

IPA ADRIATIC CROSS-BORDER COOPERATION PROGRAMME

2007CB 16 IPO 001

TABLE OF CONTENT

| | |
|--|-----------|
| LIST OF ACRONYMS..... | 4 |
| 1. INTRODUCTION | 5 |
| 1-1- Summary of the Programme preparation..... | 5 |
| 1-2- The New Cooperation Framework | 8 |
| 1-3- Programme Area | 8 |
| 1-4- Official Language | 12 |
| 2- ANALYSIS (TERRITORIAL, SOCIAL AND ECONOMIC CONTEXT OF THE PROGRAMME AREA) | 13 |
| 2-1- Preface | 13 |
| 2-2- Territorial, social and economic context..... | 13 |
| 2-2-1- <i>Territory</i> | 13 |
| 2-2-2- <i>Environment</i> | 17 |
| 2-2-3- <i>Population</i> | 19 |
| 2-2-4- <i>Migratory flows</i> | 20 |
| 2-2-5- <i>Economy</i> | 22 |
| 2-2-6- <i>Labour market</i> | 24 |
| 2-2-7- <i>Trade</i> | 25 |
| 2-2-8- <i>Tourism</i> | 26 |
| 2-2-9- <i>Infrastructures and accessibility</i> | 28 |
| 2-2-10- <i>Research and innovation</i> | 29 |
| 2-2-11- <i>Governance and capacity building</i> | 31 |
| 2-3- Swot analysis | 33 |
| 2-4- Previous Experience of Cooperation in the Adriatic Area in | 38 |
| 3- PRINCIPAL FINDINGS OF EX-ANTE EVALUATION AND STRATEGIC ENVIRONMENTAL ASSESSMENT..... | 42 |
| 3-1- Ex-Ante Evaluation Synthesis | 42 |
| 3-2- SEA Synthesis | 44 |
| 4- PROGRAMME STRATEGY | 48 |
| 4-1- Strategy formulation process and identification of the objectives of the programme | 48 |
| 4-2- The principles adopted by the programme as a basis of the strategy | 49 |
| 4-3- Programme Goal | 50 |
| 4-4- Priorities and Specific Objectives..... | 53 |
| 4-5- Application of EU Principles | 57 |
| 4-5-1- <i>Promotion of sustainable development</i> | 57 |
| 4-5-2- <i>Promotion of equal opportunities and non-discrimination</i> | 58 |
| 4-5-3- <i>The competition rules</i> | 58 |
| 4-6- Compliance with other Policies and Programmes | 58 |
| 4-6-1- <i>Description of interventions within the Adriatic Cross-Border Cooperation Area</i> | 58 |
| 4-6-2- <i>Programme coherence with strategies and ongoing Programmes</i> | 59 |
| 4-7- Types and characteristics of projects..... | 63 |
| 5- INTERVENTION PRIORITIES..... | 66 |
| 5-1- Priority 1 – Economic, social and institutional cooperation..... | 66 |
| 5-1-1- <i>Measure 1.1 – Research and Innovation</i> | 66 |
| 5-1-2- <i>Measure 1.2 – Financial Support for innovative SMEs</i> | 67 |
| 5-1-3- <i>Measure 1.3 – Social, Labour and Health Networks</i> | 67 |

| | | |
|-----------|--|-----------|
| 5-1-4- | Measure 1.4 – Institutional Cooperation | 68 |
| 5-2- | Priority 2 – Natural and Cultural Resources and Risk Prevention | 69 |
| 5-2-1- | Measure 2.1 – Protection and Enhancement of the Marine and Coastal Environment 69 | |
| 5-2-2- | Measure 2.2 – Natural and Cultural Resource Management and Prevention of Natural and Technological Risks..... | 70 |
| 5-2-3- | Measure 2.3 – Energy Saving and Renewable Energy Resources | 70 |
| 5-2-4- | Measure 2.4 – Sustainable Tourism..... | 71 |
| 5-3- | Priority 3 –Accessibility and Networks | 71 |
| 5-3-1- | Measure 3.1 – Physical Infrastructure..... | 72 |
| 5-3-2- | Measure 3.2 - Sustainable Mobility Systems | 72 |
| 5-3-3- | Measure 3.3 – Communication Networks | 72 |
| 5-4- | Priority 4 – Technical Assistance | 73 |
| 5-4-1- | Measure 4.1 - Administration and Implementation..... | 73 |
| 5-4-2- | Measure 4.2 – Information, Publicity and Evaluation..... | 73 |
| 5-5- | Quantified Targets and Indicators | 74 |
| | Priority 1 – Economic, social and institutional cooperation | 76 |
| 5-5-1- | Priority 2 – Natural and Cultural Resources and Risk Prevention | 77 |
| 5-5-2- | Priority 3 –Accessibility and Networks..... | 78 |
| 5-5-3- | Priority 4 – Technical Assistance | 79 |
| 6- | FINANCIAL PROVISIONS | 80 |
| 6-1- | Programme Budget and rate of Assistance | 80 |
| 6-2- | Allocation of Funds..... | 82 |
| 7- | IMPLEMENTING PROVISIONS FOR THE OPERATIONAL PROGRAMME | 83 |
| 7-1- | Programme Management | 83 |
| 7-1-1- | Joint Monitoring Committee..... | 83 |
| 7-1-2- | Joint Steering Committee | 85 |
| 7-1-3- | Managing Authority..... | 85 |
| 7-1-4- | Joint Technical Secretariat..... | 86 |
| 7-1-5- | The Office of the First Level Control..... | 87 |
| 7-1-6- | The System of Decentralized Monitoring | 87 |
| 7-1-7- | Certifying Authority | 88 |
| 7-1-8- | Audit Authority | 89 |
| 7-2- | Project Development and selection | 90 |
| 7-2-1- | Project generation | 90 |
| 7-2-2- | Project selection | 91 |
| 7-3- | Implementing Systems..... | 91 |
| 7-3-1- | Monitoring..... | 91 |
| 7-3-2- | Evaluation..... | 92 |
| 7-3-3- | Financial flows..... | 92 |
| 7-3-4- | Eligibility of expenditure..... | 93 |
| 7-3-5- | Financial Control System and Reporting..... | 94 |
| 7-3-6- | Information and Publicity..... | 95 |

LIST OF ACRONYMS

| | |
|----------------|--|
| AA | Audit Authority |
| BiH | Bosnia and Herzegovina |
| CA | Certifying Authority |
| CARDS | Community Assistance for Reconstruction, Development and Stabilisation |
| CBC | Cross-Border Cooperation |
| CC | Candidate Countries |
| EC | European Commission |
| EIS | European Innovation Scoreboard |
| ER | Environmental Report |
| ERDF | European Regional Development Fund |
| EU | European Union |
| FDI | Foreign Direct Investment |
| GDP | Gross domestic product |
| GIS | Geographical Information System |
| GMES | Global Monitoring for Environment and Security |
| ICT | Information and Communications Technology |
| ICZM | Integrated Coastal Zone Management |
| ILM | International Labour Migration |
| ILO | International Labour Organization |
| IPA | Instrument for Pre-accession Assistance |
| ISPA | Instrument for Structural Policy for pre-Accession |
| JMC | Joint Monitoring Committee |
| JSC | Joint Steering Committee |
| JTS | Joint Technical Secretariat |
| MA | Managing Authority |
| MIPD | Multi Annual Indicative Planning Document |
| MS | Member States |
| NGO | Non-Governmental Organizations |
| NUTS | Nomenclature of Territorial Units for Statistics |
| OECD | Organisation for Economic Cooperation and Development |
| OFLC | Office of the First Level Control |
| PCC | Potential Candidate Countries |
| PHARE | Poland & Hungary Assistance to the Reconstruction of the Economy |
| R&D | Research and Development |
| QSN | Quadro Strategico Nazionale (<i>Italian Strategic Framework</i>) |
| SAPARD | Special Accession Programme for Agricultural and Rural Development |
| SEA | Strategic Environmental Assessment |
| SME | Small and Medium-size Enterprise |
| SWOT | Strengths, Weaknesses, Opportunities, Threats |
| TA | Technical Assistance |
| WTO | World Trade Organization |

1. INTRODUCTION

The IPA Adriatic Cross-border Cooperation Programme (hereinafter called Programme) is the result of joint programming work carried out by the relevant participating countries and is part of the cooperation process in the Adriatic area. The Programme draws its strength and incisiveness from the wide experience, gained during the previous Programme period producing concrete results from the studies and analysis financed in the past.

Many factors make cooperation in the Adriatic area important today, particularly from a political and economic point of view:

1. Factors connected to the political stability of the area. Following ten years of conflict, the area is now moving towards progressive integration both “vertical” (within European and International institutions) and “horizontal” through the creation of a free trade area;
2. Factors connected to geographic and cultural proximity which make possible the intensification of multilateral relationships among Adriatic coastal regions to support local processes of harmonious growth, sustainable development and unity among peoples.

1-1- SUMMARY OF THE PROGRAMME PREPARATION

The current programme is the result of an intensive and detailed working process, which required a large amount of cooperation, discussion and communication.

1. Coordination between participating countries

A series of meetings in various locations across the Programme area took place between April 2006 and July 2007. The Programme was gradually developed on the basis of these discussions. The process of preparing the Programme finished with its submission to the Commission by the end of August 2007.

The following table summarises the meetings and their principal results.

Tab. 1 – Meetings and results

| Date | Location | Content |
|--------------------|------------------|--|
| 13-14 April 2006 | L'Aquila (Italy) | A Task Force composed of representatives of national and regional authorities of participating countries is set up to steer the programming process. A Drafting Team for the new Programme is also established and the Abruzzo Region is appointed as Coordinator of the IPA Adriatic Cross-Border Cooperation Programme. |
| 5-7 July 2006 | Split (Croatia) | Participants agree to the participation of Greece and Slovenia into the Programme. |
| 24-25 October 2006 | L'Aquila (Italy) | Experts are engaged to carry out the Ex-ante-Evaluation of the present Programme as well as the Strategic Environmental Assessment (SEA-report) and to facilitate the programming process. Initial discussions on drafting of Programme begin. |
| 22 November 2006 | Rome (Italy) | The general and specific objectives of the Programme are the basis for discussion. English is agreed as the official language Working languages are the national languages of participating countries. |
| 25 January 2007 | L'Aquila (Italy) | |
| 15 March 2007 | Sarajevo (BiH) | |
| 7-8 May 2007 | Brindisi (Italy) | |
| 31 May 2007 | Bruxelles | Meeting between the Task Force and the European Commission in which the draft programme is discussed and agreement is reached on the approach to the Programme. |
| 09-10 July 2007 | Bruxelles | Task Force Meeting. Final discussion on the Programme draft. |

2. Involvement of the wider partnership

Italy

During all phases of the programme's drafting Italy involved the wider partnership at regional and national level. This included tourism, health, cultural and environmental regional and national authorities and SME associations. Based on their feedback the draft of the Programme was further developed.

Meetings held in Italy:

Molise 10 October 2006: presentation of the Programme in Campobasso.

Veneto 10 November 2006: presentation of the programme. 2 May 2007: presentation of the Programme's draft to the Potential cross-border partners.

Roma 22 March 2007: presentation of the Programme in the "Gruppo strategico per la cooperazione territoriale"

Friuli Venezia Giulia 24 April 2007 presentation of the Programme's draft to the Potential cross-border partners.

Puglia: 7 May 2007 presentation of the Programme's draft to the Potential cross-border partners.

Abruzzo: 16 May 2007 presentation of the Programme's draft to the Potential cross-border partners.

Emilia: Romagna 18 May 2007: presentation of the Programme's draft to the Potential cross-border partners

Greece

The Programme and the Instrument for Pre-accession Assistance (IPA) were presented in Thessaloniki on 21 and 22 of September 2006.

Slovenia

During the drafting phase of the Programme, the Government Office for Local Self-Government and Regional Policy of Slovenia, all ministries and the regional actors participated by providing feedback on the draft of the Programme. In addition, project ideas were collected in order to assess the interest in the Programme.

Albania

In Albania, different actors at the central administration level were involved during the process of the programme priorities' definition which has been coordinated by the Ministry of European Integration, MEI, and provided comments on the first drafts of the Programme concerning issues of a technical nature.

On the 19th of June 2007, a meeting of the Italian representatives and representatives of the ministry of European Integration concerning the implementation method of the IPA Adriatic CBC Programme took place in Tirana, which was preceded by internal discussion within the MEI

Bosnia and Herzegovina

On 14th June 2007 a meeting concerning the final phase of the Programme drafting was held in Sarajevo. The meeting concerned the "approach question", namely - «integrated» versus «transitional» approach.

Croatia

In the framework of activities designed at national level to support cooperation on the new, IPA Adriatic Cross Border Cooperation Programme, the Republic of Croatia undertook the following activities.

An inter-ministerial group of representatives of ministries has been established to support work on six IPA Cross-border programmes: Five Bilateral programmes: Croatia-Slovenia, Croatia-Hungary, Croatia-Bosnia and Herzegovina, Croatia-Montenegro, Croatia-Serbia and one multilateral IPA Adriatic Cross-Border Cooperation Programme

The Ministry of Sea, Transport, Tourism and Development has organized two workshops. The first was held on 25 September 2006 in Split (Split-Dalmacia County) and the second was organized on 19 April 2007 in Pula (Istra County). Members of the inter-ministerial group participated as did representatives of the Croatian Adriatic counties participating in the Programme. Attendees took part in the series of consultations, discussing and commenting on the draft of the Programme and especially the section relating to SWOT analysis. Strategic priorities and measures were also discussed by participants. Many comments were accepted and added to the text during Drafting Team meetings.

1-2- THE NEW COOPERATION FRAMEWORK

On the basis of long experience gained from three previous programming cycles, concerning Cross–Border Cooperation between Member States and neighbouring candidate/potential candidate countries, the new EU financial framework 2007-2013 provide for a single instrument approach through the new Instrument for Pre–Accession Assistance (IPA).

Council Regulation (EC) No. 1085/2006 which establishes an instrument of Pre-Accession Assistance - the IPA Regulation - replaces the previously existing legal basis in the pre-Accession area. As such it constitutes a framework regulation.

The IPA instrument seeks to provide targeted assistance to countries which are Candidates or Potential Candidates for membership of the EU rationalizing Pre-Accession Assistance by replacing the various instruments which previously existed for the assistance which the Phare/ISPA/SAPARD/CARDS/Turkey Instruments.

IPA prepares, *inter alia* Candidate for the implementation of Structural and Cohesion Funds and Rural Development on accession, by specifically supporting institution building and introducing procedures as close as possible to the Structural Funds.

The five IPA components are detailed in Art. 3 (a) of the IPA framework Regulation: (I) Transition Assistance and Institution Building, (II) Cross-Border Cooperation, (III) Regional Development, (IV) Human Resources Development, (V) Rural Development.

The first two components apply to all countries. Additionally, Candidate Countries also benefit from components III, IV and V.

Cross–Border Cooperation along borders between Candidate Countries/Potential Candidate Countries and between them and the Member States is supported by the IPA Component II (the CBC component).

Thus, the IPA Adriatic CBC Programme 2007–2013 is supported by IPA component II. It is financed by IPA funds which include an ERDF contribution (Art. 21 of the Structural Funds Regulation 1083/2006) and is governed by the IPA legal structure (IPA Framework Regulation No 1085/2006 and the IPA Implementing Regulation No 718/2007¹).

1-3- PROGRAMME AREA

Eligible areas for Cross-Border Cooperation at EU external borders are identified in accordance with Article 88 (1) of the IPA Implementing Regulation:

- (a) NUTS level 3 regions or, in the absence of NUTS classification, equivalent areas along land borders between the Community and the beneficiary countries;
- (b) NUTS level 3 regions or, in the absence of NUTS classification, equivalent areas along maritime borders between the Community and the beneficiary countries separated, as a general rule, by a maximum of 150 kilometres, taking into account potential adjustments where needed to ensure the coherence and continuity of the cooperation action.

Territorial derogation in accordance with Article 97 of the IPA Implementing Regulation applies in Italy, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro).

Three EU Member States (Italy, Slovenia and Greece), two Candidate Countries (Croatia and

¹ Commission Regulation (EC) No 718/2007 of 12/06/2007

Montenegro) and two Potential Candidates Countries (Bosnia and Herzegovina and Albania) are participating in the Programme. Additionally, a phasing out participation by Serbia is envisaged for joint projects in the field of institutional co-operation.

As far as concerns **Italy**, NUTS level III eligible areas are the provinces of Pescara, Teramo, Chieti (Abruzzo), Ferrara, Forlì-Cesena, Rimini, Ravenna (Emilia Romagna), Trieste, Gorizia, Udine (Friuli Venezia Giulia), Pesaro-Urbino, Ancona, Macerata, Ascoli Piceno (Marche)², Campobasso (Molise), Foggia, Bari, Brindisi, Lecce (Puglia)³, Venezia, Rovigo, Padova (Veneto).

Territorial derogation applies in Italy to the provinces of L'Aquila, Pordenone, Isernia and Taranto.

Slovenia's eligible territory is the Obalno-kraška regija.

Territorial derogation applies in Slovenia to the regions of Notranjsko-kraška and Goriška.

Greece's eligible territory is the Prefectures of Kerkyra and Thesprotia.

Croatia's eligible territory consist of seven equivalent NUTS III eligible areas (counties): Dubrovnik-Neretva, Istra;Lika-Senj; Primorje-Gorski kotar; Šibenik-Knin; Split-Dalmatia and Zadar

Territorial derogation applies in Croatia to the County of Karlovac.

Bosnia and Herzegovina's eligible territory is the Herzegovina Region which includes 3 cantons from the Federation of BiH and southern part of the Republika Srpska with the following 23 Municipalities: Bileća, Čapljina, Čitluk, Gacko, Grude, Jablanica, Konjic, Kupres, Livno, Ljubinje, Ljubuški, Mostar, Neum, Nevesinje, Posušje, Prozor/Rama, Ravno, Široki Brijeg, Stolac, Berkovići, Tomislavgrad, Trebinje and Istočni Mostar.

Territorial derogation applies in Bosnia and Herzegovina to Sarajevo Region, North-West Region, and Central Region⁴.

The eligible territory of **Montenegro** consist of ten Municipalities: Bar, Budva, Cetinje, Danilovgrad, Herceg Novi, Kotor, Nikšić, Podgorica, Tivat and Ulcinj.

Territorial derogation applies in Montenegro to the municipalities of Pljevlja, Bijelo Polje, Berane, Rožaje, Plav, Andrijevica, Kolašin, Mojkovac, Šavnik, Žabljak and Plužine.

The eligible territory of **Albania** consists of six Prefectures: Fier, Durrës, Lezhë, Shkodër, Tiranë and Vlorë.

Although not being territorially eligible for the Programme (lack of costal area), but taking into account its previous eligibility in the 2004–06 Italy–Adriatic Programme, **Serbia** has been granted a *phasing out* participation in the IPA Adriatic Cross-Border Cooperation Programme until 2012 included. This transitional and specific support will allow participation of Serbian partners in institutional co-operation activities between universities, cultural institutions, research institutes, etc.

² As of 2009, the new province of Fermo came into existence in the Marche Region, which territory is part of the former Territory of the provinces of Ascoli Piceno. The new province of Fermo is eligible to the Programme. The Fermo Province was established by law n. 147 of the 11 June 2004, published on Italian Official Journal n. 138 of 15 June 2004, becoming operative with the first provincial election held on 6 and 7 June 21009.

³ As of 2009, the new province of Barletta-Andria-Trani came into existence in the Puglia Region, which territory is part of the former Territory of the provinces of Foggia and Bari. The new province of Barletta-Andria-Trani is eligible to the Programme. The Barletta-Andria-Trani Province was established by law n. 148 of the 11 June 2004, published on Italian Official Journal n. 138 of 15 June 2004, becoming operative with the first provincial election held on 6 and 7 June 21009.

