

INTERREG ITALY-CROATIA 2021-2027



DRAFT CHAPTER 1



1. JOINT PROGRAMME STRATEGY: MAIN DEVELOPMENT CHALLENGES AND POLICY RESPONSES

1.1. PROGRAMME AREA

The maritime cross-border area between Italy and Croatia, representing the Interreg Italy - Croatia Programme area, covers the following NUTS III regions:

- Italy: Teramo, Pescara, Chieti (Abruzzo Region), Campobasso (Molise Region), Brindisi, Lecce, Foggia, Bari, Barletta-Andria-Trani (Apulia Region), Venezia, Padova, Rovigo (Veneto Region), Pordenone, Udine, Gorizia, Trieste (Friuli Venezia Giulia Region), Ferrara, Ravenna, Forlì-Cesena, Rimini (Emilia-Romagna Region), Pesaro e Urbino, Ancona, Macerata, Ascoli Piceno, Fermo (Marche Region);
- Croatia: Primorsko-goranska, Ličko-senjska, Zadarska, Šibensko-kninska, Splitsko-dalmatinska, Istarska, Dubrovačko - neretvanska (Adriatic Croatia region), Karlovačka (Continental 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 (169,489 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 SUMMARY OF MAIN JOINT CHALLENGES, TAKING INTO ACCOUNT ECONOMIC, SOCIAL AND TERRITORIAL DISPARITIES AS WELL AS INEQUALITIES, JOINT INVESTMENT NEEDS AND COMPLEMENTARITY 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

INTRODUCTION

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 NUT 3 regions outperform 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 Italy a raise of 8.7%. The most significant increases have been observed in Zadarska (+38.3%) and Dubrovačko-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%.

The **economic specialization** in the Programme area shows significant differences between NUTS 3 regions. The evidence from the territorial analysis, which focused on some of the most relevant domains, shows that as concerns agriculture, forestry and fishing, the most specialized regions in 2018 were Ličko-senjska, Foggia and Ferrara. With regard to industry, instead, data shows that it is the most important sector in terms of GVA in 15 out of 33 NUTS 3 territories of the Programme, with the highest shares registered in Fermo, Pordenone and Karlovačka. Furthermore, the construction sector is significantly more relevant in the Croatian territories, especially in Ličko-senjska and Dubrovačko-neretvanska. The real estate activities sector is also an important domain, which ranks in the top 3 economic sectors in 7 out of 33 regions of the Programme area. In more general terms, the most prominent sector in the overall Programme area is represented by wholesale-retail trade, transport, accommodation and food service activities, which constitute 22.28% of the total gross value added (GVA) in 2018, followed by the industry sector (20.61% of total GVA) and public administration, defense, education, health and social work activities (17.33% of total GVA). The importance of activities related to wholesale-retail trade and accommodation is due to the fact that territories of the Programme area are relevant touristic destinations and some of them are highly dependent on the touristic and hospitality sectors.

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 2020 “EU Blue Economy Report”. In particular, the highest share of employment is registered in the coastal and island tourism sector, which employs 307.284 persons in Italy and 123.962 in Croatia. Port activities, shipbuilding and repair and maritime transports represent the second most relevant domain in both Member States, while the marine energy sector is still substantially inactive.

LABOUR MARKET AND ECONOMIC DEVELOPMENT

Since the outbreak of the economic crisis in 2008, both Italy and Croatia had to face considerable negative effects on the business sector and labour market. Despite the important developments of labour market indicators in the last years, the state of the employment and the economy in the two countries is now highly affected by the COVID-19 pandemic: national and regional confinement measures implemented in order to combat the spread of the virus had a major impact on the most vulnerable and disadvantaged workers and have threatened the economic balance of SMEs.

Focusing on the **labour market**, most of the regions of the Programme area have been performing under the EU-27 average in terms of employment rates in the last ten years. In addition, the Programme territory features low rates of **employment of women**, especially in the southern part of the Italian Adriatic coast, where the **gender pay gap** is also considerable. With regard to the **employment of NEETs** (people who are **Not in Education, Employment, or Training**), instead, the Programme regions have made relevant improvements in the past six years, slowly reducing the gap with the EU average. Incremental but significant developments can also be seen in the employment rate of **elderly persons**, being, however, still well below the EU-27 average. Having said that, the COVID-19 crisis represents now a concrete risk of losing the progress made by the Programme area in this field.

Culture and tourism together employ a large labour force in the Programme area: the domain represents a strategic sector for both Italy and Croatia, given the outstanding cultural heritage and the coastal and island touristic flows that characterize the two countries. In fact, the Programme territory includes not less than 17 UNESCO World Heritage sites and features also a rich intangible cultural heritage arising from the history of the area and the different cultural roots. As concerns tourism, data regarding the 2014-2017 period show that the sector has contributed an average of 14.46% to the GDP of the Programme area. Clearly, both Croatia and Italy are popular tourist destinations: in 2018 Adriatic Croatia was ranked 3rd in Europe for the number of nights spent by tourists, while Italian regions Veneto and Emilia-Romagna ranked 7th and 12th respectively. However, although constituting an important economic resource, the weight of seasonal tourism on the local economy represents also a vulnerability factor for the area. Some regions of the Programme area are indeed economically over-dependent on the tourism industry, which provides largely seasonal and low-quality jobs as well as negative impacts on the environment. The issue has been already addressed by national authorities of each of the two countries, which have stressed the priority of **de-seasonalizing and diversifying tourism routes** respectively into the Strategic Plan of the Croatian Ministry of Tourism 2020–2022 and the Italian National Strategic Plan for Tourism Development 2017-2022. The over-reliance on the touristic economy has constituted a weakness also in relation to the COVID-19 pandemic, which has caused an unprecedented decrease in touristic flows and huge losses to the industry.

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 of the 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 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 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, particularly in Ličko-senjska županija and Šibensko-kninska županija, while Italy has registered an increase in the majority of NUTS-3 regions, especially in Ascoli Piceno and Foggia. Also, 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 accounts only for 1.42% of the overall Programme regions' GDP, against the 2.18% of the 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%. Plus, the entire Programme area shows low levels of people with tertiary education and a net decrease in the number of Ph.D. students in the 2013-2018 period. In this framework, **Smart Specialization 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

With regard 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 those more innovative of the blue economy and social economy. Reinforcing the collaboration process among strategic players from the two countries, such as public bodies, research institutes and the private sector, the new 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.

