new technologies and diversification of the services provided. All cities, towns and most of the

villages in the eligible border area are connected with the national and the international automatic communication network. The mobile operators have also developed quite adequate networks coverage within the region.

Still, **investments in R&D** in the region are very low. Their predominant concentration is in the countries' capitals (Sofia and Belgrade). In the North-western Bulgarian districts, for example, there are no any research centres and/or technology transfer offices. In Kyustendil, only one organisation does some research and development activities, namely the Institute of Agriculture that employs 123 people. At the Serbian side some 30 R&D organisations are present.

R&D structures are usually operating within Universities and Academy of Science. There are 45 institutions of tertiary education in Bulgaria, 20 of which in Sofia. Only 2 high schools are located in the cross-border area; however the proximity of the region to Sofia provides free access to high quality of studies. In Serbia there are 271 research and development organisations, of which 34% are institutions of tertiary education. 25.1% are government R&D centres while the balance remained in private and not-for-profit sector.

The **innovative capacity** of local firms operating in the cross-border area is still underdeveloped. Bulgarian firms spent 0.3% of GDP on R&D, compared to 1.23% for all EU firms; they ranked 71st out of 139 countries in productivity; and were 95th in business sophistication and innovation. Serbia is ranked at the meagre 144th place⁴; compared to the EU27 average, the total expenditures for research and development (R&D) in relation to the GDP are very low, mainly due to the comparatively low R&D spending of the Serbian business sector.

The reasons for this substantial gap between the EU average and Bulgaria-Serbia (both national and cross-border) innovative capacities is the lower efficiency of the R&D systems due to limited institutional capacity, lack of commercialization expertise, a low level of public-private collaboration in R&D and lack of incentives to do so. Government support in the form of R&D spending for the border area is inadequate, while the private R&D spending—or the lack of it - has a particularly strong effect on innovation. Studies have shown that the propensity of firms to innovate is positively and significantly correlated with their R&D spending and related investments in technological infrastructure; and that their output increases with their innovation efforts, whether or not the firm is new to the market.

1.12. Local and regional governance

In Bulgaria, the main responsibility for carrying out state policy and achieving balance between national and local interests at district level rests with the District Governor. He conducts the State policy within the district; co-ordinates the activities of the de-concentrated executive power bodies on district level, and their relations with local authorities; organizes the preparation and implementation of district regional development strategies and programs; and establishes relations with the local government bodies. The district administrations receive only state budgetary support in order to carry out their day-to-day activities. They do not have their own financial resources in order to implement district development plans. These are financed mainly through national sources and to a less considerable degree - through local (municipal) sources. The district councils for regional development are instruments for co-ordination and partnership at district level, trusted to ensure correspondence between national and local

⁴ According to World Economic Forum's Global Competitiveness Index 2012/13

interests and the participation of local authorities. Besides this, there are decentralized services of the sectoral ministries and institutions. Those services are located mainly in the existing districts, but also in some municipalities.

Municipalities are self-government administrative-territorial units in Bulgaria. They own and manage property, operate own budget, have the right to regulate within their own competencies, they are allowed to manage public services on their territory in the sphere of education, healthcare, culture, public works and utilities, social services, including establishment of municipal enterprises, they may issue obligations and have access to loans and credits. The competence of municipalities in the field of territorial development is rather broad, though very detailed law provisions on territorial planning exist. Municipalities have the greatest potential for cross-border cooperation and at present are the most active partners in this respect.

The process of further (financial) decentralization is ongoing. Despite of the ongoing decentralization process, local authorities in Bulgaria are still depended on central budgetary sources. Most of their budgets are spent on operational costs; financial sources for rehabilitation of existing or building of new infrastructure are scarce.

Serbian municipalities and cities are the basic entities of local autonomy in Serbia. They have assemblies elected on local elections (held every 4 years), operate their own budgets, possess and manage property (including public service companies). The highest legal act of the local government is a statute. The statute is governing the particular rights and duties of the local government and the way of their implementation, the number of councillors of local government units, organization and operation of agencies and services. When comparing budget revenues, Niš has the highest level of income and expenditure – accounting for 27% of the revenue of all areas in the South East (Niš area has 22.5% of the population of the region).

The **non-government sector** in the border region is adequately developed in terms of number of organizations and their recognized role in society. However, both sides of the border lack the strong and financially independent non-profit associations able to actively contribute to achieving the regional development objectives. The Bulgarian NGOs, however, do have stronger experience in project development and implementation due to the various funding sources available to the Bulgarian non-government sector during the years of transition. It is important that this experience is built on and further transferred across the border in view of the fact that together with the local authorities, NGOs are the main potential beneficiaries of the financial interventions regulated by the present Bulgaria - Serbia IPA Cross-border Programme.

Following the traditionally well-developed relations between the bordering municipalities, a number of **Euro-regions** have already been established, aiming to foster the socio-economic links between the two sides of the border. They have been arranged to promote common interests across the border and cooperate for the common good of the border populations. The links created within the existing Euro-regions among the various local authorities involved are an excellent basis for cross-border initiatives and joint projects.

List of data sources:

- *Bulgaria – Serbia IPA CBC Programme (CCI Number: 2007CB16IPO006)*
- *Statistical Reference Book, 2010-2013, National Statistical Institute of the Republic of Bulgaria*

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(NSI)

- *Statistical Yearbook, 2010-2012, National Statistical Institute of the Republic of Bulgaria (NSI)*
- *Municipalities and regions of the Republic of Serbia, 2010-2012, Statistical Office of the Republic of Serbia*
- *2011 Census of Population Serbia*
- *Socio-Economic Profile and SWOT Analysis of South and East Serbia, prepared by the Regional Socio-Economic Development Programme 2 (RSEDP2) team in liaison with Regional Development Agencies in Serbia*
- *Bulgarian District Development Strategies (2014-2020) – Vidin, Montana, Vratsa, Sofia, Pernik, Kyustendil*
- *EUROSTAT Publications (<http://epp.eurostat.ec.europa.eu>)*
- *ESPON 2013 Database (<http://www.espon.eu>)*
- *ISDACON Database (www.evropa.gov.rs)*

II. POLICY IMPLICATIONS – CHALLENGES AND OPPORTUNITIES

For cross-border cooperation the objective is to **identify and tackle common challenges and opportunities** for joint action. Below main challenges and opportunities of common nature and potential for joint activities are described. However, taking into account the budget available for the new programme and demarcation needed with other national, regional and territorial cooperation programmes the list below is too extensive to be taken into consideration when structuring the new Bulgaria – Serbia IPA CBC Programme (2014-2020) strategy. That's why further focusing and selecting fewer specific intervention themes is crucial.

Challenges and opportunities related to location of the CBC region

- Favourable geographic location with accessibility to the European centres;
- Proximity to the TEN's: Corridors No. 4, 7 (Danube river), 8, 10 cross the region.

Challenges and opportunities related to population

- Decreasing number of people in the working age that need to support those who are not, creates a need to increase productivity of the workforce;
- The negative effects of the overall demographical decline will affect the labour market in the future; therefore, preventing the (e)migration by developing and diversification of local economical activities in order to create jobs and alternatives incomes is needed;
- Increasing potential of the "silver economy" - opportunities related to developing services for the elderly as a target market.

Challenges and opportunities related to labour market and social services

- Promoting activities in order to stimulate the employment of elderly people;
- Enlarging and diversifying the offer of training and carrier guidance services for workforce resources (including on-the-job training / vocational training / entrepreneurship education programs);
- Targeting adult education and lifelong learning to overcome structural unemployment. A special focus can be put on adult learning activities for the elderly to promote their competitiveness in the labour market;
- Providing access of inhabitants from the CB area outlining population shrinkage to high quality social services (education, health, social care);
- Promoting social inclusion of disadvantaged minorities;
- Developing a monitoring system of local needs concerning social services; creating local mechanisms for identifying / monitoring and evaluating of vulnerable social groups and disadvantaged urban/rural areas.

Challenges and opportunities related to youth, education and skills

- Better “translation” of competitive skills and future labour market needs into curricula and teaching processes;
- Developing entrepreneurial attitude in the society already from the early school years via adding entrepreneurial or business approaches to curricula;
- Initiating partnerships between school and economic units in order to achieve a better integration on the labour market of the graduates from vocational and technical schools;
- Promoting cooperation between universities / research institutes and entrepreneurs in order to identify activities with high value added which provide best chances to foster local competitiveness.

Challenges and opportunities related to economic development

- Further integration of the CB economies and markets;
- Identifying common interests (on the basis of clusters of different economic sectors) and further develop and market those clusters to achieve new markets;
- Promoting traditional productions, leading to CB area specialization (branding, trade marks, certification) thus utilising proximity to markets;
- Exploitation of potential target sectors for new business development such as ICT, “low-carbon” solutions, “silver economy”, as well as supporting the “green” and “blue” economy;
- Promoting economic activities for young people.