⁴ Commission Decision of 14 november 2007(2007/766/EC) drawing up the list of regions and areas eligible for financing under the CBC Component of the Instrument for Pre-Accession Assistance for the purpose of CBC between Member States and beneficiary countries for the period 2007/2013 refers to Herzegovina Economic Region.

Tab. 2: Eligible Programme Area

| | | |
|-------------------------------|-------------------------------|---|
| Italy | Nuts 3 | Pescara, Teramo, Chieti, Ferrara, Forlì-Cesena, Rimini, Ravenna, Trieste, Gorizia, Udine, Pesaro-Urbino, Ancona, Fermo, Macerata, Ascoli Piceno, Campobasso, Foggia, Barletta-Andria-Trani, Bari, Brindisi, Lecce, Venezia, Rovigo, Padova ⁵ |
| Slovenia | Nuts 3 | Obalno-kraška |
| Greece | Nuts 3 | Kerkyra, Thesprotia |
| Croatia | Equivalent Nuts 3 areas | Dubrovnik-Neretva, Istra; Lika-Senj; Primorje-Gorski kotar; Šibenik-Knin; Split-Dalmatia and Zadar |
| Bosnia and Herzegovina | Equivalent Nuts 3 areas | Herzegovina Region which includes the following municipalities ⁴ : Bileća, Čapljina, Čitluk, Gacko, Grude, Jablanica, Konjic, Kupres, Livno, Ljubinje, Ljubuški, Mostar, Neum, Nevesinje, Posušje, Prozor/Rama, Ravno, Široki Brijeg, Stolac, Berkovići, Tomislavgrad, Trebinje and Istočni Mostar |
| Montenegro | Equivalent Nuts 3 areas | Bar, Budva, Cetinje, Danilovgrad, Herceg Novi, Kotor, Nikšić, Podgorica, Tivat, Ulcinj |
| Albania | Equivalent Nuts 3 areas | Fier, Durrës, Lezhë, Shkodër, Tiranë, Vlorë |
| Serbia | Whole territory (phasing out) | |

Furthermore, the abovementioned territories are closely linked to some adjacent areas, which both often constitute a single social, labour and economic system with homogeneous development patterns. The involvement of these bordering areas can surely bring an important added value to the Programme

The following table synthesises the justification for extending the eligible areas.

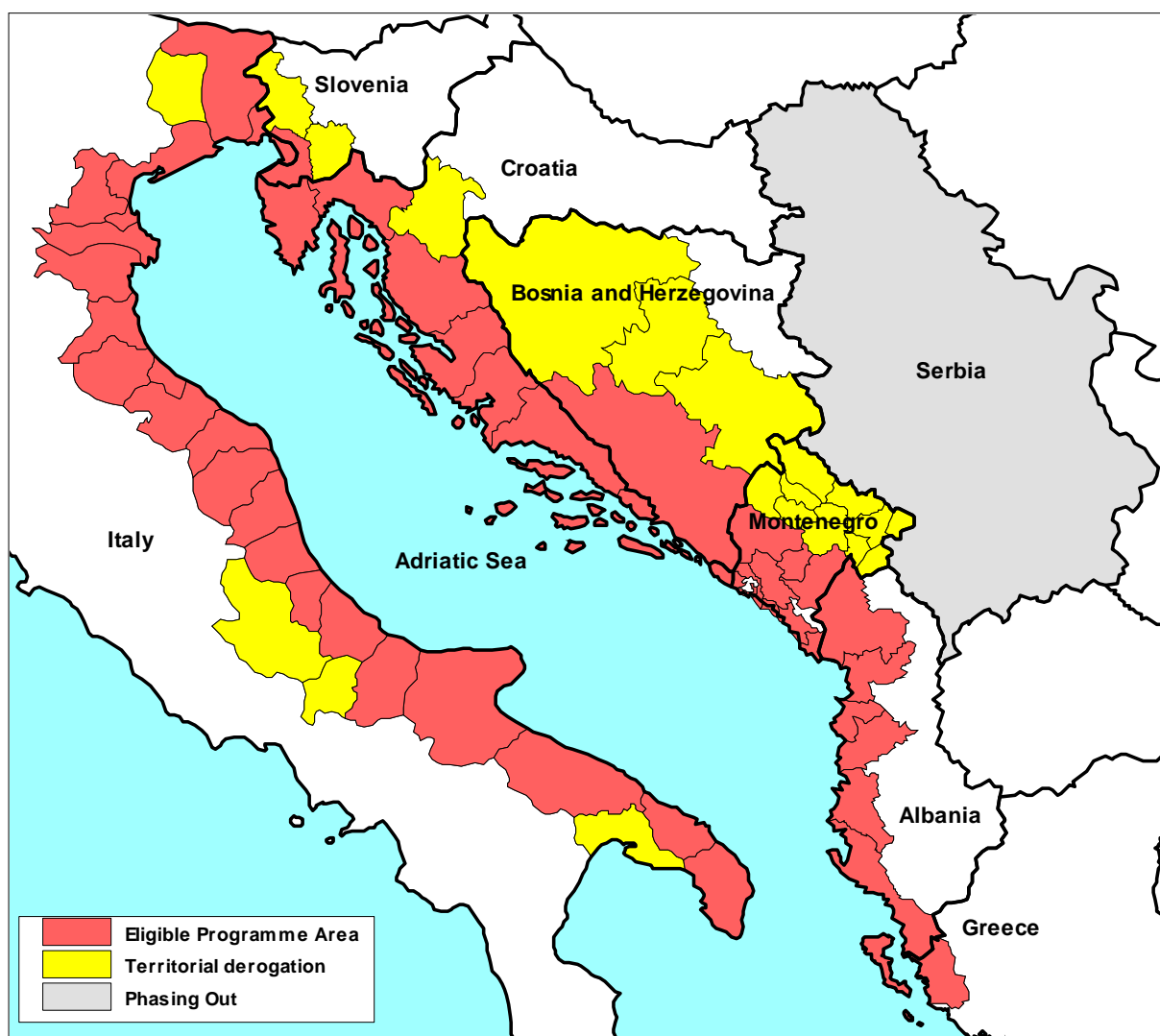
Tab. 3: Territorial derogation

| | | | |
|-------------------------------|-------------------------|--|--|
| Italy | Nuts 3 | L'Aquila, Pordenone, Isernia, Taranto | <u>Isernia and L'Aquila</u> <ul style="list-style-type: none"> territorial contiguity continuity of the Adriatic cooperation actions <u>Pordenone</u> <ul style="list-style-type: none"> territorial contiguity geographic position of the Province strong economic relations with the Programme area <u>Taranto</u> <ul style="list-style-type: none"> presence of relevant infrastructures, and scientific and cultural centres to the programme area strong economic relations with the Programme area |
| Slovenia | Nuts 3 | Notranjsko-kraška regija, Goriška regija | <ul style="list-style-type: none"> territorial contiguity |
| Croatia | Equivalent Nuts 3 areas | Karlovac County | <ul style="list-style-type: none"> territorial contiguity one of the most underdeveloped counties in Croatia continuity of the Adriatic cooperation actions |
| Bosnia and Herzegovina | Equivalent Nuts 3 areas | Sarajevo Region, North-West Region, Central Region | <ul style="list-style-type: none"> continuity of the Adriatic cooperation actions the Herzegovina region alone is not able to |

IPA ADRIATIC CROSS-BORDER COOPERATION PROGRAMME

| | | | |
|------------|----------------------------|---|---|
| | | | absorb all available funding |
| Montenegro | Equivalent Nuts 3 areas | Pljevlja, Bijelo Polje, Berane, Rožaje, Plav, Andrijevica, Kolašin, Mojkovac, Savnik, Žabljak, Plužine | <ul style="list-style-type: none">• continuity of the Adriatic cooperation actions• size of the state territory• territorial contiguity |

Fig. 1: Eligible Area



1-4- OFFICIAL LANGUAGE

The official language of the Programme is English. Working languages are the national languages of participating countries.

2- ANALYSIS (TERRITORIAL, SOCIAL AND ECONOMIC CONTEXT OF THE PROGRAMME AREA)

2-1- PREFACE

In light of the goals, strategic priorities and thematic fields set by the IPA Cross Border Programme, an informative overview of the context will be described to give a profile of the territories and sectors in the Programme area. The present context analysis, is related to the whole Programme area (eligible and derogation areas); according to the available statistic data. However, particular relevance has been given to the programme goal area. In addition, the analysis will also give some detailed information regarding specific territories participating in the Programme, in particular of the different regional components within the Adriatic basin: the northern, the central and the southern areas.

Analyses carried out with regard to the whole area eligible for the Programme concern in particular, the following aspects:

- Territory;
- Environment;
- Population;
- Migratory flows;
- Economy;
- Labour market;
- Trade;
- Tourism;
- Infrastructure and accessibility;
- Research and innovation;
- Governance and capacity building.

The social and economic context has been gained from the most recent statistical information and data available. In this respect it should be stressed that, whereas the information concerning Member States (MS) is relevant to the regional areas actually covered by the Programme, the information available for Candidate Countries (CC) and Potential Candidate Countries (PCC) often refers to the country as a whole and not only the area eligible for the Programme.

Information from the National Statistical Institutes of the different countries has been used for the preparation of this chapter.

2-2- TERRITORIAL, SOCIAL AND ECONOMIC CONTEXT

2-2-1- Territory

The Programme involves eligible areas of three Member States (Italy, Slovenia and Greece) and four eastern Adriatic countries (Croatia, Bosnia –and Herzegovina, Montenegro and Albania). Currently only Croatia and Montenegro have the status of Candidate Countries, while the others are Potential Candidate Countries as recognised by the European Council at its meeting in Thessalonica in June 2003. Serbia, with a *phasing out* participation in the Programme, is not considered in the following analysis.

The whole Programme area is 115,714 km² and has a population of 15,074 million; in terms of population and surface area the Italian NUTS III areas are very significant and represent 47% and 69% respectively of the population and surface area of the whole Programme⁶.

⁶ Serbia is only involved in institutional cooperation activities. Excluding Serbia, the overall area of the Programme is about 115,714 km² and the population is about 15.074 million.

Albania and Montenegro participate in the Programme with a considerable percentage of their national area and population (surface area: Albania 47%, Montenegro 42%; population: Albania 64,2%, Montenegro 65.5%), while smaller shares of the above indicators are observed for Greece and Slovenia (surface area: Greece 1.6%, Slovenia 5.1%).which participate with less significant national percentages (population: Greece 1.4%, Slovenia 5.3%).

Tab. 5 –Surface and population in the eligible area /Total surface and population in the Programme area

| Degree (%) per surface and population | Surface | % | Population | % |
|---------------------------------------|---------|--------|------------|--------|
| Albania (pop. 2005) | 12.197 | 10,5% | 2.013.186 | 13,4% |
| Bosnia and Herzegovina (pop.2001) | 14.480 | 12,5% | 470.364 | 3,1% |
| Croatia (pop. 2001) | 24.723 | 21,4% | 1.427.088 | 9,5% |
| Montenegro (pop. 2003) | 6.508 | 5,6% | 425.266 | 2,8% |
| Greece (pop.2005) | 2.095 | 1,8% | 162.772 | 1,1% |
| Slovenia (pop.2005) | 1.044 | 0,9% | 105.313 | 0,7% |
| Italy (pop. 2004) | 54.667 | 47,2% | 10.470.528 | 69,5% |
| Total Programme | 115.714 | 100,0% | 15.074.517 | 100,0% |

The territories involved in the Programme are bordering the Adriatic Sea. Only Serbia has no maritime border. The landscape and environmental differences between the two coasts of the Adriatic basin are important because of their geomorphological characteristics, the high pressure of urban development and demographic differences.

The Italian coast, in fact, is affected by a high level of urbanisation, which has assumed a continuous linear form with peaks around centres of production and areas of intense tourist development. Excessive pressure of productive use, localised demand and the consequent transformations of the coastal habitat have caused widespread congestion and a constant reduction of the natural environment. There are nonetheless, excellent environmental sites such as national and regional protected areas both in the north and the south of the country

The eastern Adriatic extends from the Obalno-kraška region of Slovenia to Greece, including many Croatian islands, and presents a continuity of landscape and environmental heritage, which is, however, now increasingly threatened by development processes and progress in CC/PCC. A lack of sewage and waste disposal systems and constant atmospheric emissions of polluting substances deriving from transport and industrial processes and, in particular, combustible fuels for energy production are frequently detected in these countries.

In the **northern part of the Adriatic basin** are the Italian regions of Friuli Venezia Giulia, Veneto, Emilia-Romagna, the Slovene region of Obalno-kraška and the north of Croatia, the peninsula of Istra. This area is the most developed of those participating in the Programme having a high level of urbanisation and a well developed infrastructure. The area is crossed by Trans European Corridor number V which connects Lisbon to Kiev and is therefore in a strategic position for access to central-eastern Europe.

The eligible area in Italy consists mainly of the plains, with the exception of the mountainous zones of the pre-Alps and the Apennines. On the plains, despite the presence of large urban centres, there is considerable pressure on agricultural land due to urban sprawl and the continual demand for development land.

The Slovene region of Obalno-kraška is facing on the Gulf of Trieste and the coastline is only a little more than 40 kilometres in length. Some stretches are low and marshy and others are high and rocky. Access to the sea, in particular the port of Koper, allows this region to exploit its considerable potential in all sectors; the most promising activities concern transport, distribution, logistics and tourism.

Finally, the Croatian peninsula of Istra and the Brijuni Islands National Park, are one of the most important tourist destinations in the area. In addition, the port of Rijeka and the ports of Trieste and Koper offer to this area considerable possibilities for developing maritime trade.

The north Italian region of the Adriatic has different urban settlement conditions. The principal infrastructure, i.e. ports, airports, railways and roads, are well developed with some critical points such as road links and railway junctions on north-south and east-west routes. The industrial zones, rural areas, lagoons and the continuous linear urbanisation (coastal resorts) in the south of the region complement the infrastructure system.

There are numerous areas in the territories of the northern Adriatic basin with a high natural and environmental value. There are areas of important biodiversity in Friuli Venezia Giulia, such as the *Dolomiti Friulane and Prealpi Giulie Regional Natural Parks*, eleven Regional nature reserves, such as *Foce dell'Isonzo* (Gorizia) and *Falesie di Duino* (Trieste) and three National Reserves, such as the *Miramare Maritime Reserve* (Trieste). The natural environments in Veneto, although concentrated mainly in the hilly and mountainous territories, are represented by the *Colli Euganei Regional Park* (Padova), the *Po Delta* (Rovigo) and the *River Sile* (Padova and Venezia), besides various Regional Natural Reserves and, obviously, the Venezia Lagoon. The variety of environments in Emilia-Romagna includes numerous protected areas: including the *Casentinesi Forest National Park* (Forlì-Cesena) and, above all, the Po Delta system.

The territory has a rich cultural heritage with many UNESCO recognised sites: *the Aquileia Archaeological Area and Patriarchal Basilica* (Friuli Venezia Giulia), *Venezia and its Lagoon*, *the Botanical Garden* in Padova (Veneto), *Ferrara, city of the Renaissance*, *the Po Delta*, and *the Early Christian Monuments of Ravenna* (Emilia-Romagna).

The Slovene territory also has many environmental resources. Obalno-kraška presents a patchwork of landscapes: the coast with its thick vegetation, the karstic plateau with the UNESCO World Heritage Park of Škocjanske jame, the terraced hills of the Soča Valley that leads to the mountains and the Triglav National Park. Along the coast there are three protected areas, the natural reserve of the Škocjanski zatok, the Strunjan Cliff which is the highest rocky formation of the Adriatic, and the Salinas of Sečovlje. The coastal area of Slovenia, although without important changes in land use prior to 2000, is subject to littoralisation, high urban development pressure, urban sprawl and traffic congestion. In addition, agriculture has a negative impact on water quality due to the shortage of water treatment plants.

The Croatian peninsula of Istra, has an important natural and cultural heritage. Regarding environmental aspects, a vast section of the territory is subject to numerous environmental conservation policies. There is the Brijuni Islands National Park, composing fourteen islands with significant biodiversity. The cultural heritage, present through the territory includes assets such as the UNESCO World Heritage Euphrasius Basilica in the historical centre of Poreč which is one of the earliest Episcopal Christian monuments.

The **central part of the Adriatic basin** consists of the Italian regions of Marche, Abruzzo and Molise and Croatia on the eastern coast. The western part of Bosnia and Herzegovina, with very limited access to the Adriatic, is inland from the narrow coastal strip.

The territory on the western coast consists of three principal natural environments: the environmentally valuable Apennines, the prevalently agricultural hill areas and the coastal strip.

There are existing close interconnections in the Apennines area, among an important natural reserve, the fields area, characterized by a complex and fragile hydrographic net and subject to continuous erosion and instability, and the coastal line which constitutes a filter between the hill and marine environments.

The northern part is characterised by a rich settlement network of minor centres, relatively homogeneous and balanced over the whole territory and by linear urbanisation along the coast which is close to capacity along with the port cities. The internal territories include significant natural systems with a high degree of biodiversity which has resulted in the creation of three major National Parks

(Abruzzo, Lazio and Molise National Park, Maiella Park and Gran Sasso-Laga National Park) and several other parks and nature reserves. There are several protected areas in Marche, some of which have significant national value such as the *Sibillini Mountains National Park* (Ascoli Piceno, Macerata), the *Gran Sasso-Laga National Park* and other important regional parks along the coast such as *Conero Park* (Ancona).

The southern part is mainly mountainous with narrow valleys characterised by barren soil conditions and a reduced coastline. The population is distributed in small scattered communities with a low housing density. The road network, even though it includes interregional connections for the principal centres, doesn't guarantee adequate accessibility with consequent additional costs for the organisation of services to the population, and in some areas, even to the productive systems. The natural and environmental heritage of this area is significant and includes the part of Molise in the *Abruzzo, Lazio and Molise National Park* and the *Tremiti Islands Marine Reserve*. In the province of Campobasso there are a number of villages founded by Croats and Albanians which still preserve their traditions, culture and languages.

On the opposite coast are all the western counties from Istra to Dubrovnik. The Dalmatian islands with two national parks (Mljet Islands and Kornati) are on one side of the well indented coast with the Dinaric Alps that drop down to the sea in some stretches on the other side. In addition to the two above-mentioned national parks there are five other national parks in the regions covered by the Programme (Risnjak, Northern Velebit, Paklenica, Krka and Plitvice Lakes). Some areas that are of important value for their biological and landscape diversity are internationally protected, for example, UNESCO has declared the Plitvice Lakes National Park as a World Heritage site. Within the Programme area the Ramsar Convention List of Wetlands of International Importance includes the inferior path of Neretva. Velebit Mountain belongs to the UNESCO biosphere reserves world network.

In addition to the Poreč site, mentioned above there are various cultural heritage sites, included in the UNESCO list:

- The Old City of Dubrovnik, called the "Pearl of the Adriatic", that became an important Mediterranean sea power from the 13th century onwards.
- The ruins of Diocletian's Palace in Split, built between the late 3rd and the early 4th centuries A.D., can be found throughout the city.
- The Episcopal complex of the Euphrasian Basilica in the historic centre of Poreč is an outstanding example of an early Christian episcopal ensemble.
- City of Trogir is a remarkable example of urban continuity. The street plan of this island settlement dates back to the Hellenistic period and its beautiful Romanesque churches are complemented by the outstanding Renaissance and Baroque buildings from the Venetian period.
- The Cathedral of the St James in Šibenik bears witness to the considerable exchanges in the field of monumental arts between Northern Italy, Dalmatia and Tuscany in the 15th and 16th centuries as well as of the successful fusion of Gothic and Renaissance art.