Moreover, many jobs in the Programme area are currently in the touristic sector, which is structurally characterized by seasonality. Thus, one of the main challenges will be the **diversification and delocalization of touristic flows**, which can be achieved through investments in alternative routes channeling the traditional flows towards other attractiveness of the territory. In addition, the promotion of innovative integrated offers of coastal tourism between the two countries could strengthen the position of the sector, thanks to a more coordinated management of tourism in the area. The **valorisation of cultural heritage** also represents a major opportunity to boost the competitiveness of the Programme area and to attract visitors also off-season. In this context, the related joint investment needs range from the innovation and digitalization of cultural offers to the promotion of educational training for smarter strategic management of touristic destinations. Finally, investments have to be made in order to qualify the human capital in the sector, improving the **coordination between the education systems and the job market** and developing training programs designed on the needs of the tourism economy.

As a general Being SMEs a driving force for the growth of the Programme area, it's 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 play an important role in the development of the area: in this regard, a **better governance of smart specialization 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 on 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.

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 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: for instance, Emilia-Romagna and Veneto have lost respectively 13,8 and 10,3 squared KMs between 1960 and 2012. The interest of the territory for these topics is also witnessed by previous Italy-Croatia 2014-2020 Programme which has financed 9 projects on improving climate change monitoring and planning of adaptation measures and 7 on increasing safety from natural and man-made disasters.

Climatic 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 of “nearly-zero energy buildings” is evident: in Italy, in 2016 it represented over 20% of the construction market while in Croatia the value was sitting slightly below this threshold. As for the total rate of energy-related renovations (2012-2016 period), both countries exceed the EU average but only Italy outperforms also in “deep” renovation (Primary Energy savings > 60%). Important differences are registered on the typology of interventions (Italy shows relatively better rates for non-residential buildings while Croatia privileges the residential ones) and on the quality of renovations. While Italy has an overall lower level but with a nevertheless higher rate of energy efficiency, Croatia’s strategy is more focused on the total output of energy-related renovation activities. Overall, the development of net-energy districts is a long-term objective in terms of energy efficiency improvement of the territory. Two other standing points are energy intensity in the industrial sector and energy consumption in the transportation sector: while Italy registered a decline in both domains, Croatia, on the opposite, reported an increase even if marginal in industrial sector and more intensive in transport in line with EU trends. Despite the efforts made, the Commission has calculated the likelihood of meeting the national energy savings obligation by December 2020 as “unlikely” for Italy and “very unlikely” for Croatia.

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 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%). Moreover, the growth of RES-based supply in the two countries remains slower than the EU-27 average. In addition, according to the EU Blue Economy Report for 2020, the usage of offshore marine renewable energy is nearly absent in the two countries, despite the huge potential of their territories.

Finally, in the area it can be observed a very inhomogeneous development of **smart grids**, that are networks built for monitoring energy flows and adjusted to the supply according to the EU Reg. n. 347/2013 on Trans-European Networks for Energy. Italy is the sixth country in Europe in the implementation of these technologies and it has become the first one to use them on a large scale, thanks to dedicated infrastructures. Croatia classifies at the bottom of the European ranking mainly because of the absence of a legal framework and a late adhesion to the European Union.

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 the **environmental quality of the Adriatic Sea**, which indeed is strongly monitored under the Barcelona Convention, that 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 litters 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 overfishing. The richness of the regions' natural heritage strongly influences their territorial attractiveness and economic opportunities, and it also explains the interest of 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.

Main challenges and joint investment needs

Considering that **climate** 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 United Nations' Agenda 2030 that stress the importance of "strengthening resilience and adaptive capacity to climate-related hazards and natural disasters in all countries". Thus, 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**. Furthermore, 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.

Last, other relevant issues in this domain are related to the need of improving **water management infrastructures**, enhancing **energy efficiency**, both in the public sector and in enterprises, and **developing smart grids**, with specific reference to Croatia and the southern Adriatic coast of Italy. However, these objectives have minor relevance in this framework since they are less feasible to achieve in the context and with the budget of a CBC Programme.

EDUCATION, SOCIAL INCLUSION AND HEALTHCARE

With regards to main **education**-related indicators, the area remains much distant from the EU average, although significant progress has been made and some important disparities within the regions are involved. For instance, in relation to the rate of early leavers of education, the Programme area would outperform the EU-27 averages, but, more in detail, some Croatian regions are very well-performing (Jadranska Hrvatska and Kontinentalna Hrvatska), whereas Italian Southern Adriatic coast territories are ranked as the worst performers in the Programme. Moreover the percentage of the population having attained tertiary education, despite an increase in the last years up to 2019, results in all participating regions lower than the EU-27 average.

The education and training sector has been seriously conditioned by the COVID emergency. The lockdown caused by the pandemic, in particular, forced a need for a fast transition towards digitalization. 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 education resulted in an uneven digital transition both in Italy and Croatia. Furthermore, the learning loss suffered during the COVID-19 will probably translate into a loss of available human capital that is even more relevant in a context where, also before the pandemic, a gap between the educational system and labour market was already detectable.

In this macro-domain, as concerns policies for **national minorities, third-country nationals and marginalized communities** the first issue, Italy and Croatia have been actively involved for over two decades, having both of them defined a National Strategy for Roma inclusion. Furthermore, they have achieved some relevant results in the Framework Convention for the Protection of National Minorities with best practices in Trieste, Pordenone, Venice, Ravenna and Teramo, especially regarding integration of Roma children and adults, and in Croatia with actions aimed to ensure the effective participation in the decision-making process of national minorities through the organizations of seminars in Zadar, Split-Dalmatia and Šibenik-Knin. With regard to the number of persons at **risk of poverty or social exclusion**, instead, there are more disparities among regions: while in Friuli-Venezia Giulia and Emilia-Romagna, the percentage is under the EU-27 average, the opposite situation occurs in Southern Adriatic Coast and less remarkable but still significant in the Adriatic and Continental Croatia. Moreover, COVID 19 can indeed increase the rate of poverty and can have significant consequences on the health-associated risks of marginalized communities, because of the lack of compliance with national hygiene recommendations and social distancing.