Challenges and opportunities related to tourism and cultural heritage development

- Promoting the development of niche tourism activities (e.g. eco-, ethno- gourmet- tourism) thus valorising the favourable conditions for diversified tourism in the border area;
- Improving access to sites of touristic interest thus stimulating the utilisation of natural and cultural heritage;
- Exploiting the cultural heritage as a potential generator of new products and employment possibilities;
- Improving the image of the border area as touristic designation through creating common cross-border touristic brand.

Challenges and opportunities related to environment

- Balancing the conserving and developing aspects of natural resources in creating sustainable tourist attractions used to improve the quality of visiting environment and also to contribute to the quality of living environment;
- Better integrated planning of urban environments leading to improved urban environments

and reduction of CO2 emissions;

- Promoting projects for decreasing environmental vulnerability to natural hazards (reforestation, land improving etc), including establishing some joint risk management structures (drawing / updating maps for regions / areas with high fire risk / risk management plans);
- Increasing the accessibility of combined emergency (rescue) services in rural areas;
- Raising awareness for commune environmental resources at the level of cross border area).

Challenges and opportunities related to transport and public infrastructure

- Easing border crossing on public roads through renovation of roads in bad condition which lead towards border crossing points;
- Opening and developing new border crossing points;
- Development of public transport - establishment of a system based on real time traffic information; establishment of a cross-border route and timetable planning system; optimising of a demand-oriented bus services;
- Achieving better integrated, multimodal transport systems.

Challenges and opportunities related to research, technological development, innovation and ICT

- New technology start-up activities to strengthen CB region's position as a competitive hub for technology start-ups;
- Maintaining competitiveness of communication infrastructure needs further investments especially in sparsely populated, isolated areas;
- Using the well-established ICT competence in the CB area as a source for new business creation and export expansion over various sectors.

Challenges and opportunities related to local and regional governance

- Engaging citizens and local communities in local decision-making and service delivery thus developing a sense of ownership;
- Improving exchange of know-how, best practice and information between the relevant administrations from both sides of the border.

III. OVERVIEW OF STRENGTHS / WEAKNESSES AND OPPORTUNITIES / THREATS IN THE BG-RS BORDER AREA

The SWOT analysis as **an analytical tool to assess the efficiency of policies** and as a formal way of identifying strengths and weaknesses of each option, and of examining the opportunities and threats arising from them, is the mean to take the already identified challenges, which the cross-border (CB) region is facing, as well as the current and future needs and the holder of these needs into account.

The SWOT Analysis includes the results from the situation analysis, the results of an online survey performed, and further enriched by the stakeholders view collected during the 1st Regional Consultative Forum.

1.13. Sectorial SWOT-tables

The following 8 SWOT tables represent the strengths, weaknesses, opportunities and threats of the eligible area within the **8 thematic objectives**⁵. The SWOT-tables describe internal strengths and weaknesses of the CB region as well as external opportunities and threats, which represent overall trends the area is confronted with.

Table 1: Sectorial SWOT-tables of the cross-border area

Employment, labour mobility and social inclusion	
Internal factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> → Multicultural society, providing basis for dialogue and cooperation → Skilful workforce, with industrial and agricultural tradition 	<ul style="list-style-type: none"> → Aging population, limiting the potentials for further development and increased flexibility of the labour market → Low percentage of active labour force with advanced educational levels → High unemployment especially among youth and groups with special needs → Poor flexibility of unemployed in a sense of re-training and obtaining new skills → Limited integration and participation of groups with specific needs, minorities
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Launching of training and retraining initiatives which have a proven need at the labour market → Promotional activities in order to improve cross-border cooperation in the field of employment (job fairs, roundtables, etc.) 	<ul style="list-style-type: none"> → Low mobility of labour across the border, due to administrative obstacles → Poor integration of cross-border labour market – different systems and administrative obstacles for exchange → Social exclusion of long term unemployed

⁵ IPA II Regulation

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Environmental protection, climate change and risk prevention	
Internal factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> → Natural resources: mountains, rivers, lakes, minerals and clean water → Numerous nature protection areas preserving biodiversity and promoting the attractiveness of the region → Established contacts in the environmental sector in previous project initiatives, including cross-border cooperation programmes. 	<ul style="list-style-type: none"> → Low level of disaster management systems and emergency preparedness → Underdeveloped solid waste treatment infrastructure and waste-water facilities → Insufficient management systems of hazardous waste
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Efficient and sustainable use of natural resources (e.g. toward sustainable tourism) → Partnership of public, private and civil sector in implementing of environmental protection initiatives → Development of protected areas, their technical and institutional strengthening → Sustainable environment management and increasing importance of nature protection 	<ul style="list-style-type: none"> → Insufficient financial sources from state budget for financing environmental infrastructure → Inefficient fire fight management and fire prevention measures across the border

Transport and public infrastructures	
Internal factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> → Proximity to the TEN's (corridors No. 4, 7, 8, 10) → Presence of basic infrastructure (roads – motorways, 1st and 2nd class roads, railway, waterway, airport in Nis) 	<ul style="list-style-type: none"> → Low population density, small average size of settlements, limited number of bigger cities → Poor accessibility in some areas (particularly in terms of road and railway transport) → Low level of basic communal infrastructure in rural areas → The existing road infrastructure does not provide the necessary level of services and traffic safety
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Connecting to the international road and two airports → Development of multimodal transport → Public-private partnership through concession contracts 	<ul style="list-style-type: none"> → Insufficient financial resources from the state budget for financing of the infrastructure due to bad economic situation in both countries → Increased transportation cost due to underdeveloped transport infrastructure

Tourism and cultural heritage	
Internal factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> → Good quality, attractive natural environment offers favourable conditions for diversified tourism forms → Availability of historical, ethno and cultural sites 	<ul style="list-style-type: none"> → Limited accommodation facilities → Limited access and lack of infrastructure at a number of cultural, natural and historic tourism sites

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<ul style="list-style-type: none"> → both in Serbia and Bulgaria → Established past cooperation and high interest for future cooperation in tourism sector 	<ul style="list-style-type: none"> → Low integration of cultural heritage in the tourist product development → Lack of common touristic identity and image → Insufficient tourism planning, development, coordination and training
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Development of rural, eco-, spa-, cultural and other forms of tourism in the border areas, which induces also the development of cross-border regional tourism → Abundance of cultural landmarks and natural resources as precondition for the diversification of the currently available tourist products and services → Development of unified cross-border tourism brand 	<ul style="list-style-type: none"> → Increased competition of other regional destinations, providing similar touristic offers

Youth and Education	
Internal factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> → Good adult education system → Access of population to all levels of education → Availability of youth support institutions such as youth centres in a number of municipalities → Strong interest for cooperation by the institutions/organisations in the CBC area 	<ul style="list-style-type: none"> → Out-migration of young and educated people leading to brain drain occurrences → High level of early-school leavers due to poor perspectives of the youth → Low level of connectivity and communication between business and educational sectors → Low level of participation of youth in decision making, entrepreneurship etc. → High level of youth unemployment
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Development of the infrastructure needed to conduct training and youth activities (youth centres, youth clubs, sport and entertainment facilities) → Development of mechanisms for career counselling and guidance for young people. → Encouraging youth entrepreneurship development → Opportunities for cooperation between educational and training institutions and business companies → EU2020 flagship initiative "Youth on the move" aiming at enhanced performance of the education systems and the facilitation of the entry of young people to the labour market 	<ul style="list-style-type: none"> → Educational system not corresponding to the dynamically changing economy and labour market → Vocational education not being labour market demands oriented

Local and regional governance, planning and administration capacity building	
Internal factors	
Strengths	Weaknesses

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<ul style="list-style-type: none"> → Traditionally good relations among people and institutions as basis of continuing CBC of mutual interest → Partnership and existing experience in CBC cooperation and in implementing common programmes and joint projects → Acknowledged role of NGOs and civil society 	<ul style="list-style-type: none"> → Limited administrative capacity at local level → Insufficiently developed cooperation in the field of strengthening of the rule of law, the fight against corruption and organised and serious crime
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Development of mechanisms for cross-border institutional support and sharing of good practices → Strengthening the capacity of the LSGs in management and planning of the local economic development → Increased use of information technologies in the work of border administrations – common databases, on-line systems etc. 	<ul style="list-style-type: none"> → Different laws and regulations in the CBC area → Growing security threats, serious and organised crime and terrorism

Competitiveness, business and SME development, trade and investment	
Internal factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> → Economic complementarities of the border areas → Proximity to markets → Bilateral trade agreement → Business support centres established 	<ul style="list-style-type: none"> → Low level of cross-border economic co-operation due to lack of mutual market knowledge and limited information flow → Limited networking between local and regional SMEs at horizontal (for instance clusters) and vertical level (for instance supply chains) → Insufficient export orientation of SMEs → Low level of entrepreneurship
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Joint cross-border entrepreneurial initiatives, for instance supply chains, clusters – joining efforts for better access to external markets → Improved visibility of the region, improvement of access of foreign/inland investments → Traditional productions could lead to joint border region specialization (branding, trade marks, certification) → Potential in developing of know-how and excellence centres 	<ul style="list-style-type: none"> → Presence of grey economy → Segmented land ownership

Research, technological development and innovation and ICT	
Internal factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> → Relatively good ITC infrastructure – telecommunication and internet (with exception of rural areas) 	<ul style="list-style-type: none"> → Uneven presence R&D institutions in the region, with absence of cross-border cooperation between them (outside of Nis and Sofia) → Low average value added and failure to integrate innovative and R&D activities in the SME

	operations
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Exploration of business incubators as a platform for technological development, innovation and youth entrepreneurship → Potential spill-over effect from large research centres to the eligible area 	<ul style="list-style-type: none"> → Lack of critical mass for independent and competitive research efforts → High fragmentation of the market for innovative ICT products and services → Low level of investment as part of GDP dedicated for innovation and R&D activities.

