

Peer review
Interreg Europe Policy Learning Platform

Smart islands – create environment to boost digitalization and smart tourism

A Policy Learning Platform peer review
DATE 10th, 11th October 2022.

Peer Review hosted by

Town of Korčula

Final Report

[Brief presentation of the beneficiary and its motivation to host a peer review](#)

[About the Town Korčula](#)

The town of Korčula, located on the island of the same name, is part of the Dubrovnik-neretva County, the southernmost county of the Republic of Croatia.

The Town of Korčula whose area is 276.03 km², and is the largest local self-government unit on the island. It borders the Municipality of Smokvica in the west and the Municipality of Lumbarda in the east, and it is 1270 m from the Pelješac peninsula at the closest point.

[Demographics](#)

Even though the entire county has a significantly better demographic result compared to the HR average, the demographic situation is definitely wanted to improve. The island of Korčula, like other islands, has a continuous problem in maintaining a positive demographic image.

On the island of Korčula, there are 5 local self-government units with 14.612 inhabitants, according to the 2021. census.

Town of Korčula – 5.419 (Korčula 2.661, Žrnovo 1.403, Čara 595, Račišće 380, Pupnat 380)

Municipality of Lumbarda – 1.217

Municipality of Smokvica – 865

Municipality of Blato – 3.322

Municipality of Vela Luka – 3.789

Health infrastructure and services

In the area of Dubrovnik-Neretva County is organized primary and secondary health care . Thus, there are 2 health centers on the island of Korčula, namely: DZ Korčula - jurisdiction over the area of Smokvica, Lumbarda and part of Pelješac, and DZ "Dr. Ante Franulović" – jurisdiction in the area of Čara, Blato and Vela Luka.

Furthermore, on the island of Korčula in Vela Luka, there is a special hospital for medical rehabilitation "Kalos", with a capacity of 250 beds, of which 120 are in the network of the public health service, and 130 are on the free market.

A private polyclinic for cardiovascular diseases and prevention also operates in the town of Korčula.

There is a shortage of health workers in the county and consequently also in the area of the Town of Korčula. Also, as in the area of the county, there is a constant need to modernize medical equipment and vehicles for medical transport in health institutions.

For the island community, the most significant organization is the implementation of the "golden hour" rule, which implies that no more than one hour should pass from the time of notification to the patient's arrival at one of the emergency hospital admissions (Dubrovnik or Split). The same is currently organized by helicopter service, but there is certainly room for improvement.

Education and science

There are 3 high schools in the island of Korčula:

- „Petar Šegedin High School“, in the area of the Town of Korčula, offering 4 programs: Gymnasium, Technical school, Industrial-craft school, JMO (artisan unique model of education)
- „Ivo Padovan“ Blato High School, in Blato, offering 6 programs: Gymnasium, Mechanical computer technician, Seller, Mechanic, Plumber, Electromechanics.
- „High School Vela Luka“, in Vela Luka, offering 4 programs: Gymnasium, Economist, Ship mechanic, Chef.

Sports and recreation

There are 17 sports associations in the Town Korčula.

In the area of the Town Korčula there is a indoor swimming pool 25 x 33 meters, suitable for swimming in small pools and water polo. The pool is used by sports clubs, other legal entities and citizens. In the immediate vicinity of the town of Korčula there is the covered hall intended for handball and indoor soccer.

According to the budget, the Town of Korčula invests about HRK 3,000,000.00 in sports yearly, of which about HRK 1,900,000 is for the managing sport infrastructure, while the rest is allocated to the financing sports associations, clubs and others sports programs.

Economy

The economy of the town and the island of Korčula is highly dependent on the tourism industry. Additional investments can continue to be in the tourism industry as well as agriculture. Furthermore, the activation of funds from EU funds by the local population and entrepreneurship could also consequently have an effect on entrepreneurship in terms of the development of new entrepreneurial initiatives: production and services. The island's energy transition will also open up space for the development of new entrepreneurial initiatives. The development of entrepreneurial support institutions, an entrepreneurial incubator and a center for cultural and creative industries will open up space for the development of new industries.