Finally, both countries have **immigration** as a common issue, although if there are important differences in terms of migration flows. Indeed, Italy is a 'country of first arrival' in the context of the Central Mediterranean route: the migration phenomenon is marked by the large presence of migrants in reception centers with a high concentration in Veneto, Emilia Romagna and Puglia. Croatia, instead, is a 'transit country' as part of the western Balkan route, with the area being affected by two types of flows: the one of Karlovac and Primorsko-goranska regions, facing numerous migrants who want to reach Austria, and the one of southern Adriatic Croatian Regions, facing, with less intensity, migrants from Montenegro or Bosnia-Herzegovina. Another difference deals with the number of resettled persons, that in Croatia since 2014 has not increased, while Italy has registered a strong growth (even if lower than the EU-27 average in 2019). Anyway, in both countries, the number of third-country nationals refused entry at external borders is increasing.

Coming to **public health**, the pandemic has highlighted the importance for each country to ensure the resilience of healthcare systems along with accessibility, quality of care and efficiency of the performances. As for the situation before the COVID-19 crisis, the number of medical doctors per hundred thousand inhabitants has grown steadily over the past years, highlighting the different situations of the two Member States: while Adriatic Croatia is on the lower end of the spectrum, Italian regions are closer

to European standard, with Abruzzo and Emilia Romagna above the EU-27 average and amongst the leading regions of the area. The situation regarding hospital beds is more nuanced: in the whole area the number has been steadily decreasing in the period 2015-2018 and, although this trend has been observed in the rest of the EU as well, Italian regions have reported a significant decrease compared to the European level. This was due to a structural re-organization of national and regional healthcare systems but, fortunately, it did not affect the capacity of intensive care units during the COVID emergency.

Main challenges and joint investment needs

Given that it is essential for the Programme area to continue, despite the COVID crisis, to improve the education-related indicators for getting closer to the EU-27 average, the main issue in this domain is to close the gap between the education system and the needs of the labour market, especially considering the strategic trends towards a more sustainable and ICT based economy. Thus, the joint investment needs move either to **increase digitalization** and to renew educational programs (including training and lifelong learning) in order to better focus on **green competencies and digital skills**. Providing the needed human capital is crucial for the territory, in particular for blue economy sectors, that represent the key factor of development of the area, as stressed by stakeholders during the consultation process. In this regard, the Programme could contribute to the achievement of these objectives mainly through the development of relevant skills, supporting the exchange of know-how among SMEs and the improvement of human resources knowledge in relevant domains such as the tourism sector.

For what concerns social and health issues, the territorial analysis documented a need to improve the **integration of marginalized communities and disadvantaged groups** and to guarantee a **better accessibility** to public services, taking into account the ongoing changes in society, such as the aging of the population and the medical consequences of climate change. Nonetheless, social and health objectives were considered less relevant during stakeholders' consultation due to the presence of other programmes and political instruments that can better tackle these issues.

CONNECTIVITY AND TRANSPORT

The Programme area is crossed by three of the **TEN-T** land Core Network Corridors, though not homogeneously: the Scandinavian-Mediterranean corridor connects the Italian peninsula with northern Europe but it excludes a large part of the Adriatic Regions; the Baltic-Adriatic corridor connects the Italian shores of northern Adriatic to north-central Europe and all the major Italian ports are involved (Trieste, Venezia, and Ravenna); finally, the Mediterranean corridor, that goes from Gibraltar to Hungary, covers northern Italy and the only Croatian part of the Programme area by connecting the port of Rijeka to Zagreb. In terms of maritime connections, the Programme area is, alternatively, fully integrated into the Motorways of the Sea framework – defined by the Reg. (EU) No 1315/2013 as the maritime pillar of the TEN-T network – especially with a corridor for intermodal connections, focusing on the ports of Venice, Trieste, and Rijeka.

Transport also plays an essential role in the sustainable development of the European space. The Commission's communication "Sustainable and Smart Mobility Strategy - putting European transport on track for the future" considers increasing high-speed rail traffic, deploying automated mobility at a large scale, and doubling rail freight traffic as some of the main targets in the domain. However, **local and regional mobility** in the Programme area is focused mainly on private means (with the use of electric cars below the EU average for both countries) and much less on buses and railways. For instance, only 6.2% of people in Italy and 2.4% in Croatia use trains, compared to the EU-27 average 7.8%. Some critical aspects of the area concern cross-border mobility, both regarding public transport connections and road infrastructure for private mobility. In regards to this issue, the lack of motorways connecting the two countries (despite some important initiatives as the Adriatic-Ionian motorway Project) forces traffic on national roads creating severe bottlenecks, especially during tourism season. Concerning the railways, the absence of direct trains from Trieste to the Croatian coastal cities and fast connections is, on the contrary,

detectable. As for air mobility, few seasonal direct flights were connecting the Italian and Croatian sides of the Programme area even before the COVID crisis (despite the presence of 15 active airports). A similar situation concerns maritime connections: even if there are 25 ferry connections, their seasonal character contributes to their overburdening during certain periods and a lack of them in others. At the same time, even if there are 29 main ports handling passenger traffic, only 9 of them, mainly localized in the southern regions of the Adriatic, handle cross-border passengers. This leads to the absence of a maritime alternative to the seasonal road traffic and bottlenecks over the Slovenian borders.

The effort towards more sustainable transport also concerns **green urban mobility** that is strongly connected with climate change and environmental degradation. It is stressed by the Commission that, by publishing its guidelines on Sustainable Urban Mobility Plans (SUMP), it encourages the development of transport solutions that could balance the need for economic viability, health, and environmental quality. Many SUMP have been implemented under the initiative CIVITAS “Cleaner and better transport in cities” – a network of European cities co-financed by Horizon 2020 that aims to test and implement measures reducing traffic congestion and pollution. 15 cities of the Programme area are included in this network.

As far as **urban mobility** is concerned, Italy and Croatia have similar problems to address. Traffic congestion is perceived to be a critical issue, together with a slow rise of renewable energy use, due to which the countries failed the EU 2020 target on this domain. At the same time, consumer satisfaction with urban transport is among the lowest in Europe (especially in Italy), and public transportation is less used than private vehicles. The number of cars for inhabitants is indeed higher than the EU 27 average. Nevertheless, there are also some differences between the two countries regarding urban cycling infrastructure, with Italian coastal regions performing better (having around 1.000 km of bicycle roads already built). The number of electric cars for inhabitants is also higher in Italy than in Croatia (5.79 per 100k inhabitants in Croatia, versus 27.75 in Italy).

COVID-19 seriously impacts the sector. Even if the entire effects are still unclear, it is possible that the global pandemic could influence future policies of countries in this domain. The restrictions due to the lockdown reduced connections between the two countries. In addition, the pandemic has had a negative impact on green urban mobility, drastically limiting the use of public and shared transport. This circumstance has further increased the use of private cars that were already widespread in the area before the pandemic.