Areas of high environmental value are present inland in Bosnia –and Herzegovina: mainly mountainous, overlooked by the Dinaric Alps, endowed with an extraordinary richness of internal waters. Southern Herzegovina includes the river Neretva valley, bleak karst fields, funnel-shape forms, depressions, hills and hillocks. High mountains, deep river valleys and spacious karst fields dominate northern Herzegovina. Due to its orography, natural landscapes dominate the urbanised landscape, nevertheless only a small part of this territory is protected. The protected areas in the south of Herzegovina include the Hutovo Blato Bird Reserve, a marshy area declared a World Heritage site where thousands of birds migrate. Waste is among the main environmental issues as great quantities are still dispersed in the environment.

The **southern part of the Adriatic basin** consists of Puglia on the western coast and Montenegro and Albania on the eastern coast. The sea delimited by the southernmost part of Puglia and the opposite coastline which includes the small region of Greece which is part of the Programme, connects the Adriatic and Ionic Sea.

Italian territory presents a few homogeneous areas: the north-western area presents structural elements of the landscape and their relation to the historical settlement background. Considerable

changes in the landscape and habitation patterns in the southern area present contradictions and competitions in the transformation processes. There are also some large gaps in settlement: the Foggia Tavoliere in the north (an area of cereal farming and high productivity irrigation farming), the Murge plateau in the centre (a sparsely populated internal area with a high identity) and the Brindisi plain in the south (which connects the production areas and the wetland and coastal ecosystems). The regional landscape shows the considerable pressure on, and consequent reduction of, the natural ecosystems and rural areas along the coast, with a change in the historical roles of coastal strip settlements. In this context, there are two national parks; Gargano Park (Foggia) and Alta Murgia Park (Bari), four regional parks and several nature reserves, mostly the particular habitats of the coastal wetlands. In Puglia there are also two UNESCO recognised sites for high cultural value: *Castel del Monte* and *the Trulli of Alberobello*.

On the other side of the Adriatic Sea is Montenegro with its long jagged coastline; it is separated from the hinterland by high limestone mountains cut by canyons and gorges. In the north there is the only fjord in the southern basin of the Mediterranean, the Boka Kotorska, part of an area protected by UNESCO because of its exceptional environmental and socio-cultural interest. Montenegro has set up several protected areas including national parks and has already adopted nature protection and resource management legislation.

42.5 % of the territory of Albania is part to the Programme, laying in a valley landscape in the Western Albania, including 6 prefectures, 16 districts, 34 municipalities (urban areas) and 133 communes (rural areas). Albania is mainly a mountainous country (North and Central Albania) with considerable hilly areas (approx. 38% of the whole territory). The average altitude is 708, almost twice as the European average. The highest point in the Albanian eligible area is Jezerca, 2694 meters, in the Region of Shkodra.

Albania has a coast on the Adriatic and the Ionian sea and its coastal line is 316 km. 25% of the territory is composed of the coastal area in the western part of the country, the whole being part of the regions eligible to the programme. The country is part of the sub-tropical zone with an average Mediterranean climate which is very favourable for the development of tourism and agriculture.

The coast, from the Region of Shkodra in the northern part to the Region of Vlora to the southern border, encompasses a series of natural, cultural and historical heritages such as the archaeological sites of Butrinti, part of the UNESCO's World Heritage List, Apollonia, The Blue Eye in Delvina (Region of Vlora), the valleys of the main rivers in Albania, Shkodra Lake (the largest in the Balkan Peninsula) and part of Albanian Alps. There are many protected areas, of which thirteen are national parks. It is rich in hydric resources, thermal waters sites, lagoons and also possesses a rich flora and fauna. It is also rich in natural resources such as oil, gas, coal and iron.

Albania has undergone considerable deforestation in the past, however, despite this process slowing down large scale deforestation, uncontrolled cattle pasture and frequent flooding has increased ground erosion processes. In the growing urban areas, problems concerning air and acoustic pollution, sampling and processing of wastes and transport are increasing. The productive system exerts high pressures: for example, the agriculture sector increased its use of fertilisers by 70% between 1995 and 2002 and the industrial sector includes highly polluting industries such as oil, coal refining, electrical energy and chrome and copper production. The significant environmental problems cannot be solved only by applying appropriate and complete legislation and the process of adaptation to European standards has only recently started. Much remains to be done in the tourism sector as well, especially with regards to infrastructure and services and development of the mountain tourism.

The Programme concerns only a small part of **Greece**: Kerkyra Prefecture and the Thesprotia prefecture in the Epirus region, with the important harbour of Igoumenitsa. These areas have a high environmental value and are well-known tourist destinations.

2-2-2- Environment

The Adriatic coastline extension is about 5.867 km.(as measured by the French geographer Braudel).

Geographically, the Adriatic Sea is a part of the Mediterranean Sea, between the Italian peninsula, Slovenia, Croatia, Montenegro and Albania; it is a body of water between the system of the Apennine Mountains and the Dinaric Alps with a maximum length of about 800 km. It has a mean breadth of about 150 km². It connects at the south with the Ionian Sea through the Strait of Otranto (70 km). The west coast is generally quite flat, only interrupted by the delta of the river Po and by the promontories of the Conero Mountain and of the Gargano (that extends to the sea with the Tremiti Isles). The northern coast is interrupted by the lagoons of Venice, Marano and Grado and by the Gulf of Trieste; going on along the Istrian peninsula and the Dalmatian coast, the coast becomes more and more indented and higher and is faced by a myriad of islands among which Krk, Cres, Pag, Isola Lunga, Brač, Hvar, Vis, Korčula, Mljet. The Albanian coast is much flatter and even, divided into the gulfs of Durrës and Vlorë.

The Adriatic is generally not very deep: the northern basin has an average depth of 70-80 m, with a maximum of 270 m between Pescara and Šibenik; the southern one is deeper (1222 m between Bari and the Boka Kotorska). The average salinity is 38‰, less intense in the north because of the greater contribution of fresh water from rivers (Isonzo, Tagliamento, Piave, Brenta, Adige, Po). Further south Tronto, Fortore, and Ofanto on Italian side, Neretva, Drin, Vjosa on the Balkan side flow into the Adriatic. The tide width varies around 30 cm in the southern basin, and rises up to 90-95 in the northern one.

For a number of years the Adriatic has been one of Italian seas that has suffered most from eutrophication.

Generally, the Adriatic Sea represents an extraordinary environmental ecosystem extremely delicate, an enormous “closed sea” where a possible accident with dumping of pollutants would cause a critical scenario and where it is not thinkable to increase the impact of sea traffic.

Today, the northern and central areas of the Adriatic are grappling with an environmental situation that needs particular attention and actions that allows the protection this high quality territory and its marine resource.

In particular, the exploitation of the territorial resources of these Regions has been in the past intense and too often lacking the necessary rationality.

As is shown by:

- The localization along the coasts of highly polluting activities such as the petrochemical industries and the oil refineries;
- Thermal power stations in some of the most valued areas for naturalistic and artistic presence;
- The development of agriculture that strongly uses chemical substances both for fertilisation and for crop protection;
- An excessive concentration of industrial livestock production plants, along the main waterways (starting from the Po that discharges into the Adriatic 40% of the waste water of the entire Italian territory);
- An exponential increase of the production sites and civilian settlements with serious effects of territory sealing and excessive concentration of the population in the main built up areas;
- An abnormal dilatation of the consumption of natural resources without an adequate, rational and effective capacity to contain the resulting negative effects;
- A spatial-temporal concentration of the holiday and mass tourism industry that poses the problem of a mitigation of the anthropic load in favour of the development of a higher quality level tourism, also as the condition to have an actual deseasonalisation and better economic results;
- An exponential increase of the fishing effort that has underlined the surfacing of serious problems for the sector.

From the settlement point of view the Adriatic area is characterised by:

- a tendency, along the north-western arch, towards the formation of a single linear uninterrupted city from Aquileia to Brindisi;

- an increase of high-impact environmental tourism;
- the increase of the residential areas along the Croatian, Albanian and Montenegrin coasts, with serious risks of emulating the construction escalation of Italian coasts, unfortunately devastating for the natural heritage.

The on-going tendencies suggest above all taking into serious consideration the potential impact of tourism on the environment, also in order to protect the areas that are still free from urbanization and sealing.

Tourism industry is in fact rapidly expanding, even if the different Countries and Regions are going through different stages of their growth.

2-2-3- Population

The average population density of the Programme area is 165 inhabitants/km² with variations in the different participating countries: average levels for Italian NUTS III areas (192 inhabitants/km²) and Albania (165 inhabitants/km²); lower values for Bosnia and Herzegovina (32.5 inhabitants/km²), Croatia (57.7 inhabitants/km²) and Montenegro (65 inhabitants/km²). However, there are considerable differences in population density within countries: values lower than the eligible area average are noticed in particular in the Municipality of Cetinje in Montenegro (20 inhabitants/km²), in the county of Lika-Senj in Croatia (10 inhabitants/km²), in the Campobasso Province in Molise (79 inhabitants/km²) and in Foggia in Puglia (95 inhabitants/km²).

In terms of demographic trends, an overall population growth has been observed, with most of the areas growing (with the exception of the Croatian and Serbian counties where the population reduced between 1991 and 2001), albeit by significantly different degrees. During the period taken into account there was a significant increase in the Greek prefectures (2001-2005) and in the municipalities of Bosnia and Herzegovina (1996-2001) with lower increases in the territories of the other countries⁷.

The reason for the population remaining basically stable over time in Italy is due more to migration flows than fertility rates. A decisive role is played by both inward and outward migration which has compensated for the negative natural growth rate recorded in many of the eligible provinces.

Other causes are behind the gradual repopulation of the eastern Adriatic countries which began when war ended with the return of displaced people and the progressive resolution of the social and economic crisis. However, outward migration continues due to the large number of people moving to the EU countries to look for work.

Internal migration is also significant; principally the considerable exodus from rural areas, a particularly evident phenomenon in Albania.

Certain demographic variations continue to increase; for instance the population is still ageing and the dependence index is increasing, which in turn reduces the absolute size of the workforce and undermines the future productivity potential of local human capital. There are marked differences in demographic structure regarding the ageing indicator, which ranges from the particularly high values in the Italian provinces (146) and the Obalno-kraška region in Slovenia (142) to the low values in the Albanian prefectures (26). Albania has the youngest population in Europe: according to 2001 data, 34.1% of the population is under 14 years of age and only 8.6% is over 60. This is despite intense migratory flows to Italy and Germany which steadily deprive the country of young and working age people. Low birth rates are balanced by longevity which is 6-7 years higher in the Italian territory and Greece than in Albania and Serbia and Montenegro.

⁷ The availability of data in the eligible regions (counties, provinces, prefectures, etc.) has conditioned the choice of the interval periods in relation to the different countries. See Note of Table 2.

Tab. 6 Territorial and demographic indicators

| | Albania (2001, 2005) | Bosnia and Herzegovina (2001) | Croatia (2001) | Montenegro (2003) | Greece (2005) | Slovenia (2005) | Italy (2004) | Total Programme |
|----------------------------------|-------------------------|-------------------------------------|----------------|----------------------|------------------|--------------------|--------------|--------------------|
| Surface (Kmq) | 12.197 | 14.480 | 24.723 | 6.508 | 2.095 | 1.044 | 54.667 | 115.714 |
| Population | 2.013.186 | 470.364 | 1.427.088 | 425.266 | 162.772 | 105.313 | 10.470.528 | 15.074.517 |
| Annual rate of population (%) | 0,58% | 1,09% | -0,97% | 0,61% | 1,31% | 0,19% | 0,78% | |
| population density | 165,1 | 32,5 | 57,7 | 65,4 | 73,8 | 100,9 | 192,0 | 165,23 |
| Indicator of aging | 26,2 | - | 98,0 | 61,9 | 133,3 | 141,8 | 145,7 | 118,13 |
| Indicator of structural reliance | 56,5 | - | 49,5 | 48,4 | 49,3 | 40,7 | 51,4 | 50,11 |
| Birthrate - male | 71 | 72 | 72 | 71 | 77 | 73,4 | 77,5 | |
| Birthrate - female | 77 | 77 | 79 | 76 | 81 | 81 | 83 | |

Source: our elaboration on the data of the National Statistic Institutes. The data in grey colour refer to the entire national territory; all the other data refer to the only eligible area;

* Annual population variation covers the following period intervals: Albania 2001-2005; BiH 1996-2001; Croatia 1991-2001; Montenegro 1991-2003 Greece 2001-2005; Slovenia 1993-2005; Italy 2001-2004

2-2-4- Migratory flows

Recent European political changes, in particular the consolidation of processes arising from the desegregation of Yugoslavia and EU enlargement to include eastern European countries, have generated and continue to generate marked impacts on central and south eastern European countries, which have experienced large migratory flows (regular and irregular, internal and towards other, mainly western European countries). An overall view of Europe's demographic assets shows how demographic stability/growth in many countries depends on the net immigration rate. In particular, population growth in Austria, the Czech Republic, Italy, Germany, Greece and Slovenia is a consequence of immigration. Recent studies carried out by the European Commission⁸ predict that about 1% of the population of the new Member States is ready to migrate to western European countries; in the next 20 years potential migration could involve about 3-4 million people. However there is currently a decrease in migration in the newly enlarged Europe. In the medium to long term, it is envisaged that the new Member States will not have the demographic resources for migration to western European countries because of population ageing and possible population decrease. Furthermore, the economical stability, which follows EU accession, will not only decrease migratory pressure but will also transform these countries into destination countries for migratory flows. The 2003 official data show a positive migratory balance in the Czech Republic, Slovakia and Slovenia.

The demographic data available for the eligible areas do not refer to the same periods. It has not been possible to calculate Programme area population averages for a given period. However, having studied the situation in the individual countries, it is possible to say that the figures from the early nineties to the early 21st century are more or less stable in the Programme area. Significant differences are seen in the Croatian counties where population fell by 9.7% in the period from 1991 to 2001 and in the municipalities of Montenegro where on the contrary population rose by 7% in the period from 1991 to 2003. The demographic balance consists of considerable in and out migratory flows.

Tab.7 - Inflows of [im]migrants by citizenship⁹

| COUNTRY | YEAR | IMMIGRANTS | MOST IMPORTANT COUNTRIES OF ORIGIN | | | | |
|---------|------|------------|------------------------------------|----------|---------|-------|---------|
| Greece | 1998 | 38.200 | Russian Fed. | Bulgaria | Albania | Egypt | Romania |
| | | | 12,6% | 7,6% | 7,1% | 5,8% | 5,5% |
| | 2001 | ----- | ---- | ---- | ---- | ---- | ---- |

⁸ Eurobarometer survey (Krieger, 2004) and other studies mentioned in OIM, *World Migration 2005- Costs and benefits of international migration - Section 1, Regional overview selected geographic regions*

⁹ Eurobarometer survey (Krieger, 2004) and other studies in OIM, *World Migration 2005- Costs and benefits of international migration - Section 1, Regional overview selected geographic regions*

IPA ADRIATIC CROSS-BORDER COOPERATION PROGRAMME

| | | | ---- | ---- | ---- | ---- | ---- |
|-----------------|------|---------|-----------------|---------------|------------|---------------|-------------|
| Italy | 1996 | 143.151 | Morocco | Albania | Romania | Philippines | Tunisia |
| | | | 15,6% | 14,4% | 4,7% | 4,2% | 4,0% |
| | 2000 | 226.968 | Albania | Morocco | Romania | China | Philippines |
| | | | 14,1% | 8,9% | 8,5% | 4,0% | 3,0% |
| Slovenia | 1995 | 3.688 | Ex Yugoslavia | BiH | Croatia | F.Y.R.O.M. | Italy |
| | | | 31,5% | 23,1% | 20,3% | 9,7% | 2,1% |
| | 2001 | 6.773 | BiH | Croatia | F.Y.R.O.M. | Ex Yugoslavia | Ukraine |
| | | | 34,8% | 16,3% | 15,5% | 13,0% | 3,4% |
| Croatia | 1995 | 42.026 | Ex Yugoslavia** | BiH | ----- | ----- | ----- |
| | | | 99,0% | 1,0% | ----- | ----- | ----- |
| | 2001 | 24.415 | BiH | Ex Yugoslavia | F.Y.R.O.M. | Germany | Slovenia |
| | | | 3,5% | 1,8% | 0,9% | 0,4% | 0,4% |

Source: Our elaboration on the data of the International Labour Organization (ILO) – International Labour Migration Data Base (ILM)

*The value is related to migrants returning flows

Tab. 8 - Outflows of nationals by Country of destination¹⁰

| COUNTRY | YEAR | EMIGRANTS | MOST IMPORTANT COUNTRIES OF DESTINATION | | | | |
|-----------------|------|-----------|---|---------|---------|---------------|---------------|
| Greece | 1998 | ----- | ----- | ----- | ----- | ----- | ----- |
| | | | ----- | ----- | ----- | ----- | ----- |
| | 2001 | ----- | ----- | ----- | ----- | ----- | ----- |
| | | | ----- | ----- | ----- | ----- | ----- |
| Italy | 1996 | 39.017 | Germany | USA | France | Belgium | Argentina |
| | | | 25,9% | 8,2% | 7,6% | 4,8% | 3,4% |
| | 2000 | 56.601 | Germany | USA | U. K. | France | Argentina |
| | | | 20,2% | 7,3% | 6,9% | 6,0% | 4,7% |
| Slovenia | 1995 | 776 | Germany | Croatia | Austria | Ex Yugoslavia | BiH |
| | | | 25,0% | 17,1% | 17,0% | 8,5% | 5,2% |
| | 2001 | 1.442 | Germany | Croatia | Austria | Switzerland | Ex Yugoslavia |
| | | | 27,1% | 11,7% | 9,8% | 6,8% | 6,7% |
| Croatia | 1995 | 3.288 | Ex Yugoslavia | BiH | Germany | Slovenia | Austria |
| | | | 33,6% | 25,8% | 7,6% | 2,7% | 2,6% |
| | 2001 | 7.488 | BiH | Germany | Austria | Ex Yugoslavia | Slovenia |
| | | | 17,4% | 13,6% | 9,9% | 7,9% | 1,9% |

Source: Our elaboration on the data of the International Labour Organization (ILO) – International Labour Migration Data Base (ILM)

Italy is the destination for most migratory flows. During 1996-2000 inward migration grew by 58% with Albanian immigrants representing one of the highest levels of presence. In 2003, the foreign population in Italy exceeded 2 million¹¹; almost 36% of which came from southern European countries,

¹⁰ Some of the ILO (International Labour Organization) data relating to the inflow and outflow have been modified as follows:
Yugoslavia – Ex Yugoslavia
Macedonia – FYROM (The Former Yugoslav Republic of Macedonia)

** Croatia – Ex-Yugoslavia

¹¹ Source: Statistical Dossier 2005 Caritas/Migrantes, XV Report

compared with the UE 25 average¹² of 28%. In terms of foreign residents, the 2001 ISTAT Census data show the important presence in Italy of eastern European citizens: most are Albanian national residents (13.1%), followed by Moroccan national residents (12.7%) and Romanian national residents (6%). Other eastern European national residents in Italy represent an important presence of 2%-4% and the same presence in Italy is reached by nationals from eight other countries¹³. Meanwhile, Italian emigration, to a variety of destinations, is not considerably directed towards the eastern Adriatic countries, excluding a low flow towards Greece. However, ILO data reveal that Italians are in the top five nationalities migrating to Slovenia (1995). In this context it seems important to underline the movement of Italian citizens to the Eastern Adriatic countries concerned connected to delocalisation and internationalisation of enterprises. The main destination for Italian entrepreneurs in the last few years has been eastern Europe. More than 4,500 Italian enterprises, or enterprises with Italian participation, work in Croatia: Italy is the principal commercial partner of Zagreb, the primary destination market for Croatian exports and the second country of origin of the Foreign Direct Investment (FDI) in Croatia. Serbia is also developing closer important cooperation relationships and programmes, mainly in the agricultural sector.

