

Interreg Italia-Croazia 2021-2027

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.....	1 INTERREG Programme
.....	1 1. Joint programme strategy: main development challenges and policy responses .. 5 1.1.
Programme area (not required for Interreg C programmes)	5 1.2 Joint programme strategy: Summary of main joint challenges, taking into account economic, social and territorial disparities as well as inequalities, joint investment needs and complementary and synergies with other funding programmes and instruments, lessons - learnt from past experience and macro - regional strategies and sea - basin strategies where the programme area as a whole or partially is covered by one or more strategies.
.....	5 1.3. Justification for the selection of policy objectives and the Interreg - specific objectives, corresponding priorities, specific objectives and the forms of support, addressing, where appropriate, missing links in cross - border infrastructure
.....	24 Table 1
.....	24 2. Priorities
.....	32 2.1. Priority: 1 - Sustainable growth in the blue economy
.....	32 2.1.1. Specific objective: RSO1.1. Developing and enhancing research and innovation capacities and the uptake of advanced technologies
.....	32 2.1.1. Specific objective: RSO1.4. Developing skills for smart specialisation, industrial transition and entrepreneurship
.....	37 2.1. Priority: 2 - Green and resilient shared environment
.....	43 2.1.1. Specific objective: RSO2.4. Promoting climate change adaptation and disaster risk prevention, resilience taking into account eco - system based approaches
.....	43 2.1.1. Specific objective: RSO2.7. Enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution
.....	48 2.1. Priority: 3 - Sustainable maritime and multimodal transport
.....	54 2.1.1. Specific objective: RSO3.2. Developing and enhancing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN - T and cross - border mobility
.....	54 2.1. Priority: 4 - Culture and tourism for sustainable development
.....	59 2.1.1. Specific objective: RSO4.6. Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation
.....	59 2.1. Priority: 5 - Integrated governance for stronger cooperation
.....	65 2.1.1. Specific objective: ISO6.6. Other actions to support better cooperation governance (all strands)
.....	65 3. Financing plan
.....	69 3.1. Financial appropriations by year
.....	69 Table 7
.....	69 3.2. Total financial appropriations by fund and national co - financing
.....	69 Table 8
.....	69 4. Action taken to involve the relevant programme partners in the preparation of the Interreg programme and the role of those programme partners in the implementation, monitoring and evaluation
.....	70 5. Approach to communication and visibility for the Interreg programme (objectives, target audiences, communication channels, including social media 4 outreach, where appropriate, planned budget and relevant indicators for monitoring and evaluation)
.....	73 6. Indication of support to small - scale projects, including small projects within small project funds
.....	76 7. Implementing provisions
.....	77 7.1. Programme authorities
.....	77 Table 9
.....	77 7.2. Procedure for setting up the joint secretariat
.....	78 7.3. Apportionment of liabilities among participating Member States and where applicable, the third or partner countries and OCTs, in the event of financial corrections imposed by the managing authority or the Commission
.....	78 8. Use of unit costs, lump sums, flat rates and financing not linked to costs
.....	80 Table 10: Use of unit costs, lump sums, flat rates and financing not linked to costs
.....	80 Appendix 3: List of planned operations of strategic importance with a timetable - Article 22(3) CPR
.....	81 DOCUMENTS
.....	82 5 1. Joint programme strategy: main development challenges and policy responses
1.1. Programme area (not required for Interreg C programmes) Reference: point (a) of Article 17(3), point (a) of Article 17(9) The maritime cross - border area between Italy and Croatia, representing the Interreg Italy - Croatia Programme area, covers the following NUTS III regions 1 : Italy : Teramo, Pescara, Chieti (Abruzzo Region), Brindisi, Lecce, Foggia, Bari, Barletta - Andria - Trani (Apulia Region), Ferrara, Ravenna, Forlì - Cesena, Rimini (Emilia - Romagna Region), Pordenone, Udine, Gorizia, Trieste (Friuli Venezia Giulia Region), Pesaro e Urbino, Ancona, Macerata, Ascoli Piceno, Fermo (Marche Region), Campobasso (Molise Region), Venezia, Padova, Rovigo (Veneto Region); Croatia : Primorsko - - kninska, Splitsko - - (Pannonian Croatia region). As such, the Programme area spreads over 85,562 km2 and has a total population of 12,292,116 inhabitants. The	