With regard to **digital connectivity**, both countries show good results. 85% of the Programme area's households have internet access, while 98% benefit from a broadband connection that guarantees reliable and stable connectivity. However, noticeable disparities between regions can be found in Puglia, Molise, and Kontinentalna Hrvatska, scoring at a significantly lower rate. There is also a lack of infrastructure in the most remote territories, such as mountains, islands, and rural areas. Furthermore, both Italy and Croatia show low levels of speed (100 Mbps) of fixed broadband and, as concerns Croatia, the preparedness for the 5G integration is still extremely low. Also, concerning the population's internet usage, Italy and Croatia are well-performing, even if in Italy the number of persons using the internet outside home or work is lower than the EU average.

[Main challenges and joint investment needs](#)

As concerns digital connectivity, the area shows the need of **increasing internet access and a broadband connection**, especially in areas lacking digital infrastructure. As a matter of fact, the pandemic significantly increased the need for efficient and fast networks because it leads to wider use of internet in every domain of society.

Anyway, it has to be said that issues related to connectivity and transports often require large investments and seem therefore less feasible to be faced in a CBC Programme. In this sense, the new IP could better

contribute to increase sustainability and quality of transport services on limited areas and fields of intervention, especially exploiting the opportunities coming from new digital solutions.

With specific regard to ports, they register a positive development trend, but they also show the need for a more sustainable and ICT-based infrastructure. Moreover, there is a common need to invest in a sea-land coordinated approach and improvement of **multimodal capabilities** in order to allow a smooth integration between the needs of the local community and those of the port logistics that must manage a high volume of maritime traffic. Indeed, the territory's strength in these regards showcases inclination for ports' cooperation, as demonstrated by some ADRION and Italy-Croatia projects financed in the 2014-2020 programming cycle.

Another critical issue concerns excessive use of private cars to be reduced towards more sustainable collective options such as rail and maritime transport. For this reason, it should be necessary to invest in the improvement of infrastructure and in developing alternative and multimodal solutions that, given the area's context, must undergo an **improvement of cross-border connections**. In this field the Programme could focus on improving maritime mobility solutions which are still geographically limited, conditioned by seasonality, and often of low quality and not very sustainable. The presence of several existing projects in this domain (also from the Italy-Croatia 2014-2020 Programme) represents a good starting basis for this joint investment need. The "green transition" is also the main challenge for local mobility where it is essential to **promote public transport based on an ever-increasing use of renewable energies**. Thus, it is necessary to develop more attractive alternative solutions to substitute private cars (for instance, modernization of public transport and development of cycling paths). Another goal in this regard is to increase the use of electric ones by installing more charging points and infrastructure in general.

INTEGRATED TERRITORIAL DEVELOPMENT

Both Italy and Croatia have a variety of integrated strategies that can fit within the concept of sustainable and integrated territorial development expressed in the draft Regulation for ERDF for the 2021-2027 period. Italy has extensively used the integrated territorial approach (the PIT – Programmi Integrati Territoriali), as well the CLLD-based initiatives that have become a driver of local governance participation even beyond their effective duration. Croatia, noteworthy for a country that has recently joined the EU, presents an efficient mechanism for designing development strategies at the national level and can boast ITI and CLLD experiences in the past programming period.

Nevertheless, there is currently no indication of any cross-border and cross-sectorial strategies in the Programme area that would fit the definition of Art. 20 and 21 of the 2021-2027 Interreg Regulation. Furthermore, no specific functional sub-area has appeared since the launch of the first CBC Interreg Programme between Italy and Croatia, and no substantial claims have been collected from the area in this context.

All in all, implementing integrated territorial development strategies within a maritime CBC Program seems unlikely to succeed. Of course, the area might benefit from exchanging good practices regarding integrated territorial development, but for these purposes, using the ISO 1 (Interreg Specific Objective) "Better Cooperation Governance" seems to be more feasible.

HORIZONTAL CHALLENGES

Digitisation

Digitisation represents one of the biggest cross-cutting challenges because it significantly affects several domains, such as the economy and labour market, environmental sustainability and culture, health and education, mobility and transports, connectivity and communication. It is, therefore, a key priority for Europe, as stated in the EU's digital strategy for the 2019-2024 period, and especially for Italy and Croatia since they present low levels of digital performance compared to the EU average. The **Digital Economy**

and Society Index (DESI), which measures digitalization through key indicators as connectivity, digital skills, use of the internet, digital technology integration, and digital public services, is 43.6 for Italy and 47.6 for Croatia, **far below the EU average** of 52.6 points. Furthermore, both countries have a lower rate of employment in technology and knowledge-intensive sectors, and the integration of digital technology in business improved in the 2018 – 2020 period is less than Europe's standard.

Anyway, there are also significant differences between the two Member States. According to the DESI country reports, Italy is ranked the last in Europe for digital literacy, with only 42% of the population having basic digital skills and 2.8% being ICT specialists, while it exceeds the EU average in terms of enterprises using shared electronic information. Regarding digital public services, Italy shows a good level of online services completion and digital services offered to businesses but it has a low number of people interacting with public institutions through e-gov services and applications. As for Croatia, it performs better in terms of human capital and digital skills, being closer to the EU averages, and it has also a very high percentage of enterprises using Cloud systems and SMEs selling online. Nevertheless, Croatian regions stand below the European standards in terms of digital public services even if they show a higher number of people interacting with e-government procedures compared to Italy.

Within this framework, the main challenges for both countries are related to the **improvement of digitalization in the public sector**, in particular for health and education domains, and the enhancement of digital performance in the private sector, with a specific focus on SMEs. In addition, it is necessary to **foster the acquisition of general digital skills by the population**, especially the elders, to face the social and economic changes that the COVID-19 crisis has produced due to social distancing and lockdowns. Therefore, the joint investment needs include the **promotion** of advanced technologies and digital solutions, such as the **use of big data and the interoperability of digital systems**, especially in the public sector, along with actions aimed at enhancing the digital literacy of citizens and small companies. These strategies are also coherent with the Recovery Plan for Europe, which foresees, within the aims for overcoming COVID crisis, an increase of digitalization, and with the Digital Compass presented by the Commission in March 2021 for setting the objectives to achieve the vision and targets for 2030 - Europe's Digital Decade. In order to face the digitalization challenges, the Programme can also further capitalize on existing projects already financed by the public administration and exploit some local digital excellences, both in public and private sectors, that may represent an important driver for digital development based on cooperation logic.