Below are provided basic financial data of businesses for 2020 and 2021. These are pandemic years, so provided data needs to be addressed keeping that in mind, but are a good indicator of the economy's scale and structure compared with the county's and country's data. Additional note is that small craft companies and family agricultures are not included since they are not liable to submit financial data for publication. We can roughly estimate that they might contribute 15%-20% additionally.

Businesses on the island generates 7,79% income compared to the Dubrovnik-Neretva County and 0,09% compared to Croatia. Businesses from Town of Korčula generate 44,05% income compared to the island and 3,43% compared to the Dubrovnik-Neretva County.

Table 1. Basic financial data of businesses in the towns and municipalities of the Dubrovnik-Neretva County in 2021 (amounts in thousands of EUR)

Name of the municipality	No. of entrepreneurs		No. of employees		Total income		Profit		Loss		Net profit/loss	
	Number	Rank in CRO	Number	Rank in CRO	Value	Rank in CRO	Value	Rank in CRO	Value	Rank in CRO	Value	Rank in CRO
Croatia	144.259	-	964.742	-	117.558.382	-	8.217.887	-	2.267.217	-	5.950.670	-
Dubrovnik-Neretva County	4.450	9	19.619	12	1.366.832	16	128.361	13	59.744	7	68.617	15
Island Korčula	439	259	1.849	307	106.522	336	5.159	374	4.308	234	850	438
Dubrovnik	2.338	7	10.260	13	711.912	19	85.920	12	31.927	9	53.993	14
Metković	404	46	1.965	62	150.552	80	11.412	69	3.021	62	8.391	69
Ploče	158	105	1.260	97	114.741	99	8.185	91	2.916	64	5.269	99
Konavle	354	54	1.698	74	111.544	100	5.719	116	10.015	24	-4.296	552
Korčula	206	85	667	152	46.924	165	3.112	175	2.061	89	1.052	274
Opuzen	65	235	419	207	46.683	168	1.577	268	268	277	1.310	245
Župa Dubrovačka	256	72	760	135	44.153	173	3.458	165	1.423	118	2.036	191
Blato	93	184	784	130	37.567	194	876	340	775	166	101,13	467
Orebić	140	123	545	168	36.316	200	2.409	209	2.468	72	-59,06	514
Ston	79	203	263	283	15.346	330	1.788	247	2.468	73	-680	536
Vela Luka	91	189	303	260	15.086	334	742	368	1.268	128	-526	533
Dubrovačko primorje	58	258	172	349	8.410	406	866	342	497	207	369	375
Mljet	39	319	148	380	6.484	437	336	458	85,87	391	250	410

Lumbarda	34	347	60	478	3.771	484	287	470	170	322	117,19	455
Slivno	36	337	60	478	3.326	497	384	440	24,42	494	360	378
Smokvica	15	488	35	516	3.175	502	141	518	34,77	467	106,44	463
Janjina	18	458	64	471	3.065	506	268	475	18,32	509	249	411
Trpanj	17	469	41	507	2.270	521	151	513	6,9	535	144	445
Lastovo	20	441	44	503	2.025	527	393	438	188	312	205	423
Kula Norinska	17	469	40	511	1.788	532	188	500	37,56	464	150	443
Zažablje	5	550	15	545	1.163	544	122,5	524	40,08	459	82,42	476
Pojezerje	7	543	16	544	532	552	26,94	552	32,52	472	-5,57	501

Source: Fina, Register of Annual Financial Statements

The structure of the economy of the Town of Korčula is tightly related to tourism, or fields that depends on tourism, like construction and agriculture. This is also visible from the Table 2 which shows that most companies, employees and profits are related to I) Accommodation, food preparation and other hospitality services (tourism), G) Wholesale and retail trade, F) Construction, M) Professional, scientific and technical activities (accountants, lawyers, architecture, engineering, testing, marketing etc) N) Administrative and auxiliary service activities (rentals, tourist agencies and similar), L) Real estate business.