1.14. The final SWOT-table

To encapsulate the crucial issues for the whole programme area, the 8 sectorial SWOT-tables, differentiated by thematic field, are condensed into one concluding SWOT-table, taking the whole programme area and its peculiarities into account.

It serves as the main input for the following identification of potentials and barriers, which define the first step for the subsequent definition of scenarios. As already mentioned in the introduction to this chapter, the whole SWOT-procedure represents a cumulative working step and tries to take the heterogeneity of the programming area into account. The sectorial SWOT-tables, identified within the previous chapter, allow for thematic differentiations and are identifying more specific and regional characteristics, than the one-page SWOT below.

The **one-page SWOT** represents relevant results for the whole programme area and tries to **illustrate an integrated picture of the current situation**.

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Table 2: The final SWOT-table of the cross-border area

Internal factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> → Natural resources: mountains, rivers, lakes, minerals and clean water → Proximity to the TEN's (corridors No. 4, 7, 8, 10) → Relatively good ITC infrastructure – telecommunication and internet (with exception of rural areas) → Abundance of cultural landmarks → Good adult education system → Traditionally good relations among people and institutions as basis of continuing CBC of mutual interest → Economic complementarities of the border areas → Proximity to markets 	<ul style="list-style-type: none"> → High unemployment especially among youth and groups with special needs → Low level of disaster management systems and emergency preparedness → Low level of basic communal infrastructure in rural areas → Limited access and lack of infrastructure at a number of cultural, natural and historic tourism sites → Lack of common touristic identity and image → Out-migration of young and educated people leading to brain drain → High level of early-school leavers due to poor perspectives of the youth → Low level of connectivity and communication between business and educational sectors → Insufficient export orientation of SMEs → Low level of entrepreneurship → Low average value added and failure to integrate innovative and R&D activities in the SME operations
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> → Promoting activities in order to stimulate the employment of elderly people → Decreasing environmental vulnerability to natural hazards → Development of multimodal transport → Development of rural, eco-, spa-, cultural and other forms of tourism → Development of unified cross-border tourism brand → Development of mechanisms for career counselling and guidance for young people → Encouraging youth entrepreneurship development → Strengthening the capacity of the LSGs in management and planning of the local economic development → Joint cross-border entrepreneurial initiatives, for instance supply chains, clusters → Joint border region specialization (branding, trade marks, certification) → Potential in developing of know-how and excellence centres 	<ul style="list-style-type: none"> → Aging population → Low mobility of labour across the border, due to administrative obstacles → Poor integration of cross-border labour market – different systems and administrative obstacles for exchange → Social exclusion of long term unemployed → Insufficient financial sources from state budget for financing investments in infrastructure development → Different laws and regulations in the CBC area → Growing security threats, serious and organised crime and terrorism → Presence of grey economy → Lack of critical mass for independent and competitive research efforts → High fragmentation of the market for innovative ICT products and services

1.15. Comments from the stakeholders – results of online survey and regional consultative discussions

The conclusions of the Situation and SWOT analysis have also been confirmed by the results from the online survey⁶. As **major threats** for cross-border cooperation between Bulgaria and Serbia are noticed:

- **Unemployment** (41.7%)
- **Ageing population** and trends for depopulation of the region (38.3%)
- **Absence of economic growth** and diversification of economic activities (38.3%)
- **Migration** of the younger generation (34.4%)

Amongst the major **problems and barriers** for cross-border cooperation between Bulgaria and Serbia, the survey's respondents have indicated:

- **Institutional** – 46.7%
- **Socio-economic** – 28.9%
- Accessibility and mobility – 18.9%
- Environmental – 12.2%
- Socio-cultural – 8.9%

Given the highest ranking of the “institutional” problems, the TA programming team provoked a discussion during the 1st RCF thus trying to substantiate the existing barriers. The stakeholders in these events have noticed that they don't see major “institutional” problems in the cross-border cooperation in general, rather than such related to implementing CBC-projects. As major problems is mentioned the one with **co-financing** and **pre-financing the projects**. This is especially valid for Serbian beneficiaries who have to co-finance by their own sources the 15%-share of the projects' budgets, while the same for the Bulgarian participants in the programme is covered by the state budget and they could rely on 100%-financing from the Programme.

In view of the above it was noticed that the Serbian beneficiaries could not use the “approved projects” as a ‘guarantee’ instrument for taking bank loans for implementing the CBC projects. Therefore, they have raised seriously the problems with project financing seeking further steps to be initiated within the new Programme in terms of decreasing this substantial (in the words of the participants) barrier.

Other “institutional” problems discovered during the meetings (mostly indicated by the Bulgarian participants) are those related with the **statute of certain eligible organisations** and the administrative/regulative barriers for actively participating in the Programme. As such could be mentioned some health providers, as well as certain social services, who according to their official statute are to be considered as “profit-making” organisations (i.e. registered under the “Commercial Act” in Bulgaria). Similar problems have been raised also by regional structures of national institutions and government bodies – e.g. district administrations, local structures of centralised institutions, etc. A barrier for the municipal schools and the regional structures is considered the so called “delegated budgets” they operate with, which does not

⁶ Carried out in the period 25th January – 14th February 2014

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provide for pre-financing of project activities and this in turn leads to delays in implementing the projects.

In view of the above, targeted efforts should be placed both in decreasing the beneficiaries' burden for participating in the future Programme by both the Bulgarian and Serbian administrations, but also making more precise list of eligible beneficiaries against the possible actions to be financed under the new IPA CBC Programme. The above issues are also taken into consideration in finalising the present SWOT analysis and the respective perspectives for strategic decisions to be taken when finalising the Programme's thematic concentration.

Summarising all the above, the institutional barriers in terms of regulatory, customs, taxation regimes are not considered such important as regards cross-border cooperation in general. Still such exists in terms of CBC projects' application and implementation, for which the MA/NA are asked to search for proper solution.

Other substantial problems, both confirmed through the territorial (situation) analysis and online survey results, are **the socio-economic ones**. The high unemployment rates (especially that at the Serbian side of the border) are considered an issue of primary importance. However, most of the stakeholders see an opportunity in tackling these problems by creating better business environment rather than pre-qualification training and consultative initiatives. This notion was clearly expressed at the RCFs. Special attention should also be given to youth employment and incentives for keeping them in the region.

As regards **accessibility and mobility** problems and barriers, the need for improving the road/rail transport in the border region is tremendous. Additionally, new cross-border check points are to be constructed, which also relates to construction/reconstruction of respective road connections. The issue was raised not only by citizens from the region, but also by representatives from central governmental agencies (e.g. Road Infrastructure Agency in Sofia). However, the needs could hardly be covered by the IPA CBC Programme funds, therefore most of the stakeholders prefer these accessibility and mobility gaps to be covered either through national budgets and/or other EU/International forms of financing.

In terms of **“environmental” problems**, as most substantial ones are considered those related to cross-border forestry fires. In view of this it was expressed the need of establishing common operational procedures for risk prevention actions. Initiative in this light has already been undertaken by authorities of both countries, which initial step will be the signing of bilateral protocol for joint actions in emergency situations as well as strategy for prevention and risk management in the border region between Bulgaria and Serbia.

Concluding it may be mentioned, that the stakeholders' feedback concerning the SWOT-analysis was common consent as the identified issues are well identified and generally relevant for the programme area. The findings were acknowledged against the background of the large variation of interests from the CB area but it had been accentuated that regional differences still exist, especially with reference to the EU membership status of the two countries (Bulgaria being a member-state, while Serbia being in the beginning of its negotiations for EU accession).