Although the low availability of homogeneous statistical data limits the complete detailed comparison of migratory flow, it is evident that within the Eastern Adriatic area mobility between the different countries is particularly significant in terms of in and out flows.

35% of the foreign citizens that entered Slovenia in 2001 came from Bosnia and Herzegovina, and 16% from Croatia; Croatia was the destination for 12% of the outflow from Slovenia, an outflow mainly towards Germany (27%).

The most significant immigration into Croatia is from Bosnia and Herzegovina and Serbia and Montenegro; vice versa the same countries are the destination for about 25% of outflow from Croatia.

The data for Greece is not particularly up to date in the databases of the principal organisations dealing with migration but show how in 1998, according to ILO estimates, Greece was a major destination for Albanian citizens (7.1%). However, Greece does not represent an important destination for the majority of the Eastern Adriatic Countries, with the exception of Albania. According to national statistics, in 2005 Albanian citizens represent the most important share of the resident foreign population (78%).

Finally, the case of Albania is extremely important and Albanian emigration was undoubtedly one of the most dramatic demographic phenomena in Europe in the last decade of the 20th century. About 700,000 Albanian citizens left their country between 1990 and 2001 with consequences, not only for the overall population and its geographic distribution, but also for the economic capacity of the country given that migration mainly involved the active population.

The migration problem is therefore one of the main aspects in the Adriatic area requiring attention in order to find effective observation and management methods within the regional policy of cooperation which aims to support cohesion, stable relations with neighbouring countries and policies for the development of local economies.

2-2-5- *Economy*

The Adriatic Region, i.e. the uniform area of the states bordering the Adriatic Sea, is socially and economically diversified, mainly between the different states, but also within various national territories.

Major changes have occurred in the Adriatic area during the last decade. From an economic viewpoint the eastern Adriatic countries are going through a difficult transition to a self-sustainable economy with the aim of reducing their dependence on international aid. On the other hand, various Italian Adriatic

¹² The European Union is mainly the destination of intra-European migration, which represents 60.2% of total migration.

¹³ The Philippines (3.9%), China (3.3%), Germany (2.8%), Senegal (2.5%), France (2.3%), Peru (2.3%), Poland (2.2%), India (2.0%).

regions have experienced economic stagnation since 2001 as the result of a difficult international situation and weak domestic demand.

Using GDP as the main indicator of the Programme context, we can distinguish 4 classes of economic capacity, showing wide disparities: the Italian provinces and the Greek prefectures with respective pro-capita GDP of 19,600 and 16,100 euros, followed by Obalno-kraška with a pro-capita GDP of 11,700 euros, the Croatian counties and Montenegrin municipalities (5,600 and 3,000 euros respectively), and finally Serbia, Bosnia and Herzegovina and Albania with a pro-capita GDP of between 1,900 and 2,400 euros.

Tab. 9 – GDP

| | Albania (2004) | Bosnia and Herzegovina (2005) | Croatia (2003) | Montenegro (2003) | Greece (2000) | Slovenia (2004) | Italy (2004) | Total Programme |
|-----------------------|-------------------|-------------------------------------|-------------------|----------------------|------------------|--------------------|-----------------|--------------------|
| GDP (million €) | 5.915,2 | 8.052,0 | 8.071,0 | 1.290,0 | 2.625,0 | 1.237,0 | 206.449,0 | 233.639,2 |
| GDP rate (annual) (%) | 6,2 | 7,43 | 4,3 | 2,4 | 10,3 | 7,6 | 0,75 | 1,39 |
| GDP per sector (%) | | | | | | | | |
| Agriculture | 25,2 | 9,8 | 7,2 | 18,6 | 4,2 | 1,4 | 3,5 | |
| Industry | 19,5 | 24,5 | 30,3 | 36,4 | 11,9 | 23,5 | 23,4 | |
| Services | 55,3 | 65,7 | 62,5 | 45,0 | 83,9 | 75,1 | 69,6 | |

Source: Our elaboration on the data of National Statistic Institutes. The data in grey colour refer to the entire national territory; while the other data refer to the only eligible territory.

GDP Variation: Albania, Italy 2003-2004; Bosnia and Herzegovina, Croatia 2004-2005; Montenegro 2002-2003; Greece, Slovenia, Serbia 2003-2004

The column "Total Programme" presents an approximated value based on nation values (highlight in grey)

As far as the Italian provinces are concerned, the macroeconomic indicators highlight some areas which are growing (Friuli Venezia Giulia, Veneto, Emilia-Romagna) and where historical GDP records show steady progress, and others (Marche, Abruzzo and Puglia) where the economic trend seems to have experienced a turnaround since 2001-2002: GDP and investment have reduced, thus exposing the weakness of the production system affecting almost all sectors. The economic system in these areas is still heavily dependant on traditional, low-tech sectors, which negatively influences their capacity for long term growth.

The CC and PCC, in spite of the major difficulties and uncertainties in the overall economic context, showed substantial growth in GDP in 2004, ranging from 9.3% in Serbia to 2.4% in Montenegro. In these areas GDP growth is significantly sustained by emigrant remittances from abroad, which have maintained net transfers into CC/PCC.

An analysis of the sector structure of the economy shows very clearly how the relative weight of the different sectors has fundamentally shifted toward the service sector, especially in the territories of the MS, which contributes 70% - 84% to the total added value.

In the CC and PCC the degree to which this shift has occurred is less significant, and the agricultural sector still accounts for quite a large share of the added value. Albania, in particular, has the largest agricultural GDP relative to other sectors of the economy, although this is decreasing (in 2000 it was over 50% of GDP).

Without doubt the industrial sector was most seriously halted during the civil wars and social and economic crises, which resulted in infrastructure destruction and the interruption of the main production activities, particularly in the industrial and mining sectors, causing a shift of production activities to the agricultural sector and trade, also for subsistence reasons. Since 2000 a clear recovery has been recorded in the industrial and construction sectors (Bosnia and Herzegovina and Albania), which are still at the core of the main investment programmes, and in the manufacturing and service sectors (Croatia). Of great significance within the service sector are the tourism and financial services sectors, which have been expanding steadily, especially in Croatia and Albania; in the near future, especially for the Eastern Adriatic areas, tourism is likely to be an important resource for attracting further investment and contributing significantly to economic development. The main problem in the CC/PCC is the need to finalise structural reforms of the production system, essential for increasing productivity in different economic sectors, especially by developing the private sector and

implementing finance and infrastructure reforms. Furthermore, it is necessary to specialise as much as possible in high value-added products, to move from products with a low degree of processing to those with a high degree of processing, to emphasise training and life long learning of employees, to develop networking and clusters that would connect manufacturers and enable the development of brands and to adopt international standards.

Considering that economic development and enhancement of attractiveness of the foreign investments could be the main driving forces of the region, environmental protection will be an issue of particular interest. In order to preserve specific ecosystems and natural values, as well as to improve state of environment in urban areas, special attention will be paid to measures to raise environmental awareness, enhance state of environment in general and to reduce possible negative impact of programme activities and interventions in the area.

2-2-6- Labour market

In total the area involved in this Programme shows a level of employment of 52%, while unemployment is almost 12%. This area has a higher concentration of employment in the service sector (55% and in industry (27.7%). Agriculture, with 12.3% employment represents an extremely low level when compared to the national average, where the only exception are the Greek and Italian regions.

Data of the labour market within this Programme shows drastic differences between disciplines which in some cases differ substantially from the national average.

The highest level of employment, for the purposes of this Programme, is in the Slovenian territories (61%) followed by the Italian regions at (56.3%). Almost identical, even though substantially lower than the average index of the whole area covered by this Programme are the levels recorded for the Greek region at 46.9% and Montenegro at 43.3% and finally the municipalities of Bosnia and Herzegovina at a level of 26% which represent a critical point of the labour market.

As far as the unemployment level is concerned, the Italian provinces and the Slovenian region are at a level below the average of the entire territory covered by this Programme. The lowest percentage of unemployment is recorded in Obalno-kraška at 4.9%. More critical are the levels of unemployment of Greece and CC/PCC which are very high. Very uncomfortable levels of unemployment are found in the regions of Croatia and Montenegro at respectively 23% and 32%.

Analysing women's contribution to the labour market the level of unemployment is almost equivalent to the overall index. The women's index of employment is more pronounced. The highest women's participation to the labour market is recorded in the participating Italian provinces with an average increase +12.8% during the period 2003/2005, thus confirming several years of positive trend. More critical statistics are recorded in the Slovenian territories where the percentages of both women's employment and unemployment are substantially different from those of the overall Programme. Almost in line are the unemployment levels recorded in Greece, Montenegro and Albania with a margin concerning the female component between 3% and 3.5%. A more balanced level of women's participation is recorded in the counties of Croatia with a level less than 2% for both indexes.

The trend of the labour market during the period 2000-2005 regarding the eligible participants shows a diminishing level of employment and an ascending level of unemployment in Albania (the whole national territory) and in regions of Bosnia and Herzegovina. The same trend applies to Croatia (the whole national territory). In Greek regions the level of unemployment shows a slight negative trend; the same is true for Croatia (the whole national territory) even though the level of employment is on the rise. In Slovenia we are witnessing a static level of unemployment and finally we see a satisfactory level of employment in the Italian provinces even though there is a measurable level of unemployment.

Employment by category shows that agriculture is the most important, particularly in territory of Albania (the national level) and in the Greek territory.

The highest level of employment, in the service area, is found in the Greek territory with 73% followed at short distance by Montenegro, Croatia and Slovenia. Particularly noticeable in the secondary markets are the levels, well above average compared to the overall participating area, are those for the Italian territory at 32.4%.

Tab. 10 - Labour market¹⁴

| | Albania (2005) | Bosnia and Herzegovina (2001) | Croatia (2001) | Montenegro (2003) | Greece (2005;2001) | Slovenia (2005) | Italy (2005) | Total Programme |
|-----------------------------------|-------------------|-------------------------------------|-------------------|----------------------|-----------------------|--------------------|-----------------|--------------------|
| Activity rate | 47,10 | 65,70 | 51,70 | 54,50 | 53,70 | 57,40 | 47,80 | 48,90 |
| Employment rate | 45,60 | 25,90 | 44,10 | 43,30 | 46,90 | 61,10 | 56,30 | 52,40 |
| Employment rate: women * | 38,80 | | 425,00 | 35,00 | 38,80 | 43,00 | 47,30 | 43,80 |
| Employed per activity sectors (%) | | | | | | | | |
| Agriculture | 58,47 | | 4,90 | 4,00 | 16,40 | 5,30 | 5,30 | 12,30 |
| Industry | 13,52 | | 26,10 | 22,30 | 10,50 | 25,80 | 32,40 | 27,70 |
| Services | 18,24 | | 69,00 | 69,70 | 73,10 | 68,90 | 62,30 | 55,50 |
| Unemployment rate * | 14,10 | 14,20 | 23,30 | 32,90 | 14,90 | 4,90 | 8,70 | 11,70 |
| Unemployment rate: women * | 17,20 | | 25,10 | 36,40 | 18,40 | 14,00 | 10,70 | 13,40 |

Source: Our elaboration on the National Statistics Institutes data and the Statistical Annex of the Commission Staff Working Document. The data in grey refer to the entire national territory; while the other data refer only to the eligible territory. The column "Total Programme" presents an approximated value based on nation values.

*The Greek data refer to year 2001, Source: Statistical Service of Greece, Census 2001

2-2-7- Trade

It should be noted that there is no information regarding trade in the Programme area on eligible areas other than data relating to Italy and Croatia.

There was a large increase in the trade balance in the Italian provinces in 2004; in fact the eligible provinces reported a 75% profit. The provinces of Chieti, Ferrara, Padova, Pesaro-Urbino and Udine recorded particularly high balances, ranging from 1.1 billion euros for Ferrara and 1.9 billion for Ancona. These figures even out the negative trade balance recorded for the provinces of Venezia, Ravenna and Brindisi.

There has been a huge increase in the flow of Italian investment towards CC and PCC since 2001, being previously rather limited and mainly concentrated in more stable Croatia.

The opening of western central European markets has encouraged the Adriatic region, causing an increase in investment in Bosnia and Herzegovina, with its position on north-south traffic routes, and in Albania and Montenegro, involved in the construction of Corridor VIII connecting eastern neighbours. Investments are aimed both at production, due to decentralisation opportunities in the light industry sector, and the financial sector.

The Italian Adriatic regions are engaged in trade relations with CC and PCC in a different way. The regions of Veneto, Friuli Venezia Giulia, Marche and Puglia have important positions, especially in the mechanics, rubber, chemistry, non-metaliferous mineral, electrical, textile and footwear sectors.

Because of the existing significant structural issues that make the productive system even less competitive, the foreign trade exchanges of CC and PCC show a trade balance deficit. Serbia, Croatia and Bosnia and Herzegovina show considerable debit balances. Nevertheless, some countries, such as Albania, Bosnia and Herzegovina and Croatia, recorded an increase in export capital after the opening of foreign markets.

¹⁴ The following definition are used for the labour indexes:

Activity rate= working population/ total population > 15 years

Employment rate = total employed/population between 15-65 years

Unemployment rate= Unemployed/working population

Principal CC and PCC exports include textiles (Serbia, Albania, Croatia, Slovenia), footwear (Albania), leather and leather products (Serbia), raw materials and semi-finished products (Albania, Bosnia and Herzegovina, Serbia and Croatia) woodworking and furniture products (Slovenia and Bosnia and Herzegovina), chemical products (Slovenia, Croatia), industrial machinery (Serbia) electrical and metal machines and tools (Croatia and Slovenia), shipbuilding (Croatia), building machinery (Albania), foodstuff, drinks and tobacco (Albania, Croatia), very often exported after having been processed on behalf of third parties.

Marketable imported goods include a wide range of products, in particular oil and petrochemical products (Slovenia, Croatia), machinery, means of transport and their parts (Bosnia and Herzegovina, Croatia, Albania) chemical and pharmaceutical products (Croatia), foodstuffs (Bosnia and Herzegovina, Serbia) footwear and clothing (Serbia and Albania) textiles (Slovenia, Albania) electrical tools, telecommunication products (Slovenia) computer products (Slovenia) building materials (Albania), pharmaceutical and cosmetic products (Slovenia and Croatia) plastic materials (Serbia), wood furniture (Croatia, Bosnia and Herzegovina).

Tab. 11 – Trade

| | Albania | Bosnia and Herzegovina | Croatia | Montenegro | Greece | Slovenia | Italy | Total Programme |
|--------------------|---------|------------------------|---------|------------|---------|----------|--------|-----------------|
| Export (million €) | 479 | 1.920 | 3.018 | 461 | 14.049 | 14.397 | 43.364 | 77.687 |
| Import (million €) | 1.823 | 5.670 | 4.539 | 682 | 44.047 | 15.805 | 27.985 | 100.551 |
| Balance of trade | -1344,2 | -3.750 | -1.521 | -221 | -29.998 | -1.408 | 15.379 | -22.863 |

Source: National Statistics Institutes and Statistical Annex of the Commission Staff Working Document. The data in grey refer to the entire national territory; while the other data refer only to the eligible territory.

2-2-8- Tourism

Tourism, by virtue of the extraordinary local natural, artistic and cultural heritage both in the European and world market, is potentially one of the most important sectors within the cooperation area for the development of local economies and for employment. In fact, while tourism has traditionally been one of the most active and developed sectors of the economy in the Italian Adriatic regions, tourism remains to date a marginal activity in the eastern Adriatic regions, except in Greece, Slovenia and Croatia.

There are about 20 million visitors to the Italian Adriatic regions and over 100 million stays. Veneto has received the most visitors (accounting for 36% of the tourist flows to the Italian Adriatic regions) followed by Emilia-Romagna (accounting for 27%) and then Marche and Puglia (accounting for 11%).

There was a steady increase in the number of visitors to the Italian Adriatic in the period 2003-2005, but there was a decrease in terms of stays, especially in 2004, which can mostly be ascribed to the decrease in domestic visitors. However, data for 2005 indicate a recovery compared with the previous year, especially as regards domestic and foreign visitors which exceed in absolute terms the figure for 2003, however the data gathered in terms of stays indicate a return to the trend recorded in 2003.

The eastern Adriatic areas offer an extraordinary wealth of natural and cultural diversity and thus there are a great deal of possibilities not only for the development of beach tourism but also for the development of environmental, cultural and religious tourism. Tourism is constantly expanding in Croatia, mostly driven by the accommodation on offer, and represents one of the most important economic activities and an important source of employment.

Along the Adriatic coast there are hundreds of cities, towns and villages that can provide tourists with basic accommodation, as well as a limited supply of sporting activities, entertainment, sightseeing and shopping. In addition to the old coastal towns of interest, such as Dubrovnik, Korčula, Trogir, Split, Zadar, Šibenik and Hvar, the Programme area of Croatia boasts a large number of little villages which have preserved their historical character and traditions. The Croatian Programme area also has a rich

cultural heritage and A wide variety of cultural events are organised throughout the year, some of which attract international visitors from far and wide.

The eligible area is rich in cultural resources, including significant archaeological sites, such as the Old city of Kerkyra, which is part of the UNESCO World Heritage List, the Classical and Roman ruins at Palaioptoli in Kerkyra and the recently restored and enhanced archaeological sites of Elea, Doliani and Dimokastro in Thesprotia, as well as the Asiatic Art Museum in Kerkyra.

Tourism potential is more prevalent on the coast, with the presence of both complementary infrastructure and mostly private accommodation. Nevertheless, the accommodation capacity fails to satisfy demand during the high tourist season.

Tourism in the CC and PCC is extremely uneven. In fact, despite a wide range of possibilities in Croatia tourism is mainly concentrated in summer seaside tourism and, in the last few years, in sailing tourism. In Bosnia and Herzegovina and Montenegro the accommodation on offer is very limited and the tourism industry is not well organised in terms of resource provision. Nevertheless, tourism is gradually growing in the summer seaside, winter skiing, and nature tourism sectors in Montenegro, which is one of the eastern Adriatic regions with the most attractions and is ecologically unpolluted. Tourism is also slowly increasing in Bosnia and Herzegovina. Current tourist attendance in Albania is, on the other hand, quite occasional: foreign tourism is not promoted very much, however there are many Albanian emigrants coming back for holidays on the coast during the summer.

Tourism (whether environmental, cultural, sport or coastal etc.) is certainly one of the sectors able to initiate the development of eastern Adriatic countries and the exploitation of their resources. It is necessary to promote foreign demand, to strengthen and make accommodation and its qualification more widespread and to develop integrated package tours (particularly concerning green activities) which reduce the seasonal demand. Problems in the tourist sector, other than a high seasonality, include poor tourism infrastructure in the inland areas, low marketing of cultural heritage and a lack of information exchange within the tourism industry and co-operative marketing. Concentration on specific types of tourism, such as sport and congress tourism, cultural tourism, rural tourism, hunting tourism and gastronomic tourism, could prolong the tourist season and represent specialisation.

Demand and domestic tourist flows within the Adriatic depend on the growing use of economic and cultural relations and the positive advantages for the countries involved. The persistent necessity for an entry visa for many countries is an important obstacle to increasing tourism. Furthermore, tourism from CC and PCC to Europe is still a secondary phenomenon and only involves certain segments of the population, mainly those from a medium-high social economic and cultural level who are resident in the major towns where the presence of tourism agencies and tour operators is more rooted. The flows are mainly directed towards tourist sites in the neighbouring countries, although Italy has a high position among the main foreign tourist destinations, in particular for Montenegrin and Croatian tourists, the latter mainly visit the north-eastern Italian regions, preferring Veneto, Friuli Venezia Giulia and Emilia-Romagna in that order. In general, destinations are mostly cultural, coastal and natural sites and also, in the case of Croatian tourists, thermal sites and places of religious pilgrimage. It is obvious that the growth of tourism from these countries is essentially linked to the overall improvement of their economy.