average population density is of 143.66 inhabitants per km², with the majority living in Italian regions - around 88%. The Croatian part of the Programme area includes 65 towns and 177 municipalities. Main urban areas are Split (178,102 inhabitants), Rijeka (128,624 inhabitants), Zadar (75,062 inhabitants), Pula (57,460 inhabitants), Karlovac (55,705 inhabitants) and Dubrovnik (42,615 inhabitants). The Italian part encompasses 25 provinces and 1.267 municipalities while main urban areas are Bari (316,491 inhabitants), Venice (259,961 inhabitants), Padua (209,995 inhabitants), Trieste (202,351 inhabitants), Ravenna (158,923 inhabitants), Foggia (150,652 inhabitants), Ferrara (132,931 inhabitants), Pescara (120,463 inhabitants), Ancona (99,307 inhabitants), Udine (100,467 inhabitants). The Programme territory spreads around the Adriatic Sea, which constitutes a joint economic and environmental resource and a natural link able to foster cooperation. The Adriatic Sea, with its total area of 138,595 km² and an average width of 170 km, is also rich in flora and fauna and features great possibilities for the development of the Blue economy. The Programme area in Croatia is mainly composed of mountain areas, due to the presence of the Dinaric Alps, while in Italy it generally consists of plains, with the exception of some parts of the territory, which feature mountain zones of the pre-Alps and the Apennines.

1.2 Joint programme strategy: Summary of main joint challenges, taking into account economic, social and territorial disparities as well as inequalities, joint investment needs and complementary and synergies with other funding programmes and instruments, lessons - learnt from past experience and macro - regional strategies and sea - basin 1 Decision (EU) 2022/756 strategies where the programme area as a whole or partially is covered by one or more strategies. Reference: point (b) of Article 17(3), point (b) of Article 17(9)

INTRODUCTION 2 The definition of the joint Programme strategy has been grounded on the results of the Territorial and Socio - Economic Analysis Report which was prepared by an external evaluator and thoroughly discussed in Task Force. This paragraph provides some of the main conclusions and highlights the emerging needs and challenges for the Programme area, which guided the choice of Policy and Specific Objectives. The report is enclosed to the Programme to provide more comprehensive information on the results of the study, the SWOT analysis and the identified challenges.

ECONOMIC DEVELOPMENT The Programme area features a heterogeneous socio - economic framework. In terms of GDP per capita, the Programme territory generally stands below EU standards, with only few Italian NUTS 3 regions outperforming the EU average in 2018 and 6 out of 8 Croatian NUTS 3 regions still below the 50% of the EU average in the same year. However, in the 2014 - 2018 period the Programme area has seen a net increase of the GDP per inhabitant in all its territories, with the Croatian area recording a medium increase of 21.7% and in Italy a raise of 8.7%. The most significant increases have been observed in Zadarska - neretvanska (+33%) for Croatia, along with Bari (+11.7%) and Pordenone (+11.8%) for Italy. With regard to employment, the Programme area in general rates below EU average, with the southern regions of Italy featuring the worst levels. The Programme territories also show different levels of business population growth, with Croatia reporting an average decline of 8.10% in 2018 while Italy a marginal increase of 0.24%. It shall be underlined that the Blue economy represents a crucial sector for the Programme area. Indeed, at the national level, the sectors of the Blue economy employ more than 500,000 workers in Italy and more than 150,000 in Croatia, according to the registered in the coastal and island tourism sector, which employs 307,284 persons in Italy and 123,962 in Croatia. Port activities, shipbuilding, repair, and maritime transports represent the second most relevant domain in both Member States, while the marine energy sector is still substantially inactive. Regarding the labour market, since the outbreak of the economic crisis in 2008, both Italy and Croatia had to face considerable negative effects reflected in the inter - regional disparities in terms of employment rates persisting until 2019. In the Programme area, the situation of the labour market is also strictly linked to the status of small and medium - sized enterprises, which represent the backbone of the economy for both countries: SMEs represent 99.9% of the total number of enterprises in Italy and 99.7% in Croatia, employing respectively 78.1% and 68.9% of the total number of private sector workers, more than the average EU level. In terms of the value added, SMEs bring 66.9% of the national total in Italy, while in Croatia they contribute 59.4% (EU average is 56.4%). Although SMEs play a substantial role in both economies of Italy and 2 The source of all reported data is the Territorial and Socioeconomic Analysis Report. 7 Croatia, the area features relevant regional differences and trends in terms of business demography. In the 2014 - 2018 period, the number of businesses on the Croatian side has significantly decreased, while Italy has registered an increase in the majority of NUTS - 3 regions. In addition, the Italian area features a higher survival rate of SMEs after three years in comparison to Croatia. It is worth mentioning that the SMEs in the area demonstrate good innovation capacities. However, although all regions perform well in terms of marketing and organisational innovation, only some of them show high levels of expenditure on product and process innovation. The Programme area in general lies below the EU average on most indicators related to Research and Innovation, with significant disparities among regions. According to the 2019 Regional Innovation Scoreboard (RIS) of the European Commission, the cooperation area as a whole can be considered a moderate innovator, with some regions performing very well in terms of basic research. On the contrary, lower performances can be observed in terms of public - private collaboration, applied research, and technological transfer. Furthermore, the level of R&D expenditure of the area lags behind EU levels, since it EU average. Both Italy and Croatia are below the EU average in the percentage of employees in high and medium - high technology manufacturing and knowledge - intensive services, with Italy scoring 41.8% and Croatia 39.5%. Moreover, the entire Programme area shows low levels of people with tertiary education and a net decrease in the number of PhD students in the 2013 - 2018 period. In this framework, Smart Specialisation Strategies (S3) are expected to be a strong driver for the governance of innovation processes, and Blue Economy should play an important role, as reported during the consultation process, due to its strong focus on marine living resources, coastal and island tourism, maritime transport, extraction of natural resources. Nonetheless, the priorities selected within the existing S3 strategies are widely dispersed within the Programme area and thus missing an integrated territorial approach. Main challenges and joint investment needs Regarding to the labour market, the issue of diversification of employment perspectives can be effectively tackled by the Programme in those sectors that have major relevance on the overall competitiveness of the cooperation area, such as the blue economy and social economy. Although the gap in terms of the employment rate of vulnerable economic groups is recently decreasing, better job perspectives for youth/ NEET, women and elder persons are needed. By reinforcing the collaboration process among strategic players from the two countries, such as public bodies, research institutes and the private sector, the Programme can also foster the attraction and maintenance of a higher number of young researchers in the local economy through actions aimed at widening career perspectives towards market - oriented research and cross - border research projects. Being SMEs a driving force for the growth of the Programme area, it is important to promote better collaboration practices to foster innovation in competitive domains. Indeed, a higher level of cooperation between SME could enhance their competitiveness and their innovation capacities. In addition, the national and regional S3 strategies could 8 play an