IV. POTENTIALS AND BARRIERS THE BORDER AREA IS FACING

For depicting the potentials and barriers the programme area is facing, **the strengths and weaknesses have to be combined with the opportunities and threats**. In order to make this manageable, the number of topics describing strengths, weaknesses, opportunities and threats, is transferred into one-page SWOT-Matrix, which provided an integrated view (see chapter 2.2).

The selection of strengths, weaknesses, opportunities and threats is then analysed and systemic links and ties defined, presenting coherences between the internal and external factors. This shows:

- Which **potentials** are resulting from the combination of the internal strengths and weaknesses of the programme area with the possible opportunities, identified from external strategic documents or current trends?
- Which **barriers** and difficulties the programme area is facing by combining the internal strengths and weaknesses with current threats?

The combination of the different internal and external factors (strengths x opportunities, strengths x weaknesses, threats x opportunities, threats x weaknesses), are then merged to thematic clusters and similar links and ties are grouped together.

The aim of this part of the SWOT analysis is on the one hand to process the strengths, weaknesses, opportunities and threats in an adequate way; on the other hand, the identification of potentials and barriers deriving from the internal and external as well as positive and negative aspects of the analysis is a method to gain new **options for further development**, which may illuminate uncared aspects.

An important issue for the final step of the analysis is the fact, that only issues within the same 'quadrant' of the SWOT-matrix are grouped together⁷. The reason of this clustering within the four quadrants of the SWOT-matrix is the identification of **four different groups of potentials and barriers**. Due to using the same strengths, weaknesses, opportunities and threats more often than once (to identify different sorts of potentials and barriers) diverse categories may represent quite similar thematic orientations. Therefore relevant differences exist concerning further CBC development:

- **Existing potentials (EP)** result from combining the internal strengths with the external opportunities. EPs represent positive characteristics of the eligible programme area with positive trends, which can support the already well performing regional characteristics.
- **Possible potentials (PP)** result from combining the internal weaknesses of the CB area with the external opportunities. Possible potentials illustrate the chance to overcome the internal weakness by using the existing opportunities.
- **Existing barriers (EB)** result from combining the internal weaknesses with the external

⁷ This means, that only identified ties within e.g. the quadrant 'strengths x opportunities' can be clustered, because these thematic clusters then represent the existing potentials for the area. Clustered linkages deriving from weaknesses and opportunities represent possible potentials. These two types of potentials illustrate different ones; therefore, only clustering within one quadrant is possible.

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threats. These barriers are a combination of internal and external factors, which are really tough challenges and hard to overcome.

- **Possible barriers (PB)** result from combining the internal strengths with the external threats. These issues show how external trends can be challenged by using the internal strength of the region. Negative external developments can be turned around by using regional strengths.

Table 3: Potentials and barriers within the SWOT-classification

SWOT Analysis			
		Strengths	Weaknesses
		<ul style="list-style-type: none"> •Strength 1 •Strength 2 •... •Strength n 	<ul style="list-style-type: none"> •Weakness 1 •Weakness 2 •... •Weakness n
	Opportunities <ul style="list-style-type: none"> • Opportunity 1 • Opportunity 2 • ... • Opportunity n 	EXISTING POTENTIALS [EP]	POSSIBLE POTENTIALS [PP]
	Threats <ul style="list-style-type: none"> •Threat 1 •Threat 2 •... •Threat n 	POSSIBLE BARRIERS [PB]	EXISTING BARRIERS [EB]

The method therefore represents a mixture between clustering of information and a more creative technique of combining issues of certain interest. The combination of issues of interest represents a possibility to process the strengths, weaknesses, opportunities and threats – which were formulated earlier – in an adequate way. It's an option to develop a base for the future development scenarios and is based on

experts' knowledge combining all the findings and knowledge from the whole territorial analysis.

The Table 4 below presents the **main findings from the SWOT analysis**. There, the identified internal and external factors are listed in the SWOT-Matrix (based on the final one-page SWOT table), the linkages are illustrated, and the grouped similarities are described as potentials and barriers.

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Table 4: SWOT analysis: deducting potentials and barriers

SWOT Analysis – potentials and barriers		Internal factors																		
		Strengths								Weaknesses										
		Natural resources	Proximity to the TEN's	Good ITC infrastructure	Abundance of cultural landmarks	Good adult education system	Traditionally good relations	Economic complementarities	Proximity to markets	High unemployment	Low level of emergency preparedness	Low level of basic communal infrastructure	Limited access and lack of infrastructure at sites of tourism potential	Lack of common touristic identity and image	Brain drain	High level of early-school leavers	Low level of connectivity between business and educational sectors	Insufficient export orientation of SMEs	Low level of entrepreneurship	Failure to integrate innovative and R&D activities in the SMEs
External factors	Opportunities	Stimulate the employment of elderly people				+				+										
		Decreasing environmental vulnerability to natural hazards	+								+									
		Development of multimodal transport		+					+											
		Development of rural, eco-, spa-, cultural and other forms of tourism	EP2	EP2		EP2		EP2	EP2				PP3	PP3						
		Development of unified cross-border tourism brand	+			EP2			EP2					PP3	PP2					
		Career counselling and guidance for young people			+		+									PP2	PP2	PP2	PP2	
		Encouraging youth entrepreneurship development				+		EP1	EP1					PP3	PP2	PP2	PP2	PP2		
		Strengthening the capacity of the LSGs		+		+					+	+	+							
		Joint cross-border entrepreneurial initiatives			EP1			EP1	EP1						PP1			PP1		
		Joint border region specialization (branding, trade marks, certification)						EP1	EP1					PP3				PP1	PP1	
		Potential in developing of know-how and excellence centres		+			EP1												+	+
	Threats	Aging population				PB1				+										
		Low mobility of labour across the border, due to administrative obstacles					PB1	PB1		EB1					EB1	EB1				
		Poor integration of cross-border labour market				PB1				EB3					EB3	EB3			EB3	
		Social exclusion of long term unemployed								EB3					EB3					
		Lack of finances for investments in infrastructure development	PB2	PB2							EB2	EB1	EB1							
		Different laws and regulations in the CBC area			+			PB2	+		EB2			+			EB1	EB1		
		Growing security threats, serious and organised crime and terrorism																		
		Presence of grey economy						+							+				+	
		Lack of critical mass for independent and competitive research efforts															+	+	EB3	+
		High fragmentation of the market for innovative ICT products and services		+				+									EB1			+

The **identified potentials and barriers** are mainly dealing with issues such as competitiveness, alternative forms of economic activities (i.e. tourism), coherence of the education with the needs of the regional labour market and investments in youth entrepreneurship. The following sections describe the identified potentials and barriers, and explain them in more detail:

Existing Potential: Define a common, international market for cross border products and services [EP1]

Within the eligible programme area, growth in business-related services can be identified, which is accompanied by a tradition for cross-border cooperation. Additionally, the area is located in a specific geopolitical position, which gained positive influence of proximity to TENs and European markets. These strengths, identified within the area, are positively influenced by the issue of the enhancement of competitiveness regulations which trigger especially the development of SMEs. This is additionally positively influenced of the policy support of co-operative economic activities as well as the development of clusters and networks.

Through the enhancement of competitiveness it is assumed, that bordering districts can also benefit from overall EU and global developments. Especially co-operative economic activities may promote networking between local and regional SMEs at horizontal (for instance clusters) and vertical level (for instance supply chains).

This existing potential dealing with defining a common, international market for cross border products and services correlates with the **TP-7** “Enhancing competitiveness, the business environment and the development of SMEs, trade and investment”, **TP-8** “Strengthening research, technological development, innovation and ICT”, **TP-4** “Encouraging tourism and cultural and natural heritage” and **TP-1** “Promoting employment, labour mobility and social and cultural inclusion across borders”.

Strategic options from internal-external analysis:

- To promote joint entrepreneurial initiatives (e.g. supply chains, clusters, etc.) thus utilising the economic complementarities of the border region as well as proximity to markets;
- To improve the visibility of the region, which might lead to improved access of foreign/inland investments;
- To promote traditional productions, leading to border region specialization (branding, trade marks, certification) thus utilising proximity to markets;
- To facilitate the transfer of creative knowledge in the CBC region through the establishment of new design centres, including craft design, that aims at supporting local or regional industries in all sectors on the development of new products and services;
- Develop new or improved knowledge partnerships between businesses, knowledge institutions, public administrations and end users with a view to long-term cooperation (post project) on developing specific products and services.

Existing Potential: Sustainable tourism and utilization of cultural natural heritage [EP2]

Tourism was identified as a main opportunity to balance regional disparities and job creation.

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The existing potential “Sustainable tourism and utilization of cultural natural heritage” [EP2] combines internal strengths such as the richness and diversity of landscape as well as the natural and cultural heritage with opportunities such as the promotion of of niche tourism development (e.g. eco-, ethno- gourmet- tourism) thus valorising the favourable conditions for diversified tourism in the border area.