As a proof of concept of island's successful non tourism companies are KORKYRA SHIPPING LTD with it's core business of ship management and TOTOHOST LTD which is a web host provider.

Island Korčula also accommodates three shipyards in Korčula, Blato and Vela Luka out of which only RADEŽ from Blato operates successfully.

Table 2. Profit and loss of the period and average monthly net salary of employees of entrepreneurs based in Town of Korčula, according to field of business

Field of business	Number of companies	Profit thousand EUR		Loss thousand EUR		Number of employees	Average monthly net salary EUR		
		2020.	2021.	2020.	2021.		Amount	Index 2021./20	Percentage of the towns average (u %, grad=100,0%)
A) Agriculture, forestry and fishing	1	0,00	0,00	180,90	180,24	9	1.351	107,4	172,2
B) Mining and quarrying	-	-	-	-	-	-	-	-	-
C) The processing industry	15	19,91	198,95	171,08	10,22	20	549	143,2	69,9
D) Supply of electricity, gas, steam and air conditioning.	1	3,58	38,09	0,00	0,00	1	1.204	265,3	153,5

E) Water supply; waste water removal and dj. environmental rehabilitation	2	0,00	3,72	239,17	13,27	79	1.009	104,5	128,6
F) Construction	16	66,63	305,79	45,39	16,32	53	543	104,6	69,2
G) Wholesale and retail trade	34	1104,78	709,67	90,38	45,92	89	681	103,3	86,8
H) Transportation and storage	6	150,24	148,52	74,99	55,88	22	1.264	97,6	161,1
I) Accommodation, food preparation and other hospitality services.	51	202,80	888,45	2372,69	1037,36	269	824	123,9	105
J) Information and communications	5	49,51	246,86	66,76	12,74	13	713	116,2	90,9
K) Financial and insurance	-	-	-	-	-	-	-	-	-
L) Real estate business	22	747,10	317,07	136,17	268,10	7	1.127	148,6	143,6
M) Professional, scientific and technical activities	26	83,22	106,05	43,80	196,83	50	648	129	82,6
N) Administrative and auxiliary service activities	16	17,39	29,20	354,90	168,43	37	500	125,7	63,7
O) Public administration and defense; compulsory social insurance	1	30,92	41,14	0,00	0,00	3	811	103	-
P) Education	-	-	-	-	-	-	-	-	-
Q) Health care and social care activities	2	43,13	69,81	0,00	0,00	5	814	98,5	103,8
R) Art, entertainment and recreation	1	0,00	0,00	27,74	7,03	0	-	-	-
S) Other service activities	7	1,06	8,89	35,70	48,05	10	595	125,4	75,9
T) Activities of households as employers	-	-	-	-	-	-	-	-	-
U) Natural persons without activity	-	-	-	-	-	-	-	-	-
Total	206	2.520	3.112	3.839	2.061	667	785	115,2	100

Source: Fina, Register of Annual Financial Statements

Transition to a circular and low-carbon economy

In the area of the Town of Korčula, the use of renewable energy sources and activities aimed at increasing energy efficiency are still negligible. Although the island of Korčula is an ideal location for the use of renewable energy sources in the economy and households, it is not applied. The development potential also exists in the collection of bio-waste, the production of bio-gas and biomass, taking into account the fact that the island has developed agricultural production. In the economic sector, it still relies on conventional energy sources, which significantly increases the cost of doing business instead of investing in renewable sources, which would significantly relieve business costs. In recent years, the possibility of obtaining funds for this type of project has increased, but the interest is small and negligible.