important role in the development of the area: in this regard, a better governance of smart specialisation processes focused on improving human resources skills and developing business initiatives represents a crucial investment need. The most important issue for Research and Innovation consists in investing in the capacity of research to activate dynamics of technological transfer, especially for the sectors of the Blue Economy, which can be achieved by ensuring a stronger dialogue of the quadruple helix actors and targeting the available private and public financial resource for R&D, as well as through the already mentioned higher qualification of the human capital. The investments in R&I could also contribute to the development of innovative and sustainable solutions promoting the transition towards green economy, thus supporting the EU Green Deal implementation. ENVIRONMENT, ENERGY AND GREEN POLICIES Climate change and disaster risk prevention are amongst the highest priorities for the Programme area because of its rich but fragile natural heritage. Moreover, the regions involved are reported as medium/highly exposed to the consequences of climate change including, particularly, the sea-level change in the Adriatic: in 2100 a rise of 0.5m is forecasted compared to the 0.2/0.3m increase recorded between 1970 and the present day. Moreover, the rise of extreme weather patterns between 1980-2019 caused fatalities and economic damages in both countries (even if much higher in Italy). In addition, there are risks not only associated with climate change related hazards but also equally impacting. One of the most relevant, also in a cross-border scope, is the earthquake risk, which is highly assessed in both countries, while coastal erosion is very important but much more relevant for Italy. The interest of the territory in these topics is also witnessed by the previous Italy - Croatia 2014 - 2020 Programme, which financed 9 projects on improving climate change monitoring and planning and 7 on increasing safety from natural and man-made disasters. Climate issues are strictly connected with a wider range of domains such as energy, water management, biodiversity protection, and pollution limitation. As far as energy is related, a standing point in EU policies is to increase the energy efficiency of buildings as stressed by the European Green Deal, the Directive 2010/31/EU and the Communication 2020/662. In the Programme area an effort towards the increase - 20% of the construction market while in Croatia the value was sitting slightly below this threshold; it is expected that further results will be reached starting from 2019 when all new public buildings shall be NZEB (the private ones starting from 2021). As for the total rate of energy-related renovations (2012 - 2016 period), both countries exceed the EU 60%). Despite the efforts made, the Commission has calculated the likelihood of meeting Both countries have also implemented national plans for reducing greenhouse gas emissions and increasing the use of renewable energy sources (RES) and biofuels as foreseen in the Union strategy published in 2015 (European Commission communication COM/2015/080). According to the latest Renewable Energy Progress Report issued by the European Commission in 2019, Italy and Croatia have already achieved a share of renewable energy in gross final energy consumption corresponding to their 2020 target 9 but the extent of the growth in the past 10 years is different: while Italy registered a net increase of 40.35%, in Croatia the increase has been less remarkable (16%). The growth of RES-based supply in the two countries remains slower than the EU - 27 average and the usage of offshore marine renewable energy is nearly absent in the two countries, despite the huge potential of their territories. Both energy efficiency and renewable energy sources are crucial to ensure good air quality. In this regard, each of the two countries has approved a National Air Pollution Control Programme (NAPCP), which is the main governance instrument by which EU Member States must ensure that the emission reduction commitments for 2020 - 2029 and 2030 onwards are met. Moreover, both Italy and Croatia have adopted Air Quality Plans aimed at reducing concentrations of air pollutants in the most polluted zones and agglomerations. The issue of water management was harmonized at the EU level with the Water Framework Directive, for high quality and low environmental impact, and with the Council Directive 98/83/EC which focuses on drinking water, safeguarding human health from contaminations. In this field, the Programme area reported many differences. As far as it concerns the quality of groundwater bodies in 2019, Italy shows high standards in the North and lower standards in central and southern regions, while the overall situation in Croatia is really positive. With respect to the quality of drinking water, instead, the data shows that the level of purity of water in Italy (2013, latest available data) is generally higher than in Croatia (2017). Furthermore, although both countries have shown improvements in terms of their respective numbers of monitoring sites, in 2019 the increase in Croatia appears to be marginal compared to the one in Italy. Given the maritime dimensions of the area, in terms of water it is also essential to the environmental quality of the Adriatic Sea, which indeed is strongly monitored under the Barcelona Convention, established the Mediterranean Action Plan (MAP), and under the EU Marine Strategy Framework Directive 2008/56 (MSFD) for protecting the sea basins of Europe. The report produced within MAP (2017) and MSFD (2020) provides a fairly reassuring picture with some quite localized pollution problems (e.g., the level of concentration of lead and mercury in sea sediment and the levels of floating litter locally in the whole area; a critical share of plastic and a decrease in most commercial fish stock on the Italian territory). In terms of natural heritage and biodiversity, the Programme area is one of the richest in Europe, with its inland and marine national protection schemes (national parks, Natura 2000 and UNESCO sites, Fishery Restricted Area (Jabuka/Pomo Pit) etc.). As stressed by the 2015 WWF report, the Adriatic Sea hosts more than 7,000 species (many of which are critically endangered) and 410 types of fish, partially threatened with extinction due to territorial attractiveness and economic opportunities, and it also explains the interest of the previous Italy - Croatia 2014 - 2020 Programme that financed 8 projects dedicated to protection and restoration of biodiversity, creating a cross-border observing system and strengthening the monitoring and assessment capabilities. The IP 2021 - 2027 will continue to support biodiversity dedicating a planned contribution to biodiversity objectives representing 26.85% of the total ERDF (based on related calculation methodology). Main challenges and joint investment needs 10 Considering that climate change is a global challenge that cannot be tackled solely at the level of the area, this issue could be addressed in the context of the 2021 - 2027 Italy - Croatia Programme mainly aiming to increase monitoring systems and knowledge base (as it is also indicated as one of the main priorities by the EU Climate Adaptation Strategy) and to strengthen coordination of adaptation plans by sharing methodologies, processes, and resources. The Programme area could be also encouraged to improve the effectiveness of protection systems from disaster risks. This goal is indicated as a global priority also in the adaptive capacity to climate-related hazards and natural disasters in all countries joint investment needs imply better coordination of civil protection strategies throughout all the phases: from risk assessment and definition of protocols and equipment supplies to post-disaster management. Sharing data and harmonising monitoring procedures could also help to improve the knowledge base and the efficacy of public policies concerning the protection of biodiversity. The Programme could aim to enlarge the research base available on maritime ecosystems and coastal environment to make institutional policies more efficient as to nature protection, biodiversity and pollution reduction, especially preserving sea habitats from maritime traffic and the arrival of alien fauna in the basin. Other relevant issues in this domain are related to the