The construction of the TEN-networks improves the accessibility of former marginalised areas catching-up. Furthermore, the improvement of accessibility and the already existing specific benefits of the geographically attractive locations of the region would increase the attractiveness of the area.

Additionally, a well protected environment – equipped with specific environmental infrastructure – and the containment of increasing land use – mainly due to enhanced reuse of deprived areas and brown fields – preserve the richness and diversity of the landscape, which is one main location as well as economic factor of the touristic use of the region. It's assumed, that an environment, which is protected as well as fostered and used in a sustainable way, is generally more attractive for touristic use.

The EP2 can be mainly be associated with the **TP-4** “Encouraging tourism and cultural and natural heritage”. Indirectly, it also associates with **TP-1** “Promoting employment, labour mobility and social and cultural inclusion across borders” and **TP-7** “Enhancing competitiveness, the business environment and the development of SMEs, trade and investment”.

Strategic options from internal-external analysis:

- To promote the development of niche tourism activities (e.g. eco-, ethno- gourmet-tourism) thus valorising the favourable conditions for diversified tourism in the border area;
- To promote the development of economically sustainable cultural products and services based on the demand for new tourist destinations and experience;
- To promote the development of tourist clusters thus creating critical mass in providing tourism services;
- Utilisation of natural and cultural heritage through improved access to sites of touristic interest.

Possible Potential: Co-operative initiatives and cluster development reducing access and employment deficits in peripheral regions (PP1)

This possible potential combines six main weaknesses of the border area with six external opportunities, aiming specially at the future development of peripheral regions. The combination of opportunities and weaknesses may create a possible and achievable potential for the future development of the CB area at hand.

The eligible programme area is marked by bad accessibility to service and employment in districts which are dominated by small villages and sparse population. In addition, the activity rate is low and the number of (youth) unemployment is increasing; so is the risk of poverty. This reinforces strong economic disparities which do exist between the BG and RS districts as well as inequalities in GDP. Additionally, the access to finance is out of line with current needs, especially for start-ups and small loans (micro credit), which are of high importance,

especially for small and medium enterprises.

These internal weaknesses can be combined with the opportunity of the policy provision of co-operative economic activities such as the development of clusters and networks as well as the opportunity/issue of tourism as a tool to balance regional disparities and job creation. Furthermore the increase in green employment and eco-innovations may be opportunities, which may reveal possible potentials of development.

Moreover improved connections – on various levels – can be positively linked with the current situation of unemployment rate and poverty, increasing accessibility, coming along with new employment opportunities. Besides, the maturity of the European knowledge society and the exchange of knowledge and cultural values may influence positively the increasing number of youth unemployment on the one side and the risk of poverty on the other side. Knowledge transfer in marginalised regions may encourage new developments (employment, education, innovation-transfer, etc.).

Through improved accessibility, the adaption of alternative employment forms, green employment, eco-innovation and additional foreign investment within the border area, positive stimuli may increase employment and help improving the access to services; this avoids the risk of poverty and an increase in social diversity and polarisation. Especially for rural areas and small villages with the disadvantage of bad access to service and employment, cross-border co-operation can initiate positive regional development; these issues – also in combination with tourism – can display possible development potentials, overcoming unemployment and low activity rates by reason of increasing regional attractiveness and raising opportunities.

Marginalised regions – both in terms of accessibility and employment opportunities – may benefit from alternative employment forms and a more flexible labour market in addition to the improvement of cross-border connections and co-operations. The development of clusters and networks, represents an important opportunity (through the policy support of co-operative economic activities), which may be one important point, representing the unique position of marginalised, peripheral areas and one possible process of change.

The possible potential PP1, correlates with **TP-7** “Enhancing competitiveness, the business environment and the development of SMEs, trade and investment”, **TP-5** “Investing in youth, education and skills”, **TP-1** “Promoting employment, labour mobility and social and cultural inclusion across borders” and **TP-4** “Encouraging tourism and cultural and natural heritage”.

Strategic options from internal-external analysis:

- To promote joint entrepreneurial initiatives (e.g. supply chains, clusters, etc.) thus improving the networking between local and regional SMEs at horizontal and vertical level;
- To encourage youth entrepreneurship development thus increasing the perspectives of the youth;
- To promote the development of tourist clusters thus creating critical mass in providing tourism services;
- To utilise better the performing, heritage and cultural assets of the CB area by developing strengths in the creative, cultural, entertainment and tourism industries;
- To stimulate the development of know-how and excellence centres thus improving the entrepreneurship culture of the region;

- To support enterprises through high performing training and qualification schemes.

Possible Potential: Involvement of youth in development and progress [PP2]

Main weaknesses identified within the eligible programme area are the out-migration of young and educated people, high level of early-school leavers due to poor perspectives of the youth, high level of youth unemployment and low level of participation of youth in decision making, entrepreneurship etc.

Additionally, brain drain of young and creative people as well as increasing market competition, the pressure on economic productivity and disadvantages of peripheral areas (shrinking regions, depopulation etc.) represent major threats for the further development of the area. Underlying phenomena of demographic change such as the ageing society, shrinking population, brain drain occurrences and strong economic disparities – already existing in some peripheral regions – are being intensified and positive development gets aggravated.

Therefore, it is imperative to engage youth to actively participate in all relevant levels of decision-making processes because it affects their lives today and has implications for their futures. In addition to their intellectual contribution and their ability to mobilize support, they bring unique perspectives that need to be taken into account. Numerous actions and recommendations within the international community have been proposed to ensure that youth are provided a secure and healthy future, including an environment of quality, improved standards of living and access to education and employment. These issues are of extreme urgency for the border area between Bulgaria and Serbia in view of declining demographic trends (aging of population and migration flows).

The possible potential PP2, correlates with **TP-5** “Investing in youth, education and skills”.

Strategic options from internal-external analysis:

- To create a better place for youth to develop thus diminishing brain drain occurrences;
- To improve the training and youth activities' infrastructure thus facilitating the access of population to all levels of education;
- To encourage youth entrepreneurship development thus increasing the perspectives of the youth;
- To encourage youth entrepreneurship development thus creating prerequisites for improving youth employment opportunities in the border area;
- To improve the connectivity and communication between business and education institutions;
- To enhance the level of youth participation in decision making, entrepreneurship, etc. by promoting the EU2020 flagship initiative "Youth on the move".

Possible potential: Development of unified cross-border tourism brand [PP3]

The cross-border area between Bulgaria and Serbia is characterised by a broad heritage of dense and diverse histories, cultures and ethnicities. In line with international conventions in

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the field of culture (with special reference to the UNESCO Conventions), culture can promote values of inclusiveness, openness, and acceptance of the others based on mutual respect. It can reinforce socio-economic development by strengthening of regional cooperation and intercultural dialogue while ensuring sustainability and joint action.

The areas of developing tourism, tourism infrastructure and improving tourism services, cultural heritage and intercultural dialogue are typically inter-related topics. They benefit particularly from the integrated approach such is the building of a unified cross-border tourism brand.

The results of the territorial (situation) analysis indicate that tourism is a growing sector in the border region but the tourism growth is not associated anyhow with the CBC region as a popular tourism destination. On the one hand the area have own problems and challenges in developing tourism that certainly affect negatively on the development of overall tourism in the region. On the other hand there is a potential that is currently not implemented and sometimes underestimated including niche tourism prospects and realities. Such potential is significantly correlated with the urgent needs to overcome challenges that the border region is facing.

The nature of tourism sector itself is fragmented as it is made of many service providers such as different companies, authorities, travel agencies, regional tourism boards, numerous local tourism organizations and many other stakeholders having a wide range of weaknesses and strengths that can have a major impact on the image of a destination. Therefore, further development in cross-border tourism depends on consolidation of efforts of all stakeholders as well as public organizations to provide them support. It is important to create a strategic cooperation among destinations for regional promotion provided that all parties are highly interested and committed to the goals of cooperation. In order to support the competitiveness and sustainability of tourism (destinations, accommodations, tour operators, services like cruises, excursions, etc.) it is necessary to be defined criteria for high quality tourism, i.e. building a local cross-border touristic "brand".

This PP3 can be mainly associated with the **TP-4** "Encouraging tourism and cultural and natural heritage".

Strategic options from internal-external analysis:

- To promote the integration of cultural heritage in the tourist product development through development of cross-border branding;
- To improve the tourism image of the border area through creating of joint promotion activities;
- To enhance the cooperation and networking between local tour operators through development of cross-border regional tourism packages.

Existing Barrier: Increasing lagging behind of peripheral, badly accessible regions [EB1]

The "Increasing lagging behind of peripheral, badly accessible regions" [EB1] points out the combination of several weaknesses and threats. It illustrates already existing barriers of development. Main weaknesses identified within the eligible border area are the partly low level of R&D as well as the insufficient technology transfer and lack in the access to R&D-results especially for SMEs. Furthermore, the insufficient access to services and employment

especially in peripheral areas and in regions dominated by small villages being accompanied by high numbers of (youth) unemployment.