Main challenges

Digitalisation represents a crosscutting issue that could create added value in relation to most of challenges identified for other SOs, such as:

- intensifying the smart specialization governance processes and the innovation capacities of SMEs
- increasing the human resources qualifications focusing on skills oriented to the new market's needs;
- improving the knowledge base for policies concerning climate change, biodiversity and fight to pollution and the related application tools;
- increasing the intermodality capacities of ports and the overall integration of transport networks;
- contributing to the integration of touristic strategies and to the offer diversification
- modernizing valorization policies for cultural heritage.

Circular Economy

An additional cross-cutting challenge for the Programme area is represented by **circular economy**, which constitutes one of the key policy areas for the European Union, besides being strongly promoted both in United Nation's Agenda 2030 and in the European Green Deal. In recent years, the Programme regions have shown great results in the field: in both Italy and Croatia the weight of circular economy on the

overall economy, in terms of value added, is above the EU-27 average and the share of persons employed in circular economy sectors outperforms EU standards. However, disparities can be found between the two countries. In Italy, the average circular material use rate in 2019 was significantly higher than the EU average, while in Croatia the value was far below, albeit rapidly increasing. With reference to municipal recycling rates, the value in Croatia is much lower than in Italy, although in recent years it is increased in both countries.

The promotion of **circular economy** can offer new business opportunities. In this relation, the main challenge for the Programme area consists in further improving waste recycling services and infrastructures, along with reducing the production of industrial waste. To this end, the joint investment needs are related to the enhancement of local capacities of **managing waste collection and recycling**, the promotion of **waste reuse in productive sectors**, and the capitalization and replication of existing good practices and pilot projects at a local level.

Main challenges

Circular economy as a horizontal issue can create added value in relation to challenges identified for other SOs, such as:

- research and technological transfer processes
- SMEs innovation capacities in competitive domains
- climate change adaptation strategies
- sustainability of ports and transport solutions.

A Better Cooperation Governance

Even though cross-border cooperation problems could be more evident on a terrestrial border, compared to a maritime one, this does not mean that they do not exist, or that they are less important. Indeed, the Programme area has to face the need of creating a clearer and more extensive **knowledge basis**, not available at the moment, **about legal and administrative obstacles** that affect the Regions involved. In these matters, it is necessary to implement a closer collaboration in some important common domains as risk management, maritime spatial planning, fisheries, and aquaculture. With regard to public administration capacity, the territory's stakeholders consider it to be poorer than the EU average. Therefore, at both national levels, there is a need for better governance to contribute to the **improvement of the situation in terms of human capital qualification, practices, use of new technologies and IT-based solutions**, and the regulatory burden on population and businesses. Moreover, linguistic barriers are often considered as a major obstacle to cross-border mutual trust along with the "lack of direct sight" concern that is common for a maritime border.

LESSONS-LEARNT FROM PAST EXPERIENCE

During the 2014-2020 programming period, 83 projects were funded. Regarding the fund allocation per Priority Axis, Environment and cultural heritage represent the largest part (37% of the available amount and 37 projects), followed by Safety and resilience (27%, 16 projects), Maritime transport (23%, 18 projects), and Blue innovation (12,6%, 12 projects). Some of the project financed on these domains can be considered as consistent with some of the new Specific Objectives such as research and innovation (1.1), climate change adaption (2.4), sustainable transport (3.2), enhancing the role of culture and sustainable tourism in economic and social development (4.6). To implement projects on these issues in the new programming period will allow therefore to build on the knowledge acquired during previous experiences and the outputs achieved as well as to exploit consolidated partnerships and maximise the added value of CBC cooperation.

Concerning resource allocation per Call for proposals, the Standard Call was that of the strongest interest for the beneficiaries (53,3% of ERDF budget), while the Standard+ projects also included in the first call

amounted to 9,85%. Indeed, the Standard+ Call was created as the one allowing to capitalize on existing projects and, therefore, a limited number of beneficiaries could apply. The Call dedicated to Strategic projects amounted to 36,6%.

Furthermore, the evidence from previous Interreg 2014-2020 shows a rather even distribution concerning programme territories: with **Italy having 58% of contracted ERDF amount and Croatia 42%**. Croatia has expressed substantial interest, taking into account the fact that the Italian side of the Programme has a larger population and surface area. As for the distribution of the project **partners involved, 57%** out of 813 are **from Italian organizations, and 43% from Croatian ones**. As for the type of entities involved, **private and international organisations represent only 12% while 88% of partners are public or bodies governed by public law**.

Finally, **concerning the qualitative assessment of the projects, almost all of them achieved their output target values**. Indeed, going through the results of the Standard+ projects which have finished their implementation, it can be observed that the majority of them are even over performing the goals set. As concerns PA1, for instance, the achieved value for the number of enterprises receiving support (113) is far higher than the target value of 76 and the number of research institutions participating in cross-border, transnational or interregional research projects is almost four times higher than the set value. As regards PA2, it is noticeable that the value for the population benefiting from forest fire protection (898.000) is well above the target of 150.000. PA3 shows also very good results: for example, the total number of actors involved in actions aimed at promoting natural and cultural heritage (699) is above the target value of 396. The PA4, instead, is the only one having two indicators (indicators 4.101 Improved multimodal transport services and 4.103 Harmonized services for passengers put in place) not reaching the set target value.

Despite the general good performance in terms of output achievement, however, there is still evidence of some common weaknesses in the implementation process, such as shortcomings in the planning phase, lack of involvement of private beneficiaries and regional and national policymakers, overlapping of pilot projects with other initiatives, delays in terms of public procurement procedures and in executing infrastructural works, limited sustainability and significant seasonality in the implementation of activities, which heavily impacts on the respect of the projects' work plan.

Further analysis showed that the Programme performed well in terms of respecting deadlines for implementation of activities, due to a well-established working structure, offering daily support to the beneficiaries and assuring a comprehensive public outreach on achieved results. In addition, some **procedural aspects to improve** have been identified: **simpler administrative procedures, more user-friendly online tools, and optimized projects' selection**.

COMPLEMENTARITIES AND SYNERGIES WITH OTHER PROGRAMMES AND MACRO-REGIONAL STRATEGIES

[This paragraph will be revised, in order to harmonize the text with the other Programs involved, in agreement with them and with the support of INTERACT]

In order to improve the efficiency of public funding and to strengthen the impact of the envisaged actions on the territory, the Interreg Italy-Croatia Programme will ensure coordination and synergy with other **Interreg Programmes** (in particular Interreg Italy-Slovenia and Adrion), regional and national Cohesion Policy programmes and macro-regional strategies relevant for the area, particularly **EUSAIR** which involves the entire Programme area.