need of improving water management infrastructures , enhancing energy efficiency , although these kinds of activities are less feasible to achieve in the context and within the budget of a CBC Programme. EDUCATION, SOCIAL INCLUSION AND HEALTHCARE With re gards to main education - related indicators, the area remains relatively distant from the EU average, although significant progress has been made while some important internal regional disparities remain. Regarding the percentage of the population having at tained tertiary education, despite an increase in the last years up to 2019, results in all participating regions are lower than the EU - 27 average. The education and training sector has been seriously conditioned by the COVID emergency and, in particular, the lockdown forced a need for a fast transition towards digitalisation. However, not all the regions managed to do this shortly, especially those where digital education is less mature, and the significant geographical disparities in terms of access to ed ucation resulted in an uneven digital transition both in Italy and Croatia. In this macro - domain, as concerns policies for national minorities, third - country nationals and marginalised communities , Italy and Croatia have been actively involved in promoting such policy interventions for over two decades. Regarding to the number of persons at risk of poverty or social exclusion , instead, there are more disparities among regions and there is a general need to continue social actions aimed at cushioning the neg ative effects of poverty and marginalization on those communities, particularly on the elderly, Roma and other national minorities. Finally, both countries have immigration as a common issue, although with important differences in terms of migration flows. western Balkan route. Another difference deals with the number of resettled persons , that in Croatia since 201 4 has not increased, while Italy has registered a strong growth (even if

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