Croatian destinations are of primary importance in tourist flows towards CC/PCC the Programme area receiving almost 50% of all foreign visitors to the area. Foreign tourists, mostly German (20%) and Italian (15.6%), represent more than 80% of the total visitors to Croatia.

Tab. 12 – Tourist flows and accommodation capacity (only the eligible area)

| | Arrivals | | Nights | | No. of available beds |
|------------------------|------------|------------|-------------|------------|-----------------------|
| | Total | Foreigners | Total | Foreigners | |
| Albania | 182.000 | 42.000 | 588.000 | 146.000 | 8.500 |
| Bosnia and Herzegovina | 273.913 | 75.953 | 596.686 | 351.326 | 11.587 |
| Croatia | 8.978.522 | 7.881.197 | 49.452.175 | 44.935.322 | 883.332 |
| Montenegro | 791.096 | 263.082 | 5.121.324 | 1.558.748 | 117.428 |
| Greece | 281.688 | 194.274 | 1.867.453 | 1.599.401 | 18.222 |
| Slovenia | 152.323 | 91.114 | 429.223 | 227.703 | 80.724 |
| Italy | 19.526.069 | 7.568.677 | 100.489.809 | 35.447.416 | 1.384.989 |

Source: National Statistics Institute and Statistical Annex of the Commission Staff Working Document.

The data in grey refer to the entire national territory; while the other data refer only to the eligible territory.

2-2-9- Infrastructures and accessibility

Currently, there is already a high exchange of people, goods, capital, knowledge and technologies between the two banks of the Adriatic. It is based on a deep-rooted tradition of relations and a reasonably good infrastructure and transport organisation.

The accessibility of Italian coastal territories is ensured by an infrastructure which consists of motorways and a system of Adriatic state roads, together with the railways (with good branch lines) that serve the harbour of Trieste and Venezia-Mestre in the north and Ravenna, Ancona and Pescara-Ortona for the centre. Bari, Brindisi, Lecce and Taranto in the south of Italy play a strategic role in connections with the Ionic coast and from here, the meridian corridor which crosses the Mediterranean from Gibraltar to Turkey up to the Black Sea.

International navigation routes play a considerable role (although still under strength) and can help economic development in the Italian regions also in the tourism sector. The development of sea routes could provide a solution for cross-border traffic and also for improving national links by contributing to reducing road overcrowding especially on the coastal highway close to the main cities and their linear conurbations.

At present, 62% of the exchange of goods between Italy and the eastern Adriatic countries occurs by sea, 32% by road and 6% by rail. From 1999 to 2003, total exchange increased by about 30% and road transport increased by 75%. It must be pointed out that the land connection crossing Slovenia is less effective and competitive than the connection in the north of the Alps crossing Austria when we consider the uncompleted highways in Slovenia and the Venezia-Trieste-Ljubljana railways. In the field of maritime transport the volume of freight trans-shipment significantly increases every year in the Port of Koper, being an important entry-exit between the motorways of the Adriatic & Ionian sea and the transport routes of the intermodal corridor V within the TEN-T network.

In the south exchange occurs almost completely by sea (about 93%) with the remaining share by road. It must be pointed out that for this part of the Adriatic sea, traffic links with Serbia and Montenegro are mainly via Greek harbours and then by land since it is not so easy to use the harbours on the eastern bank.

Among the CC/PCC, Croatia has better accessibility and more important infrastructure development. The road network is quite extensive, even if it is mostly of regional and state importance, and the navigation and maritime transport capability of the harbours is good. One of the biggest maritime commercial transport companies is located at Zadar harbour and it is very important for ferry connections with Italy. Split harbour carries the highest number of passengers and, together with Dubrovnik harbour, is also very important for ferry connections with Italy. Also navigation has overcome the recession in the world market, even if harbour traffic of goods still depends mostly on the normalisation of the situation in the hinterland. The construction of main national roads, such as

the Zagreb-Rijeka and Zagreb-Zadar-Split motorways, has contributed to an improvement in the situation.

Rail transport of both passengers and goods is mostly of local importance. Of international importance in Croatia is the rail link inland from the harbour of Rijeka to central and Eastern Europe via Zagreb.

Activities linked to traffic and communications are of great importance to the Croatian economy in particular in the coastal mountain regions and in Dubrovnik-Neretva, as shown by the data concerning the total number of employed people, incomes and entrepreneurs. Transport and goods sorting is mainly concentrated in land transport, coastal and maritime transport, and auxiliary activities linked to transport.

Bosnia and Herzegovina has quite good maritime, rail, and road links both inside and outside the country. However, improvement of land transport, air links and sea transport is envisaged. Modernisation and construction of new main roads within the Pan-European corridors (e.g. corridor V which represents the shortest connection of the Adriatic Sea with central and Eastern Europe) as well as the fact that there are also many possibilities to increase river traffic connections, open possibilities for development of inter-modal transport along the corridors.

Montenegro has a capillary road network, more than 30% of which consists of modern coastal roads and regional roads. Rail links are limited because of the short extension of the mostly electric railway network. The main access road to the region, both for goods and passengers, is from the harbour at Bar which is in a strategic position for access to the Mediterranean.

Recently the eastern Adriatic countries have concentrated on building and modernising the transport infrastructure; for example Albania is building the first electric railway that will link Tirana, Durrës and Rinas international airport.

Further the Corfu's airport services many charter flights during high season, being an important airport in Western Greece throughout the year.

Finally, it must be recalled that projects in the Corridor VIII Programme play a primary role in strengthening accessibility to the whole area, as a strategic option for economic and social stabilisation in CC and PCC and for strengthening relations between Italy and eastern countries,.

In this context, strong multilateral cooperation represents the first concrete response to the building, technological modernisation and strengthening of the transport infrastructure, and the necessity to organise traffic logistics.

2-2-10- Research and innovation

The innovative capacity of the economic system and the tendency to invest in Research and Development (R&D) in the Programme area was made, as far as possible, with reference to the indicators in thematic areas defined by the European Commission (European Innovation Scoreboard - EIS) which show levels of innovation and expenditure on research and development.

Tab 13, compares, with reference to 2003, Italian and Greek eligible areas with the European average value (Europe 15). Furthermore it underlines, with reference to 2005 (Europe 25), the national index of the three Member states participating in the Programme. Comparing regional data, for the year 2003, contrasting situations appear in the Greek and Italian regions. While the first shows a value lower than national average, the northern Adriatic Italian regions show higher than average ones. Data referring to year 2005, while less relevant because they refer to the national territory, show the excellent situation of Slovenia regarding life-long learning, with an index higher than European average.

Considering the year 2003 the Italian provinces to produce and use innovation for productive purposes is generally lower than the national average. This delayed position must be considered more important

when we consider that Italy as a whole is still at a disadvantage compared to the European average, mostly because of unsuitable training and use of human resources, low private sector spending on research and development, the low number of patents submitted to the EPO (European Patent Office) in high-tech sectors, the small number of innovative SMEs and the low investment in start-up capital.

Emilia-Romagna and Friuli Venezia Giulia are the most innovative regions and are also among the top five Italian regions, whereas innovation is limited in Molise and Puglia.

Tab. 13 Regional EIS (European Innovation Scoreboard) indicators for the competitiveness and innovation.

| Thematic Area | Indicators | *Veneto | *Friuli V.G. | *Emilia Romagna | *Marche | *Abruzzo | *Molise | *Puglia | *Italy | *Epiro | *Ionic Island | *Greece | *UE15 | **Italy | **Greece | **Slovenia | **UE15 |
|---|--|---------|--------------|-----------------|---------|----------|---------|---------|--------|--------|---------------|---------|-------|---------|----------|------------|--------|
| Human resources | S&E graduates (% of 20 - 29 years age class) | nd | 7,2 | nd | nd | 7,7 | nd | nd | 5,7 | nd | nd | nd | 11,3 | 7,4 | nd | 9,5 | 11,4 |
| | Population with tertiary education (% of 25 - 64 years age class) | 9,5 | 9,4 | 11,8 | 11,4 | 11,5 | 10,6 | 9,5 | 10,4 | 14,3 | 10,3 | 17,6 | 21,5 | 11,6 | 20,5 | 19 | 21,9 |
| | Participation in life-long learning (% of 25 - 64 years age class) | 5,5 | 6,2 | 6,4 | 4,6 | 4,7 | 4,5 | 4,0 | 4,6 | 0,7 | 0,1 | 1,2 | 8,4 | 6,8 | 3,9 | 17,9 | 9,9 |
| | Employment in medium-high and high tech manufacturing (% of total workforce) | 10,1 | 9,9 | 10,4 | 7,5 | 5,9 | 6,6 | 3,2 | 7,4 | 0,6 | 0,1 | 2,2 | 7,4 | 7,4 | 2,0 | 8,9 | 6,6 |
| | Employment in high-tech services (% of total workforce) | 2,2 | 3,3 | 2,9 | 1,7 | 2,3 | 1,3 | 1,6 | 3,0 | 1,1 | 0,6 | 1,8 | 3,6 | 2,9 | 1,8 | 2,7 | 3,2 |
| Knowledge creation | Public R&D expenditure (GERD - BERD) (% of GDP) | 0,3 | 0,6 | 0,5 | 0,4 | 0,5 | 0,3 | 0,5 | 0,6 | 0,9 | 0,1 | 0,4 | 0,7 | 0,6 | 0,4 | 0,6 | 0,7 |
| | Business expenditures on R&D (BERD) (% of GDP) | 0,25 | 0,55 | 0,50 | 0,14 | 0,45 | 0,11 | 0,13 | 0,53 | 0,03 | 0 | 0,19 | 1,3 | 0,55 | 0,20 | 0,90 | 1,26 |
| | EPO high-tech patent applications (per million population) | 4,8 | 4,7 | 5,6 | 1,0 | 1,8 | 1,5 | 0,7 | 6,5 | 0,7 | nd | 2,1 | 31,6 | 30,3 | 1,9 | 8,4 | 71,3 |
| | EPO patent applications (per million population) | 109,9 | 92,6 | 176,7 | 55,5 | 55,0 | 7,7 | 8,1 | 80,6 | nd | nd | 8,3 | 168,3 | 74,7 | 8,1 | 32,8 | 133,6 |
| Transmission and application of knowledge | SMEs innovation in-house (% of manufacturing SMEs and % of services SMEs) | 0,6 | 0,8 | 0,7 | 0,5 | 0,4 | 0,3 | 0,4 | nd | nd | nd | nd | nd | 28,8 | nd | 14,9 | nd |
| | Innovation expenditure (% of all turnover in manufacturing and % of all turnover in services) | 0,6 | 1,0 | 0,6 | 0,4 | 0,5 | 0,4 | 0,04 | nd | nd | nd | nd | nd | 2,0 | 2,1 | 1,3 | nd |
| | Share of high-tech venture capital investment / EVCA | nd | 1,5 | nd | nd | 0,1 | nd | nd | 0,2 | nd | nd | nd | nd | 5,3 | 5,1 | 5,2 | 6,3 |
| Innovation finance, output and markets | SME sales of 'new to the firm but not new to the market' products (% of all turnover in manufacturing SMEs and % of all turnover in services SMEs) | 0,3 | 0,7 | 0,4 | 0,3 | 0,6 | 0,3 | 0,4 | nd | nd | nd | nd | nd | nd | nd | nd | nd |
| | Internet access/use (family) | nd | 30,1 | 36,7 | nd | 33,3 | nd | nd | 30,8 | nd | nd | nd | nd | nd | nd | nd | nd |
| | Internet access/use (SMEs) | nd | 7,7 | nd | nd | 4,4 | nd | nd | 5,7 | nd | nd | nd | nd | nd | nd | nd | nd |

Source: 2003 European Innovation Scoreboard: Regional innovation performances.

The analysis of the first thematic macro-area, related to capacity in training human resources able to develop and apply innovation, is the only one to reveal a good position for the Italian provinces in comparison to the Italian situation at a national level.

As concerns the level of ability to conduct research and development (the second thematic area) the indicators measuring financial resources invested in this sector are lower than the national average.

Based on a recent study of ISTAT "Ricerca e Sviluppo in Italia nel 2004" R&D is mainly concentrated in Emilia-Romagna and in Veneto. These two regions swallow up about 14% of the total expenditure of the Italian Programme areas and more of 70% of the R&D expenditure of companies.

Based on the values of the single indicators, some of the Italian provinces have lower values than the average national values, others on the contrary, show lower values than the average national values in the following:

- percentage of the population with post-secondary school education,
- participation in life-long training,
- ratio between employment in the manufacturing and high technology sectors;

In other cases the values are rather critical.

In summary, the productive system of the Italian provinces is characterised by good creativity, but the level of investment in research, development, technology and especially the share of expenditure by enterprises is low, mostly due to characteristics of the productive system where mostly small and medium sized enterprises with a low propensity towards the innovative investment are predominant.

The information gathered regarding the CC/PCC is not absolutely homogeneous with the European Innovation Scoreboard regional indicators which mean it is not possible to make a comparison with the

other countries. On the other hand, the data presented by the sources used are rather incomplete which makes defining a framework for the eastern Adriatic countries difficult. The data do, however, highlight the position of Croatia that is better equipped, uses more Internet access, makes bigger investments, shown in GDP, in human resources and has further centres of research and technology.

Tab. 14 Information R&S, ICT

| | Albania | Bosnia and Herzegovina | Croatia | Montenegro | Serbia | Slovenia |
|---|---------|------------------------|---------|------------|--------|----------|
| Public Expenditure in Human Resources (% of GDP)* | 2,9 | na | 4,2 | na | 3,8 | |
| Public R&D Expenditure (% of GDP)* | na | na | 1,1 | na | na | 0,6 |
| Internet access/use per family (%)* | na | 6,6 | | na | na | 54 |
| Internet access/use per 100,000 inhabitants** | 9 | 39 | 228 | 104 | | 56 |
| No. of personal computer per 1,000 inhabitants** | 11 | na | 171 | 36 | | 61 |
| No. of secure internet services ** | 0,6 | 3,9 | 32,4 | 1,1 | | 0 |
| No. Of school connected to the internet (%)** | na | na | na | 70 | | 99*** |

* Source: Commission Staff Working Document 2006 - Programme Report

** Source: The World Bank Group Database of Gender Statistics

*** Source: Use of Computers - the Internet in Schools in Europe, Country Brief on Slovenia, EC 6/2006.

From a general point of view, regarding cooperation between the two coasts in the field of research, development and innovation for the mutual transfer of know-how in the fields of culture, environment, public services, the Adriatic-Ionian Initiative is quoted (All).

This initiative, created during the Conference on Adriatic Sea Development and Security, held in Ancona in 2000, with the participation of Italy, Albania, Bosnia and Herzegovina, Croatia, Greece, Slovenia, Serbia and Montenegro, aims to strengthen regional cooperation in the sectors crucial for the process of European integration and the development of the Adriatic-Ionian basin. Among these, culture and cooperation among universities are most important. They make a solid base for the processes of the transformation and expansion in the various economic and social sectors and in the level of institutional cooperation.

2-2-11- Governance and capacity building

As already known, the specific purpose of the Instruments of Pre-accession Assistance (IPA) to improve the efficiency of Community external aid, envisages that assistance to CC and PCC is aimed at supporting the consolidation processes of the democratic institutions through all the reforms (in the economic, public administration, human rights and rights of minorities sectors) necessary to set up the conditions to fall into line with the European community.

Considering the above a short plan of the frameworks is shown where it is evident that CC/PCC need more institutional reforms, as reported in the most recent documents from the EC¹⁵ Commission and other qualified Institutions.

However, as regards Member States the process of institutional consolidation strictly linked to the objectives of competitiveness and cohesion, still represents a priority for standard policy and supporting policies. This is evident for Italy (QSN 2007-2013) where modernisation and the development of Public Administration capacities and competences play a main role both for the openness and possibility of carrying out interventions, and for starting up better competitive conditions of goods, public services and capital, to be implemented in a fully legal context.

In the last few years the CC and PCC have made important progress in part thanks to the ongoing process of European integration. In particular, Croatia has completed the first stage of the accession process and so is now engaged in the implementation stage. Important efforts are still necessary in order to encourage devolution towards local levels, beyond general actions which aim to make the administrative apparatus independent from policy influence and qualify human resources.

Reform processes in the other countries participating in the Programme are less advanced, even if significant changes in the organisation of public administration have been introduced. Generally, higher investment in finance and human resources seem to be necessary but also higher attention to

¹⁵ Commission Staff Working Document – 2006 Progress Report for Croatia, Albania, Bosnia and Herzegovina, Montenegro.

specific frameworks, such as those linked to transparency and accountability, justice and internal security, in particular concerning corruption and crime fighting.

There is also still the necessity to start up and/or to end the process of reform in other strategic frameworks for developing policies in the CC/PCC, in particular linked to increasing the attractiveness for foreign investments.

The OECD Report “Progress in Policy Reform to improve the investment climate in South East Europe” (2006), is a comparative analysis of the progress of the reform process and the results obtained, closely linked to the capacity to attract internal and, mostly, foreign investment in relation to nine countries among those taking part to the Programme (in addition to Bulgaria, Romania, the former Yugoslav Republic of Macedonia and Moldavia). The evaluation was carried out by taking a number of policy frameworks as a reference (identified and shared by the governments of the different countries and by the OECD) on the basis of which the progress of reform processes is described.

The frameworks taken into account developing a range of specific indicators are:

- *Investment policy*: Given that direct foreign investment represents a driving force for economic development and creates positive impacts for technological transfer, development of new careers, and an increase in the employment, taxation, export and capital sectors.

As regards this specific framework, report shows the following:

Investment policy is one of the most advanced dimensions of policy reform in South East Europe. Every country has created a liberal regime to attract foreign investment, and provides equal treatment of foreign and domestic investors (national treatment), guarantees against expropriation and free transfer of funds. Exceptions to national treatment have been significantly reduced. The main issue left to address in this area concerns property rights: outdated land registers and titles, restitution of nationalised property, and in some cases, the right to purchase land. Enforcement of intellectual property rights must also be strengthened.

- *Investment promotion and facilitation*: i.e. the capacity to build an attractive image of the country for foreign investment and the execution of actions to facilitate investment.

Concerning this aspect, the report stresses:

Many countries have improved their business environment but the region as a whole still suffers from a poor image. Developing marketing skills and learning how to promote the region as an attractive destination for foreign investment will be a key priority in the years ahead.

- *Tax policy*: Considering that internal and foreign investors are sensitive to the influence of the fiscal system, it must be transparent and without discretionary power and arbitrariness.

Countries in South East Europe have put in place attractive tax policy and legislative frameworks with low corporate tax rates ranging from 9 to 20%. Overall, the region has implemented generous depreciation regimes; most countries allow companies to carry losses forward, in line with international standards. Furthermore, they have developed extensive tax treaty networks, which continue to expand. However, tax administration in the region remains very weak. Revenue agencies continue to operate with insufficient budgets and staff..

- *Anti-corruption and business integrity*: Since corruption represents the highest obstacle for investment.

Concerning this aspect, the report stresses:

Anti-corruption and business integrity is one of the weaker policy dimensions in South East Europe. While laws and institutions are in place to fight corruption, there is little evidence of enforcement. There are too few investigations, prosecutions and convictions on corruption charges. Corruption in tax and customs has been reduced by streamlining administrative processes public/private consultations would help clean up the system and improve the region's image.

- **Competition policy:** Considering competitiveness as the condition for a strong and transparent economic environment able to receive investors.