Supplementary, the accessibility is low – especially outside of agglomerations – and strong economic disparities in GDP can be identified (core-periphery pattern). These weaknesses can be linked with a number of threats, such as the lack of competitiveness, increasing embeddedness into global capital flows, which may threaten local market potentials, as well as the lack of investments in local infrastructure. These threats do not support the already existing deficits concerning R&D, accessibility, transportation and employment, but represent a major barrier for further development.

The existing barrier EB1 can be linked with **TP-3** “Promoting sustainable transport and improving public infrastructures”, **TP-8** “Strengthening research, technological development, innovation and ICT”, as well as indirectly to **TP-7** “Enhancing competitiveness, the business environment and the development of SMEs, trade and investment”, **TP-1** “Promoting employment, labour mobility and social and cultural inclusion across borders” and **TP-4** “Encouraging tourism and cultural and natural heritage”.

Strategic options from internal-external analysis:

- To reduce the isolation and improve local accessibility through improved access to major transport facilities;
- To improve access to sites of touristic interest thus stimulating the utilisation of natural and cultural heritage;
- To reinforce the capacity of research infrastructure and to link better existing science foundations in order to improve innovation conditions;
- Provision and uptake of ICT in the border region, with special emphasis to improve the coverage and penetration of broadband in rural areas.

Existing Barrier: Managing environmental risks [EB2]

The existing barrier EB2 combines mainly three weaknesses: low level of disaster management systems and emergency preparedness; underdeveloped solid waste treatment infrastructure and waste-water facilities; and insufficient management systems of hazardous waste. Threats identified which may be combined with these weaknesses in a negative way are the insufficient financial sources from state budget for financing environmental infrastructure and the related inefficient fire fight management and fire prevention measures across the border.

The establishment of joint systems for fire fight management accompanied with respective investment measures in updating the necessary equipment has received a large support by stakeholders during the 1st RCF, as the fire problems affect large areas and various target groups.

This existing barrier is correlated with **TP-2** “Protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management”.

Strategic options from internal-external analysis:

- Decreasing environmental vulnerability to natural hazards (reforestation, land improving etc), including establishing some joint risk management structures (drawing / updating maps for regions / areas with high fire risk / risk management plans);

- To minimise fire risks through establishing joint fire fight management system and enhance the fire emergency preparedness;
- Increasing the accessibility of combined emergency (rescue) services in rural areas.

Existing Barrier: Raising social polarisation due to demographic change and lack of investment in peripheral areas [EB3]

The existing barrier “Raising social polarisation due to demographic change and lack of investment in peripheral areas” [EB2] combines five internal weaknesses with three external threats, and combines therefore a variety of internal and external factors. Especially the issue of an ageing population defines negative linkages to internal weaknesses, such as the increasing (youth) unemployment and poverty. The increasing social diversity as well as demographic change increase problems of financing social and technical infrastructure especially in shrinking regions.

Furthermore there exist disadvantages for ethnic minorities such as social problems including lower levels of education and high rates of unemployment, making catching-up processes difficult.

Demographic change and the phenomenon of an ageing society as well as the disadvantage of peripheral areas (agglomeration advantages of cities tend to represent disadvantages for rural/peripheral regions) harden the already existing contrasts between urban and rural areas. Increasing disparities and the risk of poverty are tightened by shrinking regions. The intensified marginalisation tendencies do not attract investments or innovation within the public administration system or important transportation links (to increase accessibility of these marginalised regions).

The increasing number of (youth) unemployment leads to rising brain drain occurrences within peripheral districts; well-educated employees without job opportunities prefer urban agglomerations and their advantages – which on the other hand illustrate disadvantages for rural or peripheral areas. This tendency supports demographic change in a negative way – the ageing of the society in general and the migration of young well-educated employees outlines simultaneously the loss of regional know-how and experience.

EB2 shows linkages to **TP-1** “Promoting employment, labour mobility and social and cultural inclusion across borders” and **TP-5** “Investing in youth, education and skills”.

Strategic options from internal-external analysis:

- Intensify the cooperation of health and social care institutions;
- Improve the cooperation between health and social care institutions with education and research & development;
- Harmonize conditions concerning labour market and improving mobility;
- To fight poverty and social exclusion of marginalised communities in the CBC region, especially the Roma communities, by giving them opportunities outside their own communities in social, environmental and cultural projects.

Possible Barrier: Brain drain occurrences due to disadvantages of shrinking areas [PB1]

The possible barrier “Brain drain due to disadvantages in shrinking areas” [PB2] is based on the strength of skilful workforce, with industrial and agricultural tradition and good adult education system. These regional strengths of the eligible programme area can be negatively influenced by suburbanisation processes and the ageing society – issues such as the increasing number of depopulated areas and the increasing contrasts between urban and rural areas were identified as relevant linkages of a possible regional barrier.

Furthermore, the increasing level of education, lifelong learning as well as female education participation and the consequence of a qualified workforce can cushion the negative effects of an ageing population. These identified connections may illustrate a constant danger of demographic processes. Regions, in which a high level of experience – mainly in industrial and agricultural sectors – exists, may be endangered by demographic processes such as shrinking population and brain drain occurrences. The regionally and locally existing knowledge of employees will be at risk. If a region, which is partly based on the experience and know-how of its employees, is scarred by an ageing society and declining opportunities, the trend of shrinking population figures and emigration may be an important and challenging issue.

This potential barrier [PB2] correlates with **TP-5** “Investing in youth, education and skills” and **TP-1** “Promoting employment, labour mobility and social and cultural inclusion across borders”.

Strategic options from internal-external analysis:

- To enhance performance of education systems through closer cooperation of education institutions, systems and policies;
- To facilitate the exchange of know-how and curricula innovations, corresponding to the dynamically changing economy and labour market;
- To support the development of labour market-oriented vocational education in the border region;
- To improve cross-sector policy coordination to address demographic and youth migration challenge.

Possible Barrier: Loss of border region attractiveness by reason of environmental quality decline, demographical change and lack of investment [PB2]

The possible barrier PB2 combines a variety of six strengths and a number of threats. The tradition of cross-border cooperation on institutional, political and administrative level and within projects can be negatively influenced by a lack of investments in regional infrastructures which increases the core-periphery disparities as well as the phenomenon of ageing, brain drain occurrences and disadvantages of rural areas due to agglomeration advantages of cities.

The issue of the richness and diversity of landscape and natural and cultural heritage as important location factors are endangered by on-going desertification and increasing aridity as well as by negative effects of climate change and unsustainable use of environmental resources. Furthermore these strengths can – linked with aridity as well as with natural disasters – represent a possible barrier.

Regions which are oriented towards their touristic potentials and the richness and diversity

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of landscape and nature (as is the BG-RS border area) are endangered by natural disasters, climate change and its effects such as increasing aridity. This affects the entire natural and cultural heritage, which represents an important location factor for tourism usage.

The possible barrier dealing with environmental quality and demographic change, may be linked to **TP-2** “Protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management”, as well as **TP-4** “Encouraging tourism and cultural and natural heritage” and **TP-7** “Enhancing competitiveness, the business environment and the development of SMEs, trade and investment”.

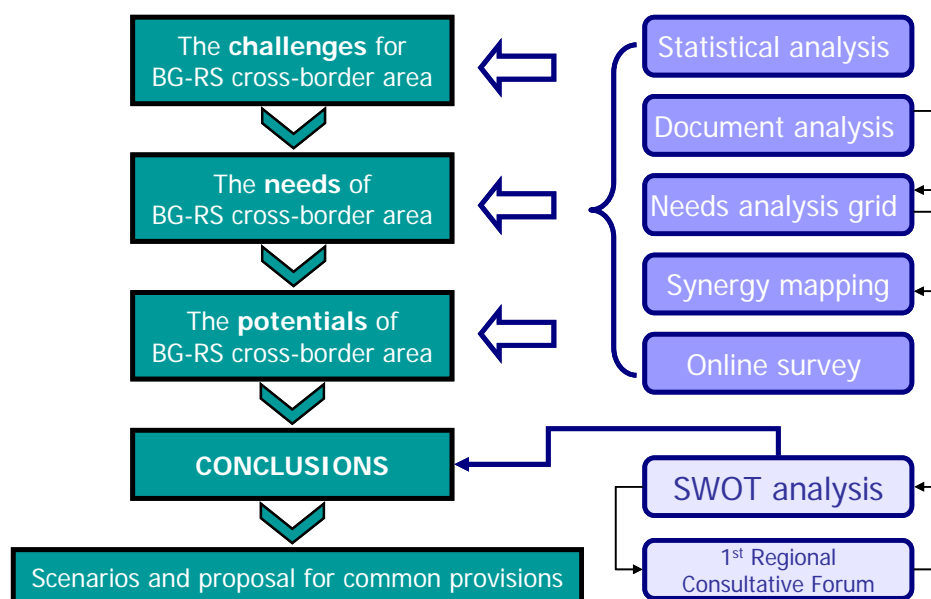
Strategic options from internal-external analysis:

- Better integrated planning of urban environments leading to improved urban environments and reduction of CO2 emissions;
- To establish joint disaster management systems and enhance emergency preparedness thus institutionalising the common efforts towards nature protection across the border;
- Enhance fire fight management and fire prevention measures across the border by utilising the already established good neighbourly relations of the relevant authorities.