Identified needs

- Strengthen the influence of small and medium-sized enterprises outside the tourism sector with funds from public sources.
- Enable investment in the transfer of new knowledge and technologies.
- Make effort to create environment that will enable the development of entrepreneurship in the sector of IT and new technologies, cultural and creative industries and digital economy.
- Make significant efforts to strengthen the population's awareness of the need to transition to a circular and low-carbon economy.
- Make efforts in the development of entrepreneurial initiatives of the circular economy.
- Constant development of tourism and new forms of entrepreneurship that enable remote work, digital nomads, development of IT solutions.
- Investments in the development of digital infrastructures.

Motivation for peer review

Tourism industry is dominant in the economy of the Town as well as on the island of Korčula. Other industries such as agriculture, construction and other services are highly dependent on the tourism activities or distributing their output through tourism. Covid-19 made obvious the fact that the Town and the island of Korčula needs more diverse, sustainable and resilient economy.

Under Smart Island agenda our goal is to strengthen the resilience of the local economy by diversifying economy and initiating and supporting smart tourism, digitalization in management of infrastructure, cultural and natural resources, creating environment for growth of digital economy (ICT, creative industries, marketing etc.).

Specification of the policy challenge encountered

Challenges to overcome

Population and isolation

Town Korčula, according to the 2021. census had 5.419 inhabitants, while the whole island counted total of 14.612 inhabitants. Additionally, Korčula is an island in the Dubrovnik-Neretva County, which is the most

isolated county in Croatia. Almost whole county was an exclave until 26.07.2022. when the Pelješac bridge was opened and connected most southern part of Croatia which improved connectivity, transport of goods mainly.

Nevertheless, isolation is still a fact on the island. For almost all above basic services (educational, medicine, business) a day trip toward Dubrovnik or Split is needed.

Education

Education on the island consist of elementary and high school. High schools in the island offers programs out of which Mechanical computer technician in Blato is relevant to ICT sector.

According 2011 census, 18,71% inhabitants older than 15 years in a Town Korčula had high education, 56,97% had finished secondary school, and 24,32 % had only elementary school or lower. Other inhabitants had similar structure with somewhat lower high education.

We do not know exact field of education, so we can assume that it is in correlation with a number of employees per field of business from Table 2.

Cyclical tourism-dependent economic activity

Town Korčula, as well as the island and this region is a summer holiday destination. Although tourist arrivals are stretched from the April until the October, vast majority of tourist arrivals and with-it economic activity occurs during July and August. Summer part of the year is economically is extremely active, employment in that period is very high and entrepreneurs need to hire worker from third countries, mostly Serbia and Macedonia.

Cyclical economic activity causes issues within the work market, where the employers need to invest significant amount of time and energy to find, organize and hire foreign works, while at the same local employees feeling insecurity due to low economic activity in a winter month

Peer Review Need and Key Questions to Peers

We're expecting to receive review from institutions experienced in successfully initiating and supporting smart tourism, smart cities, digitalization in management of infrastructure, cultural and natural resources, creating environment for growth of digital economy (ICT, creative industries, marketing etc.).

Smart tourism/Smart Island. *How to enhance accessibility while decreasing traffic impact and increasing pedestrian zones at the same time? Best measures to utilize digitalization in accessibility, sustainability and cultural heritage? What measures to implement by the public authority? What measures are most suitable to enhance private sector activities in smart tourism?*

Digital nomads and remote workers. *What are the crucial motives for digital nomads and remote workers to choose a certain destination, how to meet them? Are there a specific group of digital nomads? What are the key points in marketing/disseminating crucial information in order to attract digital nomads and remote workers?*

ICT and digital economy. *Before establishing incubator/coworking space, what nonfinancial measure proved to be effective and applicable on island environment to support creative/ict industries and digital economy? How to use public efforts in the fields of smart tourism/smart island in order to enhance ICT/creative industry/digital economy in private sector? What is the optimal organizational model for startup incubator to enhance creative/ict industries and digital economy business models? If needed, how to organize mentoring and guidance with a limited pool of mentors?*

Participants

List of participants in the peer review.