Concerning this aspect, the report stresses:

Overall, competition policy in the region is still in early stage of development. Authorities across the region need to be strengthened by introducing more expertise and providing appropriate budgetary resources. Several competition authorities in the region are either still not independent (Moldova and Montenegro) or do not have sanctioning powers (Croatia, FYR Macedonia and Serbia).

- **Trade Policy:** As an instrument for growth and employment:

Concerning this aspect, the OECD report stresses:

Countries in the region are well integrated into the global system of trade agreements. All countries are WTO members, except Bosnia and Herzegovina, Montenegro and Serbia. Almost all countries benefit from nearly unrestricted access to the EU market through Autonomous Trade Measures, the Stabilisation and Association Agreements and Europe Agreements. At the regional level, a bilateral network of Free Trade Agreements (FTAs) is in place. The main obstacles to trade in the region are its high non-tariff barriers, in particular technical, sanitary and phytosanitary

Regarding environmental aspects¹⁶, all processes of alignment with European law are under way, even though the CC/PCC are behind. Croatia, in particular, has taken positive steps towards the improvement of air and water quality, environmental protection, chemical products, and GMOs. Administrative capacity in the environmental field still needs upgrading however.

In relation to the above, the Programme presents a concrete opportunity for pre-adhesion states to face some of the problem areas highlighted together.

The potential for exchange of experience and praxis could represent useful points of reference for the definition of a legal and standard framework and for the completion the adhesion process. This is particularly so in regard to administrative processes connected to scheduling and planning of initiatives and making the most of financial resources from European Union funds and programmes to support pre-adhesion and then adhesion in the near future.

2-3- SWOT ANALYSIS

The SWOT analysis has been carried out on the above considered aspects and topics used to characterise the Programme's framework:

¹⁶ COM(2006) 649 - Enlargement Strategy and Main Challenges 2006 – 2007 Including annexed special report on the EU's capacity to integrate new members

- environment
- territory, infrastructures and accessibility
- demography
- economy
- labour market
- trade
- tourism
- research and innovation

A summary of the territorial and socio-economic characteristics of the areas on both sides of the Adriatic Sea indicates some priority aspects whose complexity reveals points of strength and weakness which, in many cases, are similar on both eastern and western Adriatic countries.

From the point of view of spatial development, the use of natural resources and the consequent general state of the environment, there is a difference in settlement patterns between MS and CC/PCC. With the high average density in MS and the a more scarce population density in CC/PCC. There is also a different intensity of development patterns. On the western side of the Adriatic these have resulted in very high levels of urbanisation. Along the coastal territory there is a clear loss in ecological continuity and pressure on the environment, especially where there is a concentration of tourism or productive activities (particular pressure and impact on the common watery body of the Adriatic eco system is mainly due to the Po river).

The CC and PCC retain a more natural environmental state but are aiming to close the gap in development thus exerting new pressures on the territory in the absence of adequate regulations and planning. Moreover, internal migration is causing a strong increase in the urban population. This could put natural resources at risk and threaten the balance of the environment which, in some cases, is already affected by air, water and soil pollution.

In both instances however, one unequivocal point of strength is the vast presence of natural and cultural resources.

The MS, in particular the Italian provinces, are characterised by a complex and highly hierarchical infrastructure network which is able to support high levels of transport demand. The density of the network is however a point of weakness because of its effect on environmental continuity and the levels of congestion often witnessed.

In the territories of the CC and PCC, the road and rail infrastructure are a point of weakness, which, in certain cases, seriously hampers the economic development of local communities.

Demographically the tendency is average growth and in MS and CC/PCC, although there is a clear difference in the structure of the age pyramid. In the MS the percentage of the elderly is far more important and population ageing influences the dependency load.

As far as the production and economic contexts are concerned, and as for the labour market the situation is very different between MS and CC/ PCC and also non homogeneous in both groups. In the eastern Adriatic countries economic recovery is proceeding much more rapidly, while the Italian provinces, for instance, are still struggling to overcome the economic stagnation of the first few years of this century.

The employment rate of the entire Programme area is 52% on average but the CC and PCC territories are largely under the mean value. In terms of competitiveness of the productive system however, and thus of the capacity to guarantee employment, the risks are common to the two territorial systems: on the one hand the MS, particularly the Italian provinces, are not able to show sufficient innovation, because, among other reasons, private and public spending on R&D is lacking. On the other hand, the CC and PCC are still closely linked to a traditional economy characterised by a delay in service sector development.

The two groups therefore must aim to augment investments in R&D and technological innovation and to strengthen and optimise their infrastructure which now represents a major obstacle to their competitiveness.

In conclusion, there are vast immovable assets available to use to benefit development, and there is great potential for change, stimulating and attracting capital, technology and qualified work.

The promotion of the development in the various parts of the Programme area, although different in their characteristics, demands the full and productive use of their resources which is only possible by eliminating all present obstacles and failures.

The SWOT analysis underlines the deterioration of parts of the existing assets, such as the environment which is under excessive pressure from settlements and production, the cultural heritage which is very valuable but insufficiently guarded and exploited, and the infrastructure, especially transport. Moreover, there is a lack of proper exploitation of human resources which, even if adequately qualified, do not find proper employment in the right scientific and technological sectors, also because of poor links between training and productive systems.

Furthermore the conditions of governance, the adjustment of the legal framework and the planning and management of territories have common and diffuse points of weakness in MS and CC/PCC albeit slightly differing.

Tab. 15 – SWOT Analysis

| 1. ENVIRONMENT | |
|---|--|
| STRENGTHS | WEAKNESSES |
| Substantially good air quality in the interurban areas | Significant environmental impact produced by mechanical fishing and by aquaculture |
| Presence of areas characterised by considerable biodiversity. | Strong pressures on the quality of the waters applied by Agriculture, above all where extremely fractioned, by Industry and by the port activities (particular pressure by Po River) |
| Decrease, in the urban areas, of traditional atmospheric pollutants | Urban areas above all polluted by road traffic and heating plants |
| Increase of separate collection of solid urban waste | Environmental criticality in urban areas owing to growth of population and consequent increment of traffic and waste (mainly PCC) |
| Tendential decrease of waste produced | Presence of delicate environments subject to considerable impact from human settlement. |
| System of the protected areas is in expansion | One-dimensional urbanisation along coast: loss of biodiversity, ecosystem fragmentation, congestion (Italy) |
| Abundance of water surfaces and resources | Internal areas with problems of hydrogeological instability |
| Cultural heritage – material and immaterial – with strong identity characteristics | Presence of coastal industrial and energy plants that produce emissions in the atmosphere |
| | Negligible contribution of renewable resources |
| | Insufficient sewage system and sewage treatment systems |
| OPPORTUNITIES | THREATS |
| Presence of abundant water resources | Low level of efficiency of the sanitary infrastructures in the periods of greater tourism pressure |
| Increase of the financial public resources to encourage the use of renewable sources of Energy | Polluted waste from Intensive farming |
| Extended natural resources (woods, lagoons, ecosystems, etc..) still scarcely restricted and protected | Growing quantity of waste waters dumped into the surface and ground water because of the effects of human settlement on the territory |
| Presence of landscapes and Cultural Heritage that can be enhanced with interventions of environmental requalification | Additional increase along the coastal infrastructure of the road traffic above all freight |
| Stability or reduction of the production of solid urban waste | The trend of effects on the climate of greenhouse emissions |
| Increase protection and extension of marine and land protected areas | Increase of the gap between urban management and settlement pressure in the mass tourism zones |
| Cooperation for preservation, management and monitoring of territorial resources and prevention of risk | Rapid increase of the Urban Population with the resulting intense exploitation of the natural resources and risks for Human Health |
| Proclivity to extension of protected natural areas | Impact of tourism on frail natural and historic resources |
| Opportunity to intensify development of renewable energy resources, particularly in Albania | Heavy pressure on the natural and cultural environment by uncontrollable constructing activity |

| 2. TERRITORY – INFRASTRUCTURES - ACCESSIBILITY | |
|--|--|
| STRENGTHS | WEAKNESSES |
| Favourable geographic position | Lack of road network, so scant accessibility, also as a consequence of war (PCC) |
| Richness of settlement hinged on different levels of polarity: good accessibility (MS) | Insufficient transport connections and insufficient logistics, particularly in Albania |
| Cultural heritage – material and immaterial – with strong identity characteristics | Unbalanced regional development in the eligible area |
| Tools for territorial, urban and sectoral planning (MS) | Inadequate planning for the maintenance and enhancement of archaeological sites and historical monuments |

| Networks and cultural exchanges between the eligible countries | |
|---|--|
| OPPORTUNITIES | THREATS |
| Progress in spatial and strategic planning | Further increment of road traffic, mainly freight traffic (Italy) |
| Promotion of the historical and cultural heritage | Rapid increment of urbanisation with risk of jeopardising natural resources (CC/PCC) |
| The improvements in the internal connectedness of CC/PCC favours the use of ports. | Insufficient public financial resources for demands on infrastructure |
| The important role of ports and the increase in merchant marine transportation of goods would permit reduction of road transportation particularly in the Italian Adriatic region | Impact of tourism on frail natural and historic resources |

2. DEMOGRAPHY

| STRENGTHS | WEAKNESSES |
|---|--|
| Constant increase of average life duration | Increase of high age classes (MS) |
| Strong incidence of youth (Albania) | Exodus from mountain and marginal areas |
| | Isolation and inadequate living conditions on islands |
| | Migratory fluxes of youth (PCC) |
| OPPORTUNITIES | THREATS |
| Dynamics in trend of growth | |
| Stabilization of internal fluxes began in collision years (PCC) | Rapid and uncontrollable increment of urban population (PCC) |

3. ECONOMY AND LABOUR MARKET

| STRENGTHS | WEAKNESSES |
|--|---|
| Increase of GDP in many PCC | Contraction of GDP in some Italian provinces |
| Growth of employment rates (Italy) | Economic structure still bound to traditional sectors Outdate technological means and low-technological production |
| Adriatic Sea as a resource for economic international and regional cooperation | Flaw of business related infrastructure's system because of war conflict (PCC) Lack of clusters and SME networking weakness of the productive sector, especially in Albania |
| Potential complementary aspects in demographic and job tendencies on each bank | High rates of unemployment (CC/PCC and some regions of MS) Inadequate connection between educational system and labour market |
| OPPORTUNITIES | THREATS |
| Pickup on global level | Displacement in the processes of modernisation and adaptation of legal/administrative system as well in the process of growth trend. (PCC) |
| End of war collisions (PCC); beginning with normalisation process | Increase of grey economy and "under the table" jobs, also connected to exploitation of illegal immigration |
| Progress of process of alignment to EU policies (CC/PCC) | Young population about to enter labour market |
| Presence of productive specialisations Improved joint accessibility to labour market Joint attraction of FDI | |
| Low cost and wide labour offer, with learning capacity, especially in Albania | |

4. BUSINESS AND TOURISM

| STRENGTHS | WEAKNESSES |
|--|-----------------------|
| Potential of growth of commercial flows between States further to new agreements | Deficit trade balance |

| | |
|--|---|
| Increase of trade between Italy and eastern Adriatic countries | Growing complexity of commercial regimes |
| Positive trade balance (Italian provinces) | Flaws in tourism product marketing that does not emphasise what the territory offers |
| Increase of exports from some CC/PCC | Lack of receptive structures |
| Confirmed tourist destinations (Greece) | |
| Strong growth of tourism, particularly in Croatia | Low qualification and organisation of offer |
| Comparative advantage in tourism related to natural, cultural and anthropological resources (all Programme area) | Congestion by mass tourism in some regions Seasonality of Tourism Weak horizontal and vertical integration of Tourism |
| Enrichment of cultural activities in the framework of free time management | |

| OPPORTUNITIES | THREATS |
|--|--|
| Opening new markets Strengthening of financial instruments (Venture capital, Business angels, Seed capital, Guarantee funds) Creation of favourable conditions for business development through development of business related infrastructure and clustering and SME networking | Inner Competitiveness in Eastern Europe's area in tourist sector |
| Infrastructures and network Improvement | |
| Creation of joint tourism and cultural space Presence of resources still to improve in tourist sector, particularly in Albania | |
| Increase of wellbeing in Eastern Europe's area and consequent increment of tourist purchasing power | |
| Gathering of transport regional cooperation | |

| 5. RESEARCH AND INNOVATION | |
|---|---|
| STRENGTHS | WEAKNESSES |
| Good Italy placement related to high education and to qualified human resources availability | Low leverage in R&D in some MS in comparison with the European average |
| Good placement of some Italian region (Emilia-Romagna, Friuli Venezia Giulia and Veneto) in R&D activities | Scant capacity of enterprise to invest in research (Italian provinces) |
| Presence of universities and research centres in the different urban centres | Weak cooperation between private sector and R&D institutions (Italian provinces) Scanty family use of Internet (PCC) |
| OPPORTUNITIES | THREATS |
| Presence of cooperation initiatives between the two banks in R&D field | Loss of competitiveness (MS) |
| Dynamics in infrastructures (CC/PCC) | |
| Build on studies and research carried out in the previous programming period, especially in Italy - Albania | |

2-4- PREVIOUS EXPERIENCE OF COOPERATION IN THE ADRIATIC AREA IN

In 1990 the European Commission launched the INTERREG I Initiative with the following principal objectives: (i) to promote economic development and (ii) to foster integration. The first objective concerned support to border areas, to facilitate their particular development problems. The second objective aimed to promote cross-border networks.

For this reason the initiative included both cross-border cooperation within the European Union and with non-Member States of the central-eastern area. Trans-national cooperation was introduced only with the INTERREG II Programme (1994-1999), and was later confirmed in the INTERREG III Programme (2000-2006).

The relationship between countries involved in the Programme originated many years ago. Since the 1960s these countries have cooperated to resolve their common problems.

In the 1994-1999 programming period, an assistance Programme was carried out with INTERREG II, involving cross-border territories of some countries. Past experience revealed that a large number of projects in past programmes were carried out in the sectors of institutional cooperation and communications and the Programme was characterized by the limited size of projects undertaken (more than the half were granted funding for sums under €150,000), as well as by a low level of cross-border cooperation. This resulted from various elements, such as the difficulty in finding partners and the different administrative procedures to be complied with when presenting projects in the countries.

The period 2000-2006 saw different cooperation programmes in the Adriatic area and/or between participating countries of IPA Adriatic CBC Programme. One of the most important cooperation initiatives was the INTERREG IIIA programmes. The INTERREG IIIA Adriatic Cross-border Programme 2000-2006, with approval of the CARDS Regulation, became the principal financial and reference instrument for cross-border cooperation between Italy and Eastern Adriatic Countries.

In the period 2004-2006, cooperation instruments were better coordinated through the creation of the "Neighbourhood Programmes", which proposed the implementation of joint cross-border cooperation projects.

The INTERREG IIIA Adriatic Cross Border Programme – Adriatic New Neighbourhood Programme (ANNP) Interreg-Cards/Phare is the biggest cooperation programme involving the Adriatic Area.

The most important lesson learnt from the programming period 2000-2006 may be summarized by saying that efficient cross-border cooperation can only be achieved with of full symmetry, both in terms of management and in terms of financial resources.

The Italy-Albania INTERREG IIIA (2000-2006) with more than 80 projects financed, the programme is an important part of Adriatic- cooperation. A notable added-value in the area of the Programme was given by defining strategic objectives and joint priorities with the Albanian and Italian authorities bearing in mind the strategic guidelines of the Commission in matters of cooperation. Most particularly, the expression of the programme in the programming cycle 2000-2006 brought forward the neighbourhood approach, having already provided a joint decision-making process and the ability to to furnish adequate support in launching new forms of cross-border relations.

Cross-border cooperation between Italy and Albania, which started in 1994 is reinforced on the basis of the opinion of local communities on the legitimate beneficiaries of service furnished by the respective local and central administration.

In the 2000-2006 programming period, the INTERREG IIIA Italy-Slovenia promoted sustainable development of the cross-border region and the integration of the territory, to overcome the isolation which characterises the area. Mid-term evaluation revealed that the Programme had developed an appropriate strategy, particularly for the environment and sustainable development (especially in the attention given to starting a process of cross-border territorial planning, including maritime aspects, and to the implementation of common environmental monitoring systems), joint development of tourism, cultural heritage and action supporting primary sector companies. However, projects in favour of SMEs proved limited, despite their great importance. Concerning transport, much weight was given to cross-border road systems, as well as to lorry-parks of cross-border relevance and ports. No projects were started to improve public transportation and airports.

In 2004, Slovenia, Croatia and Hungary developed a trilateral programme of cross-border cooperation called the Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006 to be better prepared for the implications of enlargement and to strengthen good relations between the three neighbouring countries. This programme provided the basis for the development and implementation of joint development projects in the two priority areas: economic and social cohesion and human resource development and sustainable development. The regional and local actors showed a great interest in

the cross-border cooperation, especially in the field of promoting tourism and environment protection. However, the projects developed principally along the territorial border, while the initiatives on the maritime border remain to be strengthened.

In the wider context, in 2006 the Italian Adriatic Regions and certain municipalities and counties of the Republic of Slovenia, the Republic of Croatia, the Republic of Bosnia and Herzegovina, the Republic of Montenegro and the Republic of Albania situated on the Adriatic Sea established the Adriatic Euroregion, *“an association of units of territorial self-governments with the objective of reaching the goals of encouraging and developing long-lasting collaboration and partnerships in the Adriatic area and of national and international institutions.”*¹⁷.

The Greece-Italy 2000-2006 INTERREG programme contributed significantly to establishing and enhancing cross-border cooperation networks and played a role in bringing people and territorial institutions together, to develop a common understanding of development problems, challenges and solutions. The lessons both sides learned during implementation of the programme relate to the content of the projects as well as to the management of cross-border partnership.

The Greece - Albania 2000-2006 INTERREG programme, through its joint development strategy, contributed to the balanced development of neighbouring cross-border regions, by improving their economic potential and by supporting their social-economic fabric to the benefit of the overall population of the cross-border area. The Programme was based on the dual structures of ERDF and CARDS. However, a later change from CBC to Neighbourhood Programme and the consequent establishment of a Joint Monitoring Committee, a Joint Selection Committee and a Joint Secretariat have enabled the two countries to become closer. As a result, the experience both countries acquired in setting up the joint structures at Programme level has contributed to both countries being well prepared coping with these demands in the 2007-13 programming period.

The next table shows the coherence between programmes involved in the same area as the IPA Adriatic CBC Programme.

¹⁷ Art.1 “Foundation and objectives” of statute of Adriatic Euroregion.

Tab. 16 Programme strategies in the past experience

| Programme strategies in the Adriatic Area in the past experience (2000-2006) | | IPA Adriatic CBC Programme | | |
|--|---|----------------------------|---|---|
| | | 1 | 2 | 3 |
| INTERREG IIIA Adriatic Crossborder 2000-2006 | Protection and turn to account of environment, culture and infrastructure of the crossborder territory | | x | |
| | Economic integration of the cross border productive systems | x | | |
| | Co-operation strengthening actions | x | | x |
| INTERREG IIIA Italy-Albania 2000-2006 | Transports and communications | | | x |
| | Support to SMEs | x | | |
| | Environment | | x | |
| | Tourism | | x | |
| | Education | | | |
| | Cross-border cooperation | | | |
| INTERREG IIIA Italy-Slovenia 2000-2006 | Sustainable development of Cross-border Area | | x | x |
| | Economic Cooperation | x | | |
| | Human resources, cooperation and systems harmonisation | x | | |
| | Special support for regions bordering candidate countries | | | |
| INTERREG IIIA Greece-Italy 2000-2006 | Transport, communication, security | | | x |
| | Enterprise | x | | |
| | Environment and cultural heritage | | x | |
| Hungary – Romania and Hungary – Serbia and Montenegro Cross- Border Programme 2004-2006 | Strengthening the spatial, physical and infrastructural integrity of the cross-border area | x | | |
| | Promotion of co-operation initiatives in order to facilitate the integration of markets and enhance coherence between local societies | x | | |
| Neighbourhood Programme Slo-Hu-Cro 2004-2006 | Economic - Social cohesion and human resources development | x | | |
| | Sustainable development | | x | x |
| INTERREG IIIA Greece-Albania 2000-2006 | Crossborder Infrastructures | | | x |
| | Economic development and promotion of employment | x | | |

From analysis of the experience of past cooperation programmes the following are clear:

- the validity of the partnership process in defining joint projects;
- the validity of an inter-institutional approach to programming;
- the importance of adopting project evaluation processes able to clarify the added value of cooperation between participating countries ;
- the necessity of identifying initiatives and projects of strategic relevance to the territory and reducing fragmentation of operations;
- the value of exchanging best-practices, also in procedural and administrative areas with the aim of speeding up the EU adhesion process;
- the necessity of maximizing the involvement of local people.