Improving the functional correlation between EUSAIR and the Interreg Programmes in the area will help to maximize the capitalization on the results of the flagship projects and of the strategic projects at sea basin level, as well as to increase local administration's capacity to cope with EU programmes and projects. In addition, it will also be essential to ensure a more bottom-up approach increasing the involvement of

the stakeholders, since the territory acknowledges the importance of being at the core of macro-regional strategies as a way of strengthening the cooperation governance.

Lessons learnt stemming from the current programming period show a convergence of common issues for the Northern Adriatic area that could represent a starting point for boosting synergies among Programmes:

- Innovation in the blue economy
- Low-carbon and multimodal transport and mobility solutions
- Safeguarding of ecosystem services
- Governance of protected marine areas
- Coordinated and permanent governance of port security
- Sustainable coastal tourism

From an operational point of view, the proposed approach to inter-programme cooperation will aim at promoting coherence between policies implemented in a wider area, thus avoiding the risk of overlapping and double-funding. Several actions could be put in place. First of all, the Programme will support the exchange of information and the organization of periodical meetings between the concerned MAs/JSs and relevant stakeholders of national and regional programmes, with a view to defining common needs and issues. The Programme will also support the coordination of programme communication strategies and the dissemination of project results, in order to increase capitalization and transfer, together with promoting the use of common platforms and harmonization tools. In addition, the Programme will foster the use of territorial flexibility, as defined under Article 22(1) of the Interreg Regulation, to involve partners beyond the Programme territory and enable synergies and cooperation between programmes. Simultaneous or coordinated calls could be promoted in order to finance cross-border actions and partners, along with capitalization calls aimed at ensuring exchange among projects and programmes. Last, the implementation of strategic operations will also be encouraged, giving priority to EUSAIR Flagship projects and thematic pillars.

PROGRAMME VISION/THEMATIC SCOPE

The Programme area greatest potential and core driver of development is represented by the Adriatic Sea: indeed, the strengths deriving from the maritime dimension are numerous, from the strategic position and good performance of ports in the area, to the impressive richness of biodiversity and the strong attractiveness of the region for coastal tourism flows. Thus, it seems essential to exploit these opportunities by focusing the cooperation efforts on blue economy domains, in consistency with the EU Blue Economy strategy. Moreover, the emphasis on the maritime dimension of the Programme ensures the continuity with the 2014-2020 Italy-Croatia Programme, which has focused itself on the blue growth potential of the area. In this way, it could be secured the capitalization of the outcomes and experiences gained in the previous cooperation period.

Within this framework, a key role will be played by innovation, which has the potential of boosting the economic and social development in the “blue sectors”. In particular, the promotion of skills related to the smart specialization strategy, with a strong focus on human capital, will contribute to a more resilient and competitive economy. In addition, the Programme will support SMEs networks and promote the dialogue among quadruple helix actors, thus ensuring technological transfer and economic development. Supporting innovation capacities will also help to promote tourism industry, which represents a key asset for the Programme area: for instance, the fostering of digitalisation will contribute to the valorisation of cultural and natural assets. Moreover, the Programme will focus on the research capacities of the territory through actions aimed at attracting and maintaining young researchers in the region, with the goal of facing the brain drain phenomenon.

A key role in the Programme vision will be played by connectivity and cross-border mobility, especially the maritime one, which will be fostered in order to secure efficient and sustainable connections. In particular, the Programme will promote inter-modality through the implementation ICT solutions, with the aim of exploiting the potential networks among the numerous ports in the area, improving cross-border integration and solving current bottlenecks and inefficiencies in existing connections.

At the same time, the rich environmental heritage of the area requires specific attention in relation to the protection and safeguarding of natural and cultural sites, which are threatened by the consequences of climate change and pollution. Therefore, the Programme mission will promote climate change adaptation and disaster risk prevention, as well as the protection and preservation of biodiversity. In particular, the improvement of risk assessment methodologies and protocols of civil protection will be encouraged. Also, given the presence of numerous protected areas in the territory, a particular focus will be placed on the enhancement of the existing monitoring systems for environmental protection and pollution control.

Within this strategy, digitisation and circular economy will act as cross-cutting priorities. Indeed, digitisation will be encouraged in every field of society, from the tourism sector to that of mobility, as well as in public health and education. Moreover, the Programme will support the improvement of the digital skills by the population, as a driver for development. As regard to circular economy, particular attention will be given to the promotion of waste recycling practices and to the development of sustainable technologies and materials.

In the end, the Programme strategy will be focused on:

- ☐ the promotion of a sustainable economic development through green and blue innovation policies
- ☐ the protection of natural assets also through climate adaptation strategies and risk prevention measures
- ☐ the valorisation of cultural heritage through sustainable and diversified touristic products
- ☐ the improvement of cross border mobility solutions

To achieve these goals, the cooperation actions will all comply with the horizontal principles of equal opportunity, non-discrimination, gender equality and environmental sustainability.

Finally, cooperation within the Adriatic basin will be fostered taking into account synergies with other programmes in the area and especially with EUSAIR macro-regional strategy which covers both Italy and Croatia. Thus, the new Italy Croatia Interreg Programme will promote actions responding to the issues targeted by EUSAIR flagships projects under the four pillars of the strategy.

The programme vision which stems from these goals can be enclosed in the following statement:

“Focusing on the blue economy, capitalising previous cooperation experiences, creating synergies with EUSAIR”