V. CONCLUDING SWOT ANALYSIS RESULTS

The information fed into the SWOT analysis was stemming from the analysis of the baseline situation (the ‘challenges’) and the enquiry of options to address these challenges (the ‘needs’), as well as from primary data collection via an online survey and discussions with regional stakeholders (1st RCF).

Figure 1: Course of the analysis: elements of the analysis of potentials



The SWOT analysis has produced ten aggregated potentials for the new Bulgaria-Serbia IPA CBC programme (2014-2020) that can be divided into four ‘meta’ aggregates:

→ **Strengthening existing strengths**

- EP1: Define a common, international market for cross border products and services
- EP2: Sustainable tourism and utilization of cultural natural heritage

→ **Making use of available potentials**

- PP1: Co-operative initiatives and cluster development reducing access and employment deficits in peripheral regions
- PP2: Involvement of youth in development and progress
- PP3: Development of unified cross-border tourism brand

→ **Removing existing barriers**

- EB1: Increasing lagging behind of peripheral, badly accessible regions
- EB2: Managing environmental risks
- EB3: Raising social polarisation due to demographic change and lack of investment in peripheral areas

→ Averting possible threats

- PB1: Brain drain occurrences due to disadvantages of shrinking areas
- PB2: Loss of border region attractiveness by reason of environmental quality decline, demographical change and lack of investment

The next step in preparing the new Bulgaria-Serbia IPA CBC Programme (2014-2020), is the above stated potentials to be cast into future programme priority scenarios and tested for their impact. This means that in a final analytical step the results of the territorial (situation) analysis as well as the results of the SWOT will have to be “translated” into a prioritisation of thematic priorities as stipulated in the IPA II Regulation.

APPENDIX “A”: STATISTICAL DATA

Table 2: The Bulgaria-Serbia IPA Cross-border Programme (2014-2020) area by NUTS 3 regions

NUTS 3 regions		Area (km ²)	Settlements (number)
BULGARIA (national) - total		111 002	5 302
Vidin district	11 municipalities: Belogradchik, Boynitsa, Bregovo, Vidin, Gramada, Dimovo, Kula, Makresh, Novo Selo, Ruzhintsi, Chuprene	3033	140
Montana district	11 municipalities: Berkovitsa, Boychinovtsi, Brusartsi, Valchedram, Varshets, Georgi Damyanovo, Lom, Medkovets, Montana, Chiprovtsi, Yakimovo	3635	130
Vratsa district	10 municipalities: Borovan, Byala Slatina, Vratsa, Kozloduy, Krivodol, Mezdra, Mizia, Oryahovo, Roman, Hayredin	3611	123
Sofia district	22 municipalities: Anton, Bojurishte, Botevgrad, Chavdar, Chelopech, Dolna banya, Dragoman, Elin Pelin, Etropole, Godech, Gorna Malina, Ihtiman, Koprivshtitsa, Kostenets, Kostinbrod, Mirkovo, Pirdop, Pravets, Samokov, Slivnitsa, Svoje, Zlatitsa	7062	283
Pernik district	6 municipalities: Breznik, Zemen, Kovachevtsi, Pernik, Radomir, Tran	2391	171
Kyustendil district	9 municipalities: Bobovdol, Boboshevo, Kocherinovo, Kyustendil, Nevestino, Rila, Sapareva Banya, Dupnitsa, Treklyano	3052	182
SERBIA (national) - total		88 509	6 158
Borski district	4 municipalities: Bor, Kladovo, Majdanpek, Negotin	3 507	90
Zaječarski district	4 municipalities: Boljevac, Knjaževac, City of Zaječar, Sokobanja	3 624	173
Jablanički district	6 municipalities: City of Leskovac, Bojnik, Lebane, Medveđa, Vlasotince, Crna Trava	2 770	336
Nišavski district	7 municipalities: Aleksinac, Svrlijig, Merošina, Ražanj, Doljevac, Gadžin Han, City of Niš	2 728	282
Pirotski district	4 municipalities: Bela Palanka, Pirot, Babušnica, Dimitrovgrad	2 761	214
Pčinjski district	7 municipalities: Vladičin Han, Surdulica, Bosilegrad, Trgovište, City of Vranje, Bujanovac,	3 520	363

Annex 7 Situation and SWOT analyses

NUTS 3 regions		Area (km ²)	Settlements (number)
	Preševo		
Toplički district	4 municipalities: Prokuplje, Blace, Kuršumlija, Žitorađa	2 231	267

Table 3: The Bulgaria-Serbia border area - population

NUTS 3 regions	Population (inhabitants, total)				Population density (inhabitants per km ²)				Natural Change (crude birth rate minus the crude death rate of a population)			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
BULGARIA (national) - total	7 467 119	7 421 766	7 369 431	7 327 224	67	67	66	66	-27 112	-34 652	-37 412	-39 603
Vidin district	108 067	105 837	99 481	97 546	36	35	33	32	-1 496	-1 570	-1 527	-1 574
Montana district	155 899	153 066	145 984	143 662	43	42	40	40	-1 641	-1 888	-1 811	-1 852
Vratsa district	196 829	193 555	184 662	181 574	54	53	51	50	-1 856	-2 015	-1 848	-2 035
Sofia district	253 010	250 464	245 616	243 254	36	35	35	34	-1 784	-2 014	-2 034	-2 084
Pernik district	136 249	134 694	131 987	130 240	57	56	55	54	-1 195	-1 296	-1 504	-1 529
Kyustendil district	145 577	143 081	134 990	132 813	48	47	44	44	-1 324	-1 411	-1 466	-1 546
SERBIA (national) - total	7 334 937	7 306 677	7 251 549	7 216 649	83	83	82	82	-33 701	-34 907	-37 337	-35 143
Borski district	132 464	130 557	128 746	123 616	38	37	37	35	-1 282	-1 383	-1 277	-1 352
Zaječarski district	124 423	122 605	120 756	118 401	34	34	34	33	-1 523	-1 651	-1 563	-1 589
Jablanički district	227 116	224 776	222 394	214 184	82	81	80	77	-1 654	-1 638	-1 732	-1 732
Nišavski district	374 017	372 670	371 003	374 371	137	137	136	137	-2 059	-2 057	-2 366	-2 365
Pirotski district	95 861	94 575	93 339	91 358	35	34	34	216	-1 052	-956	-1100	-1 103
Pčinjski district	228 254	227 554	226 649	202 328	65	65	64	57	-125	-365	-513	506

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NUTS 3 regions	Population (inhabitants, total)				Population density (inhabitants per km ²)				Natural Change (crude birth rate minus the crude death rate of a population)			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Toplički district	94 570	93 513	92 445	90 707	42	42	41	41	-573	-655	-829	-914

Table 4: The Bulgaria-Serbia border area – population by age group

NUTS 3 regions	Under working - age (total) [0-14]				At working - age (total) [15-64]				Over working - age [65+]			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
BULGARIA (national) - total	13,1%	13,2%	13,2%	13,4%	68,9%	68,7%	68,3%	67,8%	18,0%	18,2%	18,4%	18,8%
Vidin district	12,0%	12,1%	12,0%	12,1%	63,9%	63,8%	62,1%	61,5%	24,0%	24,1%	25,9%	26,4%
Montana district	13,0%	13,1%	12,9%	13,1%	64,3%	64,2%	63,3%	62,8%	22,7%	22,8%	23,8%	24,1%
Vratsa district	13,5%	13,6%	13,4%	13,4%	66,7%	66,5%	65,4%	65,0%	19,7%	19,9%	21,2%	21,7%
Sofia district	13,2%	13,3%	13,4%	13,5%	66,6%	66,3%	65,9%	65,4%	20,2%	20,4%	20,7%	21,0%
Pernik district	11,1%	11,4%	11,5%	11,7%	67,2%	66,7%	66,1%	65,6%	21,7%	21,9%	22,4%	22,7%
Kyustendil district	11,8%	11,8%	11,5%	11,7%	67,0%	66,6%	65,0%	64,4%	21,2%	21,6%	23,4%	23,9%
SERBIA (national) - total	15,3%	15,2%	14,4%	14,4%	67,5%	67,8%	68,3%	67,8%	17,1%	17,0%	17,2%	17,3%
Borski district	16,5%	16,8%	12,2%	12,7%	72,9%	73,9%	64,8%	67,4%	20,1%	20,4%	20,1%	20,9%
Zaječarski district	13,9%	14,1%	11,4%	11,6%	69,9%	71,0%	63,9%	65,2%	26,8%	27,2%	24,0%	24,5%
Jablanički district	17,6%	17,8%	14,2%	14,8%	69,5%	70,2%	65,1%	67,6%	19,0%	19,2%	18,0%	18,7%
Nišavski district	15,2%	15,2%	13,8%	13,6%	67,8%	68,1%	68,4%	67,8%	18,9%	19,0%	19,3%	19,1%
Pirotski district	15,1%	15,3%	11,9%	12,1%	70,3%	71,3%	64,9%	66,4%	24,8%	25,2%	20,5%	20,9%