3- PRINCIPAL FINDINGS OF EX-ANTE EVALUATION AND STRATEGIC ENVIRONMENTAL ASSESSMENT

3-1- EX-ANTE EVALUATION SYNTHESIS

The process

The Ex-ante Evaluation of the Programme has been carried out coherently with the guidelines and the suggestions formulated by the European Commission. The documents that have constituted the methodological basis for the implementation of the ex-ante Evaluation process are:

- The new programming period, 2007-2013: Indicative guidelines on evaluation methods: ex-ante evaluation (working document No.1 - August 2006);
- The new programming period, 2007-2013: Indicative guidelines on evaluation methods: Monitoring and evaluation indicators;
- Guideline for the ex-ante Evaluation of the 2007-2013 regional policy programmes (UVAL – Department for Development Policies (Italy) April and November 2006).

The themes dealt with in the ex-ante evaluation process have answered the information needs identified by the subjects that have actively participated in the definition of the Programme. The meetings between the planning team and the evaluation structure have coincided, for logistical reasons, with the task force meetings that took place from April 2006 to June 2007, in addition to numerous technical contacts with the Secretariat. The exchanges of Programme documents and suggestions and observations have had the aim of accompanying the planning processes, to rationalise the contents and identify the criticalities during strategy definition. In particular, the evaluator has presented within various meetings, documents concerning specific themes have been evaluated and /or suggestions for aspects regarding programming.

The first stage of the Programme definition process is made up by the identification of the general needs and of the problems of the Adriatic area, in particular structurally. This identification has been carried out with the contribution of different Countries that have supplied statistical information with predefined formats and references. The role of the evaluator in this stage covers through the selection of background information and the most important statistics. The definition process of the territorial and social-economic analysis has also used the *feed back* coming from the successive stages of definition of the Programme, in particular from that regarding objective identification, that has directed the analyses with a view to strengthen the logical correspondence between the social economic background analysis and strategic definition. The evaluator has therefore prepared specific in-depth thematic analyses that have been integrated within the text of the Programme.

The second stage of the process is made up by the definition of the overall strategy and relative justification of the Priorities, by the identification of the hierarchy of the objectives and of the activities to which it refers. This stage has developed through the comparison within the *task force*, where different subjects have reported the outcomes of the territorial consultations. Based on the background analysis, the comparison has allowed aligning the perception of the problems between the political and operative dimensions and to concentrate the attention on the guidelines for development that are precisely consistent with the objectives of the cross-border cooperation. In this field, the evaluator has collaborated in development of the logical framework of the objectives and in the definition of strategic approaches and methods for the application of the principles of concentration, integration and for the selection of the projects. On the definition of the set of indicators, the evaluator has presented a methodological document useful for the correct setting of the system.

Conclusions of the ex ante evaluation

Considering what was previously described, it is regarded, then, that the ex ante evaluation process has correctly followed stages and methods indicated by the community guidelines and by the

methodological documents and that it has been, accordingly, useful and effective for the Programme elaboration.

It is important at this point to highlight some aspects of the Programme, but that, effectively, regard Programming 2007-2013 as a whole, that influence the character of the ex ante evaluation itself.

The Programme, as allowed by the community guidelines, has a particular nature, that differentiates it from the programming documents of previous periods, because it is if not “generalist” it is unquestionably “preliminary”, of the guideline framework.

This condition has evident repercussions on the evaluation processes, both for the Ex ante evaluation and for the SEA, because they also find themselves working necessarily on the same level. Take for example, in particular, the absence of an accurate definition of the types of actions present within measures that generally are presented as indicative lists that are not exhaustive of possible interventions.

In the specific case of the IPA Adriatic CBC Programme, in addition, to this condition the specificity of the Financial plan is added that has a Priority based organisation, therefore very general, considering the considerable differentiation of the lines of action laid down within each priority.

The Programme then has its own specificities that increase the evaluative complexities (in all stages) inherent in its nature of cooperation programme and also in the legacy that it brings from Interreg for its essence as Community Initiative, with what it means in terms of innovation, transferability and added value. This particular calling, however, is confirmed in the extent of the financial resources available to the Programme that, considering the nine years of implementation, amount, in a theoretic estimate, to about 3,5 million euro/year per Country.

The amount of the resources, therefore, particularly limited, makes it necessary to strengthen and develop precisely innovation and transferability aspects tied above all to the processes, because of the limited financial coverage of the Programme for the implementation of significant work. All this, in particular the *focus* on the processes, necessarily puts the evaluation during the programming stage at a disadvantage, moving, instead, the core of the evaluative analysis during the “*in itinere*” and “*ex post*” stages.

In the light of the foregoing, the process carried out has allowed formulating a general appreciation for the Programme; with reference to the following aspects:

- the analyses, even with the limits deriving from the availability of the statistical information, have allowed acquiring the elements that are useful for programming, correctly highlighted in the SWOT analysis;
- the priorities pointed out by the SWOT have been taken into consideration and coherently traced back to specific lines of action, that have good impact potentialities:
 - initiatives whose aim is development of the priority resources of the area, such as, its strategic position that is strengthened by the measures directed at strengthening the port and airport systems, the connections between road and port infrastructure, the improvement of the management efficiency of the cross-border transportation systems; the naturalistic and cultural resources that are developed by the measures whose aim is improvement of the centres and sites of excellence , the constitution of cultural services networks, their joint management and promotion; tourism will be advantaged by the initiatives integrated in the promotion and marketing, of the interventions whose aim is the creation of area trademarks, etc.;
 - initiatives whose aim is to oppose risks and of the weaknesses: strong pressures on the environment are object of interventions whose aim is the defence of the coastal and marine environment and of biodiversity through coordinated cross-border management actions, experience and competence transfer and joint projects;
 - initiatives whose aim is increasing the competitiveness: in addition to being positively influenced by the above described initiatives, the Programme requires for competitiveness reasons, important lines of action for Research and Development, the result of convergences between scientific institutions and the production system and for technological innovation in

the fields of information and communication with effects also in terms of integration and social cohesion;

- the Financial plan, even with the limits of its organisation, proves to be consistent with the strategy. In fact, taking into account the limited amount of public financial resources, of the immensity of the territory and of the resulting needs, the choices made during programming prove appropriate to guarantee their maximum development due to the range of foreseen actions, the choice of the types of intervention and above all of the principles of concentration announced during programming;
- the guidelines regarding the types of the projects are also significant, divided into strategic and ordinary. The strategic projects have the role of guaranteeing the quality and effectiveness of the programming. Among these the Programme indicates the Italy -Albania Project, that will give continuity to the experience carried out in the previous programming period;
- the set of indicators present in the Programme (achievement and outcome indicators) follows the EC Working paper n. 4 and seems pertinent. Nevertheless the set of indicators will be adjusted/updated during the implementation period
- the management and implementation system is in accordance with provisions of the regulations and in relation to some aspects introduces appropriate explanations.

Suggestions

Retuning to the considerations made in the previous paragraph, it is considered an important priority, against the general guidelines of the Document of Programme, to further boost the programming stage, sharing further strategic passages. Among these in particular it is considered appropriate to reach a greater definition about the priority lines of action, among the numerous possible options laid down by the Programme, and the relative financial allocations organised only according to Priorities.

In relation to the set of indicators and the availability of statistical information, it is considered appropriate, to verify and in case revise and integrate the indicators, even anticipating work that may be carried out in the near future by the mid-term review. It is, also, important to verify the possibility of undertaking direct relationships with the National Institutes of Statistics, also assigning them specific analysis areas, as well as planning specific ad hoc investigations with the evaluator support.

Concerning the definition of ordinary but even more, strategic project development potential, it is suggested to immediately begin community regeneration, development and the identification of the territory's main interlocutors, the stakeholders. In this connection, it may be appropriate, according to the methods of each Country, to plan for the establishment of consultation and conciliation bodies/tools that may become permanent linked to the implementation period of the Programme.

Finally, in relation to the complex procedural stages connected to the payment and statement management and to the checks it is suggested to rapidly begin the selection of the technical assistance structures (central and territorial), taking into account the time necessary to complete the selection procedures and subcontracting services.

Referring to the adoption of the integrated central system of payment and statement management and to achieve a higher community added value, it is considered admissible that the Commission and the Member states can use the Twinning Programme. Through this the pre-accession countries that request it are supported, by *on the job* training of the local experts that participate in the management of the interventions co-financed with the Programme.

3-2- SEA SYNTHESIS

The Content of the Environmental Report (hereinafter called ER)

The Managing Authority, in parallel with drafting the Programme has decided – in accordance with Strategic Environmental Assessment (SEA) Directive 2001/42/CE – to develop procedures for the Programme's Strategic Environmental Assessment.

Such procedures were applied with close cooperation between the programmer, the ex-ante evaluator and the environmental evaluator.

The SEA, as it is known, is formed by a set of activities listed here: drawing up the Environmental Report on the Programme content, environmental authority and public consultation, integration of the Environmental Report results in the Programme and monitoring environmental impact indicators.

Through such procedures SEA seeks to contribute, from the start, to the integration of environmental aspects into the Programme. This will allow promotion of sustainable development, as well as identification and estimation of the possible environmental impact of the Programme, both in the programming and implementation stages.

First the ER was prepared within SEA with:

- (a) verification of the coherence of the Programme strategy with EU environmental sustainability objectives;
- (b) analysis of the environmental context (anthropomorphic pressures and current environmental conditions) of the entire Adriatic area, in relation to aspects concerning the Programme's strategy;
- (c) diagnosis of the Adriatic's environmental situation. Summary of the principal problems and potentialities of the area;
- (d) assessment of potential effects that implementation of the Cross-Border Cooperation Programme might generate on the environment in the Adriatic area;
- (e) formulation of proposals to improve the Programme's environmental sustainability;
- (f) definition of actions and indicators for monitoring environmental effects which might be generated by the implementation of Programme interventions.

Information provided by relevant national and regional administrative authorities was initially used in preparing the Environmental Report, with additional reference to European and International Institution databases (World Bank, European Environmental Agency, etc.).

The various Environmental Report drafts were prepared in parallel with Programme drafts. In this way it was possible to provide the Programme with elements useful for updating and improving the contents (priorities and measures) of the Programme's environmental strategy.

Amendments to the Programme as results of the Environmental Report and the Consultation Process.

The final version of the ER has therefore taken into account the input: (a) of the meetings of the Environmental Authorities of the Countries and of the Regions that rule the territories concerned by the Programme; (b) of the consultation organised according to the terms defined by the Managing authority of the Programme.

The main issues arising from the opinions delivered within the consultation about the ER regarded in particular:

- an improved clarification of the functional connections between the different parts of the ER and of the criteria used for the effect assessment;
- a more detailed analysis and diagnosis of the environmental situation;
- content enrichment of the alternative proposals and of the criteria given to increase the environmental sustainability of the Programme;
- content extension of the proposed actions for the monitoring of the effects on the environment of the Programme implementation, and an elaboration of the relative indicators.

The environmental evaluator, in the final version of the ER sent to the Commission in annex to the Programme proposal, has followed, where possible, the opinions delivered within the just described consultation.

The planner has accordingly, at the end of the SEA process, integrated into the Programme the environmental considerations contained in the ER that in particular regarded:

- the main environmental problems of the Adriatic area, highlighted both by the context analysis of the environmental situation and by the swot analysis;
- the effects that are potentially producible on the environment by the activities that are planned within the implementation of the Programme;
- the proposals formulated to : (i) mitigate the negative effects or exalt the positive effects that are potentially producible thanks to the Programme implementation; (ii) identify the possible implementing criteria to use for the implementation of the activities whose aim is to increase the environmental sustainability of the Programme;
- the monitoring and control strategy of the negative effects on the environment produced by the Programme implementation and the environmental indicators to use during monitoring.

As previously emphasised, during the preparation of the Programme, careful account was taken of the objectives and activities provided by the SEA in terms of their environmental effects.

This allowed progressive orientation of the Programme's strategy towards sustainable development principles and criteria established by the EU.

Regarding the integration of environmental aspects into the Programme, the definition of the operational strategy takes account of the principal environmental problems in the Adriatic area.

The ER diagnostic section identified the following as priority problems:

1. Air and water pollution caused by industrial and energy plants (emissions);
2. Necessity of drainage and land reclamation;
3. Critical situation of the marine environment through eutrophication following river pollution (above all in the Po river) and because of the shallowness of the northern sub-basin;
4. Impact on sea fishing, aquaculture and port activity;
5. Ecosystem fragmentation and negative modification of landscape caused by widespread settlement of coastal and inland areas;
6. Insufficient health infrastructure efficiency, especially during the tourism season;
7. Coastal erosion and gradual disappearance of the coastline;
8. Low level of waste recycling;
9. Noise pollution and destabilising vibration caused by heavy traffic on the coastal road network;
10. Water pollution, in the hills and plains, caused by intensive agricultural and zootechnical activity (above all nitrates and pesticides);
11. Grave inadequacy in water processing plants and waste treatment installations (both urban and specialised);
12. Growing air pollution problems (above all greenhouse gases and fine dust) in urban areas;
13. Necessity of coastal environment reclamation and presence of threats to protected areas;
14. Negligible contribution of renewable energy resources;
- 15 Necessity of protection of fragile marine and coastal environment.

Consultation Process with Authorities with Specific Environmental Tasks and the Wider Public

In line with the SEA Directive, the Programme Draft and the Environmental Report have been made available to Authorities with specific environmental tasks and the wider public to allow them to comment on environmental aspects of the Programme. To this end The Managing Authority of the Programme has promoted and undertaken a consultation process described as follows:

- 1) request information for drafting of the Environmental Report from Authorities with specific environmental tasks involved in the Programme. Presentation to those Authorities of the ER draft during the following meetings.
 - Rome 13 December 2006
 - Rome 5 April 2007
 - Rome 22 May 2007
- 2) Consultation of Authorities with specific environmental competences and public on the Programme draft and Environmental draft in accordance with the following terms (31 May 2007 – 30 June 2007):

- publication of the Programme and the ER with a notice on the website of the Programme with a direct link from the sites of the other Countries/Regions concerned by the Programme
- presentation of observations – from Authorities with specific environmental competences and from the public – through the website
- reflection on the observations, by the Managing authority of the Programme, before adopting the latter and the ER; with the following, possible response with relative modifications to the Environmental Report;

After the consultation then the next steps have been:

- the preparation of a final verification of the ER containing the modifications made after the observations formulated during the consultation;
- to make available to the public – at the office of the Autonomous Service for International Relations of the Executive Affairs of the Presidency of the regional councillorship of Abruzzo – a paper version of the ER in its final version.

4- PROGRAMME STRATEGY

This chapter describes the strategy and priorities adopted by the Programme in accordance with the multi-annual indicative planning documents of the participating CC/PCC and other relevant regional strategic documents, and the results of the ex-ante evaluation.

4-1- STRATEGY FORMULATION PROCESS AND IDENTIFICATION OF THE OBJECTIVES OF THE PROGRAMME

The IPA Adriatic Cross-Border Cooperation Programme gives priority to the objectives of the EU pre-accession and cohesion policies.

The Programme is based on cooperation between four CC/PCC and three Member States, and thus potentially meets the IPA's objectives by allowing participating countries to take actions together to develop their territories, under community rules and regulations, by developing as well the institutional capacity of CC/PCC.

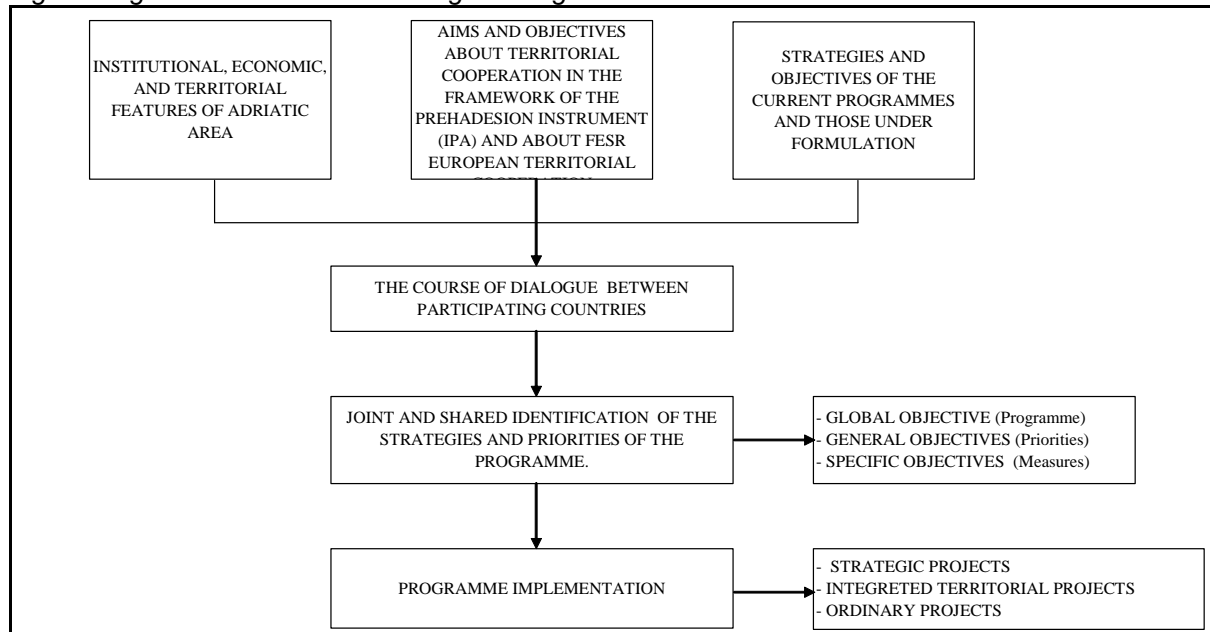
In this context, the component "Cross-border Cooperation" seeks to favour and stabilise relations in the Adriatic basin, by promoting sustainable and balanced development.

In accordance with Art. 86(2) of the IPA Implementing Regulation, the broad objectives of assistance are the following:

- Promoting sustainable economic and social development in the border area;
- Working together to address common challenges in fields such as environmental, natural and cultural heritage, public health and the prevention of and fight against organised crime;
- Ensuring efficient and secure borders;
- Promoting joint small scale actions involving local actors from the border regions.

Strategy formulation and identification of the general objectives of the Programme is based on a careful analysis of past experience in cooperation programmes developed in past years between the countries involved. The experience of the previous cycle of programming (INTERREG IIIA Programme) was also taken into consideration in terms of its results, the cooperation networks created and lessons of *best practices*. The Programme is developed on the basis of dialogue and partnership towards the common aim, the above mentioned objectives. Strategy is based on the particularities of individual contexts and on the opportunity to give continuity and coherence to the initiatives and cooperation projects that are still ongoing and to those already carried out.