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

TABLE 1

Selected policy objective or selected Interreg-specific objective	Selected specific objective	Priority	Justification for selection
PO1 - A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity	SO i - Developing and enhancing research and innovation capacities and the uptake of advanced technologies		<p>Research and innovation are relevant development factors for the Programme area, especially in the field of Blue Economy. Even if the potential in terms of public and fundamental research is high, there is still a weak capacity of R&D in the private sector and a low level of technological transfer. Moreover, the expenditures and personnel dedicated to R&D activities are still relatively low compared to EU averages.</p> <p>By Selecting SOi, the IP Italy-Croatia 2021-2027 will allow the implementation of policies and interventions aimed at promoting knowledge and technological transfer between research institutes and the business sector, namely in the field of the blue economy, as well as attracting and maintaining a higher number of young researchers in the area. In addition, the IP will support collaborative research in the field of blue biotechnologies, eco-innovations and circular economy and will strengthen SMEs by promoting collaboration practices and supporting innovation in competitive domains.</p> <p>Cross-border cooperation offers clear added value in addressing, among others, the following specific joint investment needs (for types and examples of actions please refer to section 2):</p> <ul style="list-style-type: none"> ✓ fostering cooperation between public bodies, academic institutions, private actors and civil society; ✓ supporting market driven research, especially in the field of Blue economy; ✓ promoting career opportunities in R&D, with a particular focus on cross-border research projects; ✓ supporting the development of sustainable technologies and materials, as well as efficient productive processes in terms of resource saving and recycling. <p>The form of support associated with this specific objective is grants. As dedicated funds, the Programme partners decided to allocate on this SO X% of the total budget (excluding TA) taking into account the following reasons:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ring fencing rules that require to concentrate 60% of ERDF funds on PO2 and on a maximum of two other policy objectives <input type="checkbox"/> paramount importance of R&D for the promotion of innovation in the Programme area and the enhancement of the economy's competitiveness <input type="checkbox"/> balance with financial needs of other SOs within the same PO

<p>PO1 - A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity</p>	<p>SO iv - Developing skills for smart specialisation, industrial transition and entrepreneurship</p>	<p>In order to boost competitiveness and innovation in the Programme area, it is essential to develop new skills and initiatives aimed at fostering the transition towards a more digitized and smarter economy. As a matter of fact, the COVID-19 emergency has fastened the integration of digitalization in the society raising the demand for digital infrastructure and services. This has led to a rapid shift towards innovation especially for the businesses whose processes of distribution and selling of goods and services were more impacted by the movement of clients towards the online market.</p> <p>In this context, although both Italy and Croatia have already designed regional and national Smart specialization strategies, the Programme area is still lagging behind with regard to digital and technological skills of the existing human capital. Moreover, the Programme area is lacking in terms of technological transfer among SMEs, which would greatly benefit from networking processes among local businesses and research centers able to foster innovation.</p> <p>Selecting SOiv, the IP Italy Croatia 2021-2027 will ensure the support to smart specialization governance processes and the implementation of policies designed to raise human resources' knowledge, along with strengthening innovation capacities of the SME sector through the promotion of cooperation practices in competitive domains, with a particular focus on Blue Economy.</p> <p>Cross-border cooperation offers clear added value in addressing, among others, the following specific joint investment needs focusing on the field of blue economy (for types and examples of actions please refer to section 2):</p> <ul style="list-style-type: none"> ✓ enhancing the consistency of S3s with the territorial needs of the economy, also through a higher involvement of stakeholders; ✓ improving innovative and digital skills, especially of workers employed in competitive domains; ✓ strengthening skills related to circular economy in the public and private sector; ✓ promoting the coherence of training programs and education curricula with the needs of the market; ✓ fostering collaboration among SMEs in order to improve their overall competitiveness and to promote their sustainability; ✓ investing in innovation processes and promoting business initiatives. <p>The form of support associated with this specific objective is grants. As dedicated funds, the Programme partners decided to allocate on this SO X% of the total budget (excluding TA) taking into account the following reasons:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ring fencing rules that require to concentrate 60% of ERDF funds on PO2 and on a maximum of two other policy objectives
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			<input type="checkbox"/> relevance of human capital skills and SMEs for local economy and their potential for a smart economic transformation <input type="checkbox"/> balance with financial needs of other SOs within the same PO
PO2 – A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility	SO iv - Promoting climate change adaptation and disaster risk prevention, and resilience, taking into account eco-system based approaches		<p>The Programme area, together with the whole Mediterranean Europe, is medium/highly exposed to the consequences of climate change and especially to the rise of the level of Adriatic sea. In the coming years it will be increasingly important to face disaster risks associated with extreme weather events, together with those related to natural features of the area such as high seismic risk or coastal erosion.</p> <p>Selecting SOiv, the IP Italy Croatia 2021-2027 will allow to increase the diffusion of knowledge and the coordination among actors studying these phenomena; it will also contribute to the effectiveness of institutional policies on this domain implemented in the two sides of the sea basin.</p> <p>Cross-border cooperation offers clear added value in addressing, among others, the following specific joint investment needs (for types and examples of actions please refer to section 2):</p> <ul style="list-style-type: none"> ✓ coordinating and harmonising methodologies and processes related to climate change monitoring and adaptation, especially in the areas with common geographic features (primarily Adriatic sea); ✓ strengthening coordination of risk assessment process for those hazards that are common for the Programme area but not considered by national assessment reports of both countries (E.g. tsunami and oil-spills in the sea); ✓ strengthening cooperation of the civil protection strategies throughout all its stages, from risk assessment, to definition of protocols and equipment supplies, and finally to post-disaster management; ✓ defining a more effective and strategic approach to climate change adaptation plans, with a view to protect the economic system and the natural/cultural heritage. <p>The form of support associated with this specific objective is grants. As dedicated funds, the Programme partners decided to allocate on this SO X% of the total budget (excluding TA) taking into account the following reasons:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ring fencing rules that require to concentrate 60% of ERDF funds on PO2 and on a maximum of two other policy objectives <input type="checkbox"/> relevance of climate change impacts on the area and importance of coordinated risk assessment plans <input type="checkbox"/> complexity of the intervention proposed and, consequently, estimated costs
PO2 - A greener, low-carbon transitioning	SO vii - Enhancing protection and		<p>The Programme area has a rich natural biodiversity consisting of inland national parks, Natura 2000 sites, UNESCO natural heritage sites and a sum of multiple marine protected areas. The Adriatic Sea is an extraordinary habitat being home to more than 7,000 species, including numerous species rated from</p>