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NUTS 3 regions	Under working - age (total) [0-14]				At working - age (total) [15-64]				Over working - age [65+]			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Pčinjski district	21,5%	21,5%	11,1%	12,4%	64,2%	64,4%	48,1%	53,9%	14,1%	14,1%	11,0%	12,3%
Toplički district	17,6%	17,8%	14,5%	14,8%	68,1%	68,9%	64,5%	65,7%	22,3%	22,5%	20,3%	20,6%

Table 5: The Bulgaria-Serbia border area – Labour Market

NUTS 3 regions	Total [thousands]				Employed [thousands]				Unemployed [thousands]			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
BULGARIA (national) - total	3 492	3 401	3 341	3 344	3 254	3 053	2 965	2 934	238	348	376	410
Vidin district	41	38	39	39	35	33	32	32	5	5	8	7
Montana district	66	63	59	58	59	55	50	49	7	8	8	9
Vratsa district	79	74	74	70	73	68	66	63	6	6	7	7
Sofia district	113	112	108	104	109	104	99	97	4	9	11	7
Pernik district	60	59	60	60	57	55	55	54	3	4	5	6
Kyustendil district	65	64	63	59	60	58	53	51	6	6	9	9
SERBIA (national) - total	3 119	2 965	2 924	2 929	1 572	1 399	1 327	1 327	502	569	671	701
Borski district	41	40	40	40	28	27	27	27	13	13	13	13
Zaječarski district	39	37	37	37	25	23	22	23	14	14	14	15
Jablanički district	69	69	73	75	33	33	35	37	36	36	38	38
Nišavski district	138	131	127	129	91	81	75	75	48	50	52	53
Pirotski district	40	35	34	33	25	21	21	19	15	14	13	13

Annex 7 Situation and SWOT analyses

NUTS 3 regions	Total [thousands]				Employed [thousands]				Unemployed [thousands]			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Pčinjski district	70	66	64	64	40	37	36	37	30	29	27	27
Toplički district	31	28	29	31	15	14	14	15	15	14	15	16

Table 6: The Bulgaria-Serbia border area – Education (2012)

NUTS 3 regions	TOTAL	General schools (osnovna skola)	Vocational gymnasiums and training schools	Colleges (VISOKA SKOLA)	Universities (FAKULTET)	TOTAL	General schools (osnovna skola)	Vocational gymnasiums and training schools	Colleges (VISOKA SKOLA)	Universities (FAKULTET)	TOTAL	General schools (osnovna skola)	Vocational gymnasiums and training schools	Colleges (VISOKA SKOLA)	Universities (FAKULTET)
CBC region - total	1 486	1 288	172	9	17	276 810	176 231	67 399	5 314	27 866	46 289	22 196	18 255	1 336	4 502
Vidin district	38	31	7	0	0	9 671	7 914	1 757	0	0	1 570	1 056	514	0	0
Montana district	70	62	8	0	0	15 609	12 298	3 311	0	0	2 277	1 441	836	0	0
Vratsa district	75	57	18	0	0	20 680	17 148	2 927	0	605	3 100	2 367	733	0	0
Sofia district	104	86	17	0	1	31 536	20 055	5 389	0	6 092	4 636	2 088	1 350	0	1 198
Pernik district	45	34	10	0	1	12 200	8 983	2 907	0	310	1 947	953	977	0	17
Kyustendil district	46	33	13	0	0	12 427	10 137	2 290	0	0	1 924	1 072	852	0	0
Borski district	116	102	13	0	1	13 952	9 082	4 039	0	831	2 500	1 228	1 084	0	188
Zaječarski district	103	93	8	1	1	12 937	7 917	4 302	362	356	2 474	1 153	1 145	88	88
Jablanički district	213	192	18	2	1	28 851	18 469	8 599	1 366	417	5 005	2 368	2 225	319	93
Nišavski district	258	219	25	3	11	64 165	28 378	14 996	2 303	18 488	11 278	3 722	4 114	594	2 848

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NUTS 3 regions	TOTAL	General schools (osnovna skola)	Vocational gymnasiums and training schools	Colleges (VISOKA SKOLA)	Universities (FAKULTET)	TOTAL	General schools (osnovna skola)	Vocational gymnasiums and training schools	Colleges (VISOKA SKOLA)	Universities (FAKULTET)	TOTAL	General schools (osnovna skola)	Vocational gymnasiums and training schools	Colleges (VISOKA SKOLA)	Universities (FAKULTET)
Pirotski district	82	72	9	1	0	9 640	6 405	2 975	260	0	1 808	915	788	105	0
Pčinjski district	234	214	18	1	1	32 964	21 625	10 138	434	767	5 647	2 770	2 674	133	70
Toplički district	102	93	8	1	0	12 178	7 820	3 769	589	0	2 123	1 063	963	97	0

Table 7: The Bulgaria-Serbia border area – Tourism

NUTS 3 regions	Bed-nights realised							
	Total				of which: by foreigners			
	2009	2010	2011	2012	2009	2010	2011	2012
CBC region - total	1 944 677	1 899 523	1 968 549	2 031 446	329 766	348 157	317 044	348 150
Vidin district	48 492	44 344	54 659	52 249	16 845	13 820	12 703	10 912
Montana district	55 243	50 904	72 661	71 917	4 565	4 508	5 302	5 896
Vratsa district	54 674	42 995	57 452	72 679	9 154	7 514	8 994	10 379
Sofia district	373 456	396 520	380 637	436 598	179 403	195 091	160 169	167 733
Pernik district	33 452	26 415	17 833	23 592	9 102	7 018	2 992	3 012
Kyustendil district	114 160	101 973	106 146	149 324	8 221	9 515	12 152	19 391
Borski district	153 302	173 606	172 440	164 169	13 651	17 832	22 730	18 804
Zaječarski district	443 521	403 158	439 313	431 066	12 060	10 230	9 779	10 829
Jablanički district	87 964	88 650	82 075	73 036	8 437	9 342	9 341	15 070

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NUTS 3 regions	Bed-nights realised							
	Total				of which: by foreigners			
	2009	2010	2011	2012	2009	2010	2011	2012
Nišavski district	320 006	317 370	302 658	290 984	51 227	55 575	50 870	51 686
Pirotski district	24 470	18 610	31 674	26 367	6 100	4 440	4 783	16 324
Pčinjski district	116 167	116 137	109 110	88 105	7 931	9 129	9 799	8 975
Toplički district	119 770	118 841	141 891	151 360	3 070	4 143	7 430	9 139

Table 8: The Bulgaria-Serbia border area – Transport & Accessibility

NUTS 3 regions	Road network by category											
	Total - km				National (republican) roads				Local (municipal) roads			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
CBC region - total	15 096	15 374	15 353	15 806	5 595	5 870	5 829	5 762	9 501	9 504	9 524	10 044
Vidin district	611	611	611	611	165	165	165	165	446	446	446	446
Montana district	603	672	605	605	214	283	214	214	389	389	391	391
Vratsa district	403	637	637	637	59	290	290	290	344	347	347	347
Sofia district	1 483	1 483	1 504	1 495	827	827	837	831	656	656	667	664
Pernik district	546	546	568	567	146	146	156	155	400	400	412	412
Kyustendil district	577	577	577	577	139	139	139	139	438	438	438	438
Borski district	1 510	1 485	1 510	1 513	792	767	792	792	718	718	718	721
Zaječarski district	1 427	1 427	1 427	1 597	742	742	742	749	685	685	685	848
Jablanički district	1 787	1 787	1 787	1 807	561	561	561	465	1 226	1 226	1 226	1 342
Nišavski district	1 356	1 356	1 343	1 396	474	474	460	461	882	882	883	935
Pirotski district	925	925	924	959	381	381	381	383	544	544	543	576

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NUTS 3 regions	Road network by category											
	Total - km				National (republican) roads				Local (municipal) roads			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Pčinjski district	2 781	2 781	2 774	2 828	736	736	734	742	2 045	2 045	2 040	2 086
Toplički district	1 087	1 087	1 086	1 214	359	359	358	376	728	728	728	838