Town Korčula

- Nika Silić Maroević, mayor

- *Petra Fabijanović, Head of the Administrative Department for General Affairs and Local Self-Government*

Local stakeholders involved

- *Ivica Martinović, manager of local development agency KORA d.o.o.*
- *Ivana Stanišić, associate in local development agency KORA d.o.o.*
- *Vjeran Filippi, president of LAG5*
- *Milijana Borojević, manager of the Korčula Tourist Board*
- *Hana Turudić, Tourism Product Development Manager at Korčula Tourist Board*
- *Dinko Šegedin, president of the Youth council of the town of Korčula*
- *Tino Andrijić, manager of the Totohost d.o.o.*

Peers

- *Nicolai Strøm-Olsen, CEO of Startup Migrants, Berlin, Germany and Oslo, Norway*
- *Kristel Oinberg-Kelder, Managing Director of Kuressaare Coworking Space Edukontor & Chief Specialist at Development Department in Saaremaa Municipality, Estonia*
- *Adrian Boukalov, Smart Cities Cluster Leader European Alliance for Innovation, Helsinki, Finland*

Interreg Europe team

- *Rene Tonnisson, Thematic Expert for SME Competitiveness of the Policy Learning Platform*
- *Mart Veliste, Thematic Expert for SME Competitiveness of the Policy Learning Platform*
- *Elena Ferrario, thematic manager of Policy Learning Platform*
- *Ilaria Ramaglioni, policy officers at the Interreg Europe Joint Secretariat*

Policy Recommendations

1. "DNRW - Work infrastructure – Their basic working needs have to be covered: fast and stable internet connection (minimum 10-20mps), basic office conditions Nomads are looking for clarity where they will be able to work (and not be alone) Recommendation: build from the resources already existing (e.g library rooms)"
2. "DNRW - Housing - A reasonable price level for accommodation Launch a marketing campaign to encourage off-season stays (Spring when service providers are fresher; e.g. „Spring fever in Korčula“) Provide discounts for long-term stayers (negotiate with accommodation providers)"
3. "DNRW - Community – chances to meet likeminded people as well as locals A supportive community manager and/or systematic approach"
4. DNRW - Accessibility – make all information and relevant websites available in English
5. DNRW - Invite teams for short-term stay (small agile SMEs/NPAs or teams of large corporations like IBM)
6. "DNRW - Co-working spaces. Look into collaboration options with pre-existing international co-working networks; can a local branch be opened in Korčula? As communities are a key resource when it comes to nomads, then this would enable to tap into pre-existing communities"
7. "DNRW - Co-create a pilot coworking space with the local community An NPA/NGO format is likely suitable for both national and EU funding Community self-management trainings / best practices"
8. DNRW - Community managers are the key to the success of a co-working space
9. DNRW - Consider using a cross-regional EU project (Interreg / ERASMUS for entrepreneurs) to pilot the co-working space and „entrepreneur exchanges“ between these spaces
10. DNRW - Incubator approach - Location - most nomads are looking to locate and work in city centres
11. DNRW - Incubator approach - Recommendation: Add a tourism industry component to the planned incubator

12. "DNRW - Other suggestions

- a. Work on the awareness and mindset of the local community, e.g. try to change the pomalo mentality – communicate the added value for their business and the region to stay open for longer and cater to distant workers
- b. You likely need to explain how the needs of distant workers are different from mass tourists
- c. However, pomalo can also be a marketing lable for clients looking for a very relaxed place to recharge (think how the cultural concepts and terms like fika, hygge, etc are used for marketing in the Nordic countries)
- d. In general, multilevel stakeholder engagement and cooperation are key to success of any undertaking in the digital nomad and smart tourism space
- e. Establish physical coding schools and communities around them"