<p>towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility</p>	<p>preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution</p>		<p>declining to critically endangered. The environmental quality of the Adriatic waters is quite good, with only few problematic aspects that are still localized (concentration of lead and mercury in sea sediment, floating litters locally etc.).</p> <p>Selecting SOvii, the IP Italy Croatia 2021-2027 will allow to improve policies protecting biodiversity and contrasting pollution, also building on and capitalizing the 2014-2020 Interreg projects.</p> <p>Cross-border cooperation offers clear added value in addressing, among others, the following specific joint investment needs (for types and examples of actions please refer to section 2):</p> <ul style="list-style-type: none"> ✓ creating a stronger knowledge-based information and monitoring system necessary for embracing a new approach to biodiversity and pollution challenges; ✓ investing in protecting marine ecosystems, exploiting good practices provided by existing protected areas, and preserving sea habitats from pollution due to maritime traffic and from the arrival of alien fauna in the basin; ✓ promoting public awareness especially through the development of responsible tourism in the area. <p>The form of support associated with this specific objective is grants. As dedicated funds, the Programme partners decided to allocate on this SO X% of the total budget (excluding TA) taking into account the following reasons:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ring fencing rules that require to concentrate 60% of ERDF funds on PO2 and on a maximum of two other policy objectives <input type="checkbox"/> importance of natural habitat and biodiversity protection <input type="checkbox"/> relevance of intervention proposed also because of the possibility of capitalizing previous financing
<p>PO3 - A more connected Europe by enhancing mobility</p>	<p>SO ii - Developing and enhancing a sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access</p>		<p>A sustainable local and cross-border connectivity represents an important development factor for the Programme area, since it ensures economic relations and promotes social cohesion. With this regard, waterway infrastructure is strongly developed in the Adriatic and has great potential, with a total of 334 ports among the Italian and Croatian regions of the Programme territory. However, as concerns overall cross-border mobility, the area features some critical issues such as the lack of adequate public transport connections and sustainable multimodal solutions, leading also to bottlenecks and inefficient connections with Slovenia. In addition, the maritime connections between Italy and Croatia need improvement in terms of sustainability and quality, since they have a predominant seasonal character which leads to over-burdening or shortcomings depending on the period of the year.</p>

	to TEN-T and cross border mobility		<p>Selecting SOii, the IP Italy Croatia 2021-2027 will foster the setting up of efficient and sustainable cross-border connections, together with the improvement of inter-modality capacities of ports, in order to make them greener, more ICT based and integrated with the hinterland needs.</p> <p>Cross-border cooperation offers clear added value in addressing, among others, the following specific joint investment needs (for types and examples of actions please refer to section 2):</p> <ul style="list-style-type: none"> ✓ promoting transition towards greener and alternative transport solutions; ✓ strengthening and modernizing cross-border maritime connections by fostering ICT solutions; ✓ investing in a sea-land integrated approach and improvement of multimodal capabilities of ports. <p>The form of support associated with this specific objective is grants. As dedicated funds, the Programme partners decided to allocate on this SO X% of the total budget (excluding TA) taking into account the following reasons:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ring fencing rules that require to concentrate 60% of ERDF funds on PO2 and on a maximum of two other policy objectives <input type="checkbox"/> complexity of the intervention proposed and, consequently, estimated costs <input type="checkbox"/> high potential of maritime connections for a sustainable and multi-modal network of transport
PO4 - A more social and inclusive Europe implementing the European Pillar of Social Rights	SO vi - Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation		<p>Culture and tourism represent strategic sectors for the Programme area, due to the presence of an outstanding cultural and natural heritage in both Italy and Croatia. Indeed, the territory hosts a large number of UNESCO sites and represents a popular tourist destination. The tourism sector contributes significantly to the GDP of the Programme area, with many workers employed in the domain. However, such over-reliance of the local economy on touristic flows represents also a vulnerability factor, due to the seasonality and low quality of jobs in the tourism industry. In addition, the recent COVID-19 pandemic has significantly affected the tourism sector, which now has to exploit its innovation and sustainability potential in order to recover.</p> <p>Selecting SOvi, the IP Italy Croatia 2021-2027 will ensure the improvement of policies aimed to diversify and de-seasonalize tourist flows within the Programme area, along with the implementation of modernized policies of valorization of the cultural heritage and innovative integrated offers of coastal and island tourism. The importance of these challenges is also witnessed by the possibility of involving many different actors: public Institutions, private actors and their associations, NGOs.</p> <p>Cross-border cooperation offers clear added value in addressing, among others, the following specific joint investment needs (for types and examples of actions please refer to section 2):</p> <ul style="list-style-type: none"> ✓ boosting innovation and digitalization with the aim to valorise cultural sites and activities; ✓ investing in alternative routes and creating new integrated offers able to diversify the traditional flows and to reduce seasonality;

			<ul style="list-style-type: none"> ✓ promoting education and training focused on a smarter strategic management of tourist destinations in order to boost the competitiveness of the sector. <p>The form of support associated with this specific objective is grants. As dedicated funds, the Programme partners decided to allocate on this SO X% of the total budget (excluding TA) taking into account the following reasons:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ring fencing rules that require to concentrate 60% of ERDF funds on PO2 and on a maximum of two other policy objectives <input type="checkbox"/> strong relevance of these issues for the economy of the area that put them on the top of challenge's ranks <input type="checkbox"/> need to face the consequences of COVID 19 in one of the most affected domains and to boost innovation for revamping these sectors
ISO1 - 'A better cooperation governance'			<p>Although cross-border cooperation obstacles are less perceived on a maritime border, they are still present in the area. In the new regulatory framework, ISO 1 provides the opportunity to tackle legal and administrative barriers to cross-border collaboration. For these matters, the Programme must address the need to reduce or to eliminate these obstacles, above all with strict reference to the Blue Economy sectors (especially transport and tourism). This will also represent an effective prosecution of the logic of intervention implemented in previous INTERREG 2014-2020.</p> <p>Selecting ISO1, the IP Italy Croatia 2021-2027 will ensure the improvement of the knowledge base about the legal and administrative cross-border obstacles.</p> <p>Cross-border cooperation offers clear added value in addressing, among others, the following specific joint investment needs:</p> <ul style="list-style-type: none"> ✓ establishing closer cooperation within key areas such as risk management, marine spatial planning, fisheries, and aquaculture; ✓ promoting investments in human capital qualification, procedures, adoption of new technologies and IT-based solutions and overcoming current legal and administrative obstacles; ✓ addressing the issues related to language barriers, which are frequently reported as a key obstacle to cross-border mutual trust, as well as the "lack of direct sight" concern that is typical for a maritime border ✓ increasing local administration's capacity to cope with EU programmes and projects, strengthening synergies with the macro-regional strategies

			<p>The form of support associated with this specific objective is grants. As dedicated funds, the Programme partners decided to allocate on this SO X% of the total budget (excluding TA) taking into account the following reasons:</p> <ul style="list-style-type: none"> <input type="checkbox"/> specific possibility of allocation suggested by the Interreg regulation (art 15.2) <input type="checkbox"/> opportunity of strengthening cooperation governance in very relevant domains (as tourism or maritime transports) that can benefit of a more shared governance between the two countries <input type="checkbox"/> complexity of realising projects on this OS.
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