13. "STSID - Piloting locations for travel tech startups Korčula city as a living lab The selling value = the first customer Tourism seasonality enables to create an „incubate – pilot“ schedule, the teams know they only have ca 4-5 months to launch their service/product Different tech for different tourists Start mapping who in the community can be pilot customers for travel tech and get public sector on board to be pilot customers for a couple of tech-solutions per year. Try to attract companies that need pilot customers, but might already have funding from an international accelerator or investment fund Potential slogans: „The little Island that tests the future“ „Piloted at Korčula - adapted by the world“"

14. STSID - Destination Management Organization

15. STSID - Pilot demand-driven transport

16. STSID - Organize a 48h hackathon with the local community and stakeholders

17. STSID - Get in touch with the previous and ongoing Smart Islands, Smart Tourism and Digital Nomads and other related forums and initiatives at EU and EP levels

Possible calendar of implementation

Applicability [1]	Recommendations	m1	m2	m3	m4	m5	m6	m7	m8	m9	m10	m11	m12
Depends on specific political decisions/conditions	DNRW - Work infrastructure – Their basic working needs have to be covered: fast and stable internet connection (minimum 10-20mps), basic office conditions Nomads are looking for clarity where they will be able to work (and not be alone) Reccommendation: build from the resources already existing (e.g library rooms)	x	x	x	x	x	x	x	x	x	x	x	x
Very likely to be applied	DNRW - Housing - A reasonable price level for accommodation Launch a marketing campaign to encourage off-season stays (Spring when service providers are fresher; e.g. „Spring fever in Korcula“) Provide discounts for long-term stayers (negotiate with accommodation providers)		x	x	x	x	x						
Depends on specific political decisions/conditions	DNRW - Community – chances to meet likeminded people as well as locals A supportive community manager and/or systematic approach												
Very likely to be applied	DNRW - Accessibility – make all information and relevant websites available in English		x	x	x	x	x						
Depends on specific political decisions/conditions	DNRW - Invite teams for short-term stay (small agile SMEs/NPAs or teams of large corporations like IBM)												
Depends on specific political decisions/conditions	DNRW - Co-working spaces. Look into collaboration options with pre-existing international co-working networks; can a local branch be opened in Korcula? As communities are a key resource when it comes to nomads, then this would enable to tap into preexisting communities												

- Ireland [Connected Hubs](#) co-working network and policy „[Our Rural Future](#)“
- Nomads' networks [Digital Nomads World](#) and [Nomad List](#)
- Unique initiatives: [Illiku islet](#) in Estonia, and [Startup Extreme](#) programme in Norway

Proposals for future collaboration

Adrian:

- Online conference with Nordic corporations' HR departments to discuss a concrete business case for attracting their teams to Korčula.
- Mapping/repository of the current offer of (accommodation) providers.
- Create a business case with event management companies.
- Large conference in October next year (similar to SLUSH in Helsinki) – next step needs to be to establish an organization committee (e.g. 20 organizations). Collaborate with forums.

Kristel:

- Open to continue to share her experience on a 1to1 basis.

Nicolai:

- Can get in touch with people in Germany and give advice on incubator programmes, if needed.

PLP:

- Potential follow-up study visit to Saaremaa, Estonia.
- Online Matchmaking with Spanish partners from Mallorca.

Conclusions

Peer review provided valuable insight to policymaker in Korčula about the possibilities to diversify economic activities.

That is because peers are professionals, each in their specific branch, who invested their time, knowledge, expertise and experience into providing us recommendations on how to tackle challenges presented in the thematic background paper. We find those recommendation interesting because they are insight of how people who do not know much, if anything about the Korčula, see our town, our needs and challenges.

So, we find those recommendation very objective, they are derived from data and challenges provided and we will consider them in our future activities.

Our major challenge is the lack of infrastructure, i.e, lack of coworking space, and without it we are limited in making significant progress. So our first bigger step is to put more effort in our two brownfield project in order to establish startup and coworking space in a town of Korčula.

Korčula, 15.01.2023.