Fig. 2 - Logical Framework of the Programming Process



4-2- THE PRINCIPLES ADOPTED BY THE PROGRAMME AS A BASIS OF THE STRATEGY

Before defining and agreeing the strategy, the countries participating in the Programme considered it necessary to establish some guidelines to direct choices and local actors directly involved in the implementation of the Programme

The identified and shared *principles* on which the strategy is based are:

- **Common benefits.** The Programme must highlight the benefits that lead to the development of the territories by encouraging a process that combines territorial potential and the capacity of regional and local partners to find solutions to common problems and contributes to improving social cohesion and competitiveness of the cooperation area.
- **Partnership.** Partnership is essential to guarantee effectiveness of the Programme. Partnership opportunities must constantly be sought and initiated both in the programming process and later in the implementation stage through consultation mechanisms between the involved actors.
- **Sustainable development.** This provides a long term vision of development prospects and considers the results of the activities carried out by different countries. Partners in the Programme should make an effort to direct public and private investment into new technologies which are environmentally friendly and provide employment.
- **Equal opportunities, no discrimination, respect of individual rights.** The Programme will respect the principles of non discrimination and respect for individual rights in all its activities, by guaranteeing equality of opportunity and guarding against all forms of discrimination. Particular attention should be paid to workers' and immigrants' rights.
- **Territorial area** of the development process and use of endogenous potential. The local focus of the cooperation permits full use of the territory's materials and human resources. The utilisation of endogenous potential should follow the territorial cohesion principle to take account of less favoured areas to achieve a balanced development process.
- **Strengthening the competitiveness** of the Adriatic basin compared to other geo-economic areas. The Adriatic area must discover its competitiveness in relation to other geo-economic areas. The promotion of integration of the euro-Adriatic area, inspired the cohesion criteria will have to be followed by joint work for the definition of a coherent competitiveness strategy for the area in the global context; to better choose strategic initiatives valid for the actors of the Programme

- **Integration.** In order to improve the quality of the activity and to achieve results rooted in the territories and in their decision-making processes, the Programme must promote:
 - integration between the territorial and cross border approach in order to cope with common challenges through means best able to produce mutual benefits;
 - inter-sector integration of the initiatives in which the Programme promotes processes of local development aimed at cohesion and sustainability;
 - integration of different skills and the roles of the key actors in involved territories;
 - the integration, complementary nature and coordination of the macro-regional, national and local initiatives concerning the cooperation area;
 - integration and concentration of resources. To best obtain significant results in the territory it is important to identify areas and sectors where intervention will be most effective. In addition, private/public financing partnerships must be involved during implementation to increase financial resources;
 - Continuity. Necessity of maintaining continuity of cross-border cooperation already underway (2000-2006 programming period) to consolidate the results achieved.

4-3- PROGRAMME GOAL

The global strategy conforms to articles art. 8-9 Title II of Regulation (EC) No. 1085/2006, which regulates the IPA CBC components.

The design of priorities and activities of the Programme is in line with the results of the needs assessment and the SWOT (Strengths and Weaknesses and Opportunities and Threats) analysis.

Furthermore, the strategy design could not fail to take into account the opportunity of building on experience gained in the previous programming period, both in terms of results achieved and the Adriatic networks created.

The Programme objectives contribute to the Lisbon and Gothenburg agendas with particular attention paid to sustainable development.

On the basis of the analysis explained above, the global objective of the present Programme was identified as:

Global objective

Strengthening of sustainable development capabilities of the Adriatic region through a concerted strategy of action between the partners of the eligible territories

The identified global objective completes the proper aims of assistance to the pre-accession processes with those of the EU cohesion policy, by enhancing through the cooperation:

- the CC/PCC requests for support to the institutional growth process and competencies in managing of the community instruments;
- by focusing all participating countries on common aims which create new and useful forms of integration and relations between the territories and increase the general competitiveness of the Adriatic area.

The strategic choices, on which the Programme is based, are detailed in the definition of priorities.

1. **Strengthening research and innovation to facilitate development of the Adriatic area through economic, social and institutional cooperation** Economic, social and institutional cooperation is intended to develop research and innovation capacity, creation and application of knowledge. This aspect is particularly important to the Programme. This

priority is central as is aimed at growth and the creation of competitiveness in the territorial and productive economic systems. There are several types of intervention aimed at strongly supporting the actions that give added value to cross-border activities.

2. ***Promoting, improving and protecting natural and cultural resources through joint management of technological and natural risks.*** The improvement of the environmental, natural and cultural resources of the area of the Programme is the second identified priority. The important qualitative and quantitative potential of the areas' natural and cultural resources are the reason this priority is considered so important and consequently is inserted in the Programme. The interventions aim to improve, promote and protect these resources through joint maximising the use of the resources.
3. ***Strengthening and integrating existing infrastructure networks, promoting and developing transport, information and communication services.*** Fundamental role to the development and the revival of the Adriatic area is the development of the infrastructure and the promotion of transport, information and communication services. A "corridor", even a marine one, connecting the two banks, would contribute to strengthening the economy of the whole area and encourage exchange outside it.

All the priorities of the Programme will also be achieved through the implementation of the Strategic Project namely the "Italy – Albania strategic project" which will build on past experience and be consistent with results of the SWOT analysis.

The above priorities have been identified as follows.

Priority 1 - Economic, Social and Institutional Cooperation: is necessary because of the lack of competitiveness of some countries and the eventual loss of competitiveness of others, because low investment in research and innovation.

Priority 2 – Natural and Cultural Resources and Risk Prevention: is based on the qualities of the Adriatic basin, with its considerably rich environmental, landscape and cultural heritage which retains to a high degree its identifying characteristics. It is a heritage still not fully realised and generally risks becoming limited to use as a seaside resort and for seasonal tourism. Further, the growth of the geomorphologic features and anthropomorphic use make environmental resources increasingly vulnerable and in need of integrated area protection policies as well as targeted and specific measures.

Priority 3 – Accessibility and Networks: in the case of aspects linked to Research and Innovation and those connected to Accessibility and Networks, these represent elements that influence the competitiveness dimension of the Adriatic region, and more particularly the factors represented by the intervention policies identified: logistics, inter-modality and integration between the networks, a system of transport services, and communication and information networks.

Programme objectives will be pursued taking into account the need to promote horizontal issues such as equality between men and women and sustainable development through the integration of environmental protection and improvement requirements.

The following table shows the distribution of funds of the Programme.

Tab. 17 – Programme's Priorities

| Priority | Resources |
|---|------------------|
| 1. Economic, Social and Institutional Cooperation | 30% |
| 2. Natural and Cultural Resources and Risk Prevention | 30% |
| 3. Accessibility and Networks | 30% |
| 4. Technical Assistance | 10% |
| Total | 100% |

An equal distribution between Priorities 1, 2 and 3 is based on the following reasoning:

- Priorities 1 and 2 are closely connected to the most important sectors of cooperation in the Adriatic area;
- Priority 3, even if not intended to fund principal infrastructure work, will finance projects, aimed at strengthening and integrating existing infrastructure networks, which are by nature financially consistent.

4-4- PRIORITIES AND SPECIFIC OBJECTIVES

This paragraph describes the strategy pursued by the Priorities and identifies specific objectives.

The Programme is divided in four Priorities.

- Priority 1 – Economic, Social and Institutional Cooperation.
- Priority 2 – Natural and Cultural Resources and Risk Prevention.
- Priority 3 – Accessibility and Networks
- Priority 4 – Technical Assistance

The Programme's structure is shown in the tables below.

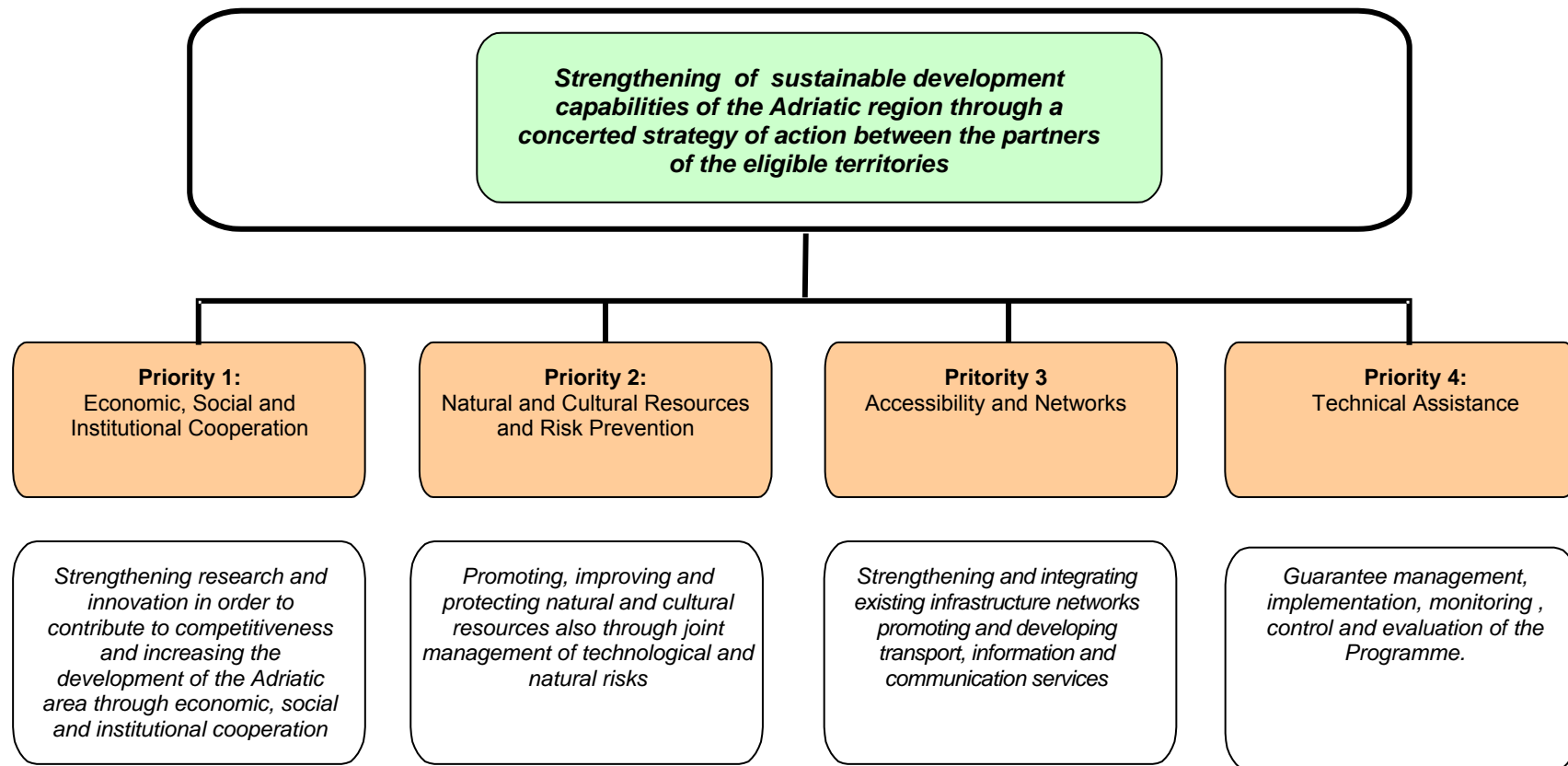


Fig. 3 – Logical Framework

Tab. 18 - Structure of the Priorities and specific objectives of the Programme

| | |
|--|---|
| Global objective: | Strengthening of sustainable development capabilities of the Adriatic region through a concerted strategy of action between the partners of the eligible territories |
| Priorities | Specific objectives |
| I. ECONOMIC, SOCIAL AND INSTITUTIONAL COOPERATION | |
| 1 Strengthening research and innovation in order to contribute to competitiveness and increasing the development of the Adriatic area through economic, social and institutional cooperation | Improving research capacity, also by increasing levels of competence, encouraging the transfer of innovation by the creation of networks between the entrepreneurial, institutional, academic, training and research sectors, and principally by promoting joint activities |
| | Incentivising the territorial and productive systems to invest in research and innovation through diversified and innovative offers of financial instruments |
| | Creation of new, and strengthening of existing cooperation networks in social, labour and health policy |
| | Promoting innovative services to the citizenry through the exchange of technical and government expertise and the exchange of best practice between governments and local/public authorities |
| II. NATURAL AND CULTURAL RESOURCES AND RISK PREVENTION | |
| 2. Promoting, improving and protecting natural and cultural resources also through joint management of technological and natural risks | Improvement and defence of the coast, also through joint management of the sea and coastal environment and risk prevention. |
| | Strengthening institutional ability to preserve and manage natural and cultural resources through regional cooperation |
| | Development of renewable energy sources and energy conservation |
| | Sustainable development of the competitiveness of Adriatic tourist destinations by improving quality and market-oriented package tours to the area getting the best from cultural and natural resources |
| III. ACCESSIBILITY AND NETWORKS | |
| 3. Strengthening and integrating existing infrastructure networks, promoting and developing transport, information and communication services | Development of port, airport systems and connected services, guaranteeing interfunctionality and integration between existing transportation networks |
| | Promoting a system of sustainable transport services to improve links in the Adriatic area |
| | Increasing and developing communication and information networks and access to them |
| IV. TECHNICAL ASSISTANCE | |
| 4. Guarantee management, implementation, monitoring, control and evaluation of the Programme. | Improving administration and implementation of the Programme |
| | Guaranteeing information, publicity and evaluation activities |

PRIORITY 1 – Economic, Social and Institutional Cooperation.

The general objective of the Priority is “Strengthening research and innovation in order to contribute to competitiveness and increasing the development of the Adriatic area through economic, social and institutional cooperation”.

The Priority is intended to contribute, through economic, social and institutional cooperation, to the development of research, strengthening of competitiveness and innovative capacity, development and application of knowledge in the Adriatic area.

Support for research activity and innovation has particular importance in the Programme. It is a very important objective in areas of intervention as it aims to create growth and competitive conditions in the productive system.

Therefore, the strategy must be structured on several types of intervention to support actions with added value in cross-border activity, by promoting, for example, joint public-private research activity, strengthening of cooperation between organizations and involving partners with specific competence and strengthening of productive systems.

The Priority is achieved through four specific objectives:

- Improving research capacity, by increasing levels of competence, encouraging the transfer of innovation by the creation of networks between the entrepreneurial, institutional, academic, training and research sectors, and principally by promoting joint activities.
- Incentivising the territorial and productive systems to invest in research and innovation through diversified and innovative offers of financial instruments.
- Creation of new, and strengthening of existing cooperation networks, in social labour and health policy.
- Promoting innovative services to the citizenry through the exchange of technical and government expertise and the exchange of best practice between governments and local/public authorities.

PRIORITY 2 – Natural and Cultural Resources and Risks Prevention.

In the described strategy, a fundamental role is played by realizing the potential of an area's cultural, natural and environmental resources where quantitative and qualitative potential is rich. The Priority objective is "Promoting, improving and protecting natural and cultural resources through joint management of the technological and natural risks", with the aim of maximising the use of resources, improving governance and creating better management.

In this context, the Programme aims to meet the following specific objectives:

- Improvement and defence of the coast, through joint management of the sea and coastal environment and risk prevention.
- Development of renewable energy sources and energy conservation.
- Strengthening the institutional ability to preserve and manage natural and cultural resources through regional cooperation.
- Sustainable development of the competitiveness of Adriatic tourist destinations by improving quality and market-oriented package tours to the area to get the best from cultural and natural resources.

The pursuit of specific objectives will take place in the framework of sustainable development.

The Programme contributes to achieving priorities established in the Gothenburg Sustainable Development Strategy, in particular by strengthening synergies between sustainable development and growth.

PRIORITY 3 – Accessibility and networks

The Priority objective is "Strengthening and integrating existing infrastructure networks promoting and developing transport, information and communication services".

Infrastructure and transport services, as well as communications, play a fundamental role in the development of the Adriatic region. In order to build on the results achieved in the previous programming period and in pursuit of the principle of environmental compatibility the following specific objectives have been identified:

- Development of port, airport systems and connected services, guaranteeing interfunctionality and integration between existing transportation networks.
- Promoting a system of sustainable transport services to improve links in the Adriatic area.
- Developing and augmenting communication and information networks and access to them.

PRIORITY 4 – Technical Assistance

The general objective of the Priority is to “guarantee management, implementation, monitoring, control and evaluation of the Programme”.

The financial dimension of the Priority takes into account the complexity of managing this Programme with the geographical extension of the eligible area, which implies a large number of the participating Countries and a high number of Authorities and Bodies involved in management and control.

The Priority will be achieved through two specific objectives:

- improving administration and implementation of the Programme;
- guaranteeing information, publicity and evaluation activities.

4-5- APPLICATION OF EU PRINCIPLES

4-5-1- Promotion of sustainable development

Sustainable development is a key objective in the Treaty. The principles and objectives of sustainable development were recognised by the European Council in Gothenburg in 2001 with the adoption of the Sustainable Development Strategy. Following the review of the EU Sustainable Development Strategy 2001 launched by the Commission in 2004 and on the basis of contributions from the Council, the European Parliament, the European Economic and Social Committee and others, the European Council adopted in June 2006 an ambitious and comprehensive renewed Sustainable Development Strategy for an enlarged European Union (10117/06). To serve as a basis for this renewed strategy, the European Council in June 2006 approved a declaration with the following key objectives and principles:

Key objectives:

- Environmental protection.
- Social equity and cohesion.
- Economic prosperity.
- Meeting our international responsibilities.

Policy guiding principles:

- Promotion and protection of fundamental rights.
- Solidarity within and between generations.
- Open and democratic society.
- Involvement of citizens.
- Involvement of business and social partners.
- Policy coherence and governance.
- Policy integration.
- Use best available knowledge.
- Precautionary principle.
- Make polluters pay.

The overall Objectives Structure and resulting Priorities demonstrate direct connection to these areas, addressing environmental protection and improvement, promoting an economic system for the future based on knowledge and innovation and emphasising social equality and public participation.

4-5-2- Promotion of equal opportunities and non-discrimination

The implementation of the activity is in line with European and national policies on equal opportunities and non-discrimination.

Equality of opportunity will be sought at all stages of the Programme, from strategy; project design, application and selection procedures, monitoring and evaluation and publicity

4-5-3- The competition rules

Each project which will include the participation of an “economic operator” (Directive 2004/18/EC of the European Parliament) as a beneficiary, will have to guarantee the respect of competition rules and State Aid rules. The Implementing rules and the call for proposals will specify the limits of the aids.

4-6- COMPLIANCE WITH OTHER POLICIES AND PROGRAMMES

4-6-1- Description of interventions within the Adriatic Cross-Border Cooperation Area.

The Northern Adriatic is an area rich, not only in terms of its resources but also its ecological heritage, its rich ecosystem, its varied and vibrant economic activity both on the sea and inland, and in its role as the engine of tertiary economic development. The Northern Adriatic is a closed aquatic area with low tidal water making it peculiarly vulnerable as an ecosystem and, therefore, particularly in need of a coherent conservation programme. The Adriatic Sea is separated from the rest of the Mediterranean by the Ionian Sea, which acts as the lungs of the Adriatic feeding new water into the basin. Water circulation in the Adriatic Sea is generally counter-clockwise.

Due to high population density and the concentration of industry and other economic activity, maritime traffic in general and that of oil tankers in particular is exceptionally heavy in the northern part of the Adriatic Sea.

Croatia, Italy and Slovenia, the three countries bordering the northern area of the Adriatic Sea, have been Contracting Parties to the Convention for the Protection of the Mediterranean Sea against Pollution (the Barcelona Convention) and to its 2002 Protocol concerning Cooperation in Preventing Pollution from Ships and, in Cases of Emergency, Combating Pollution of the Mediterranean Sea (Prevention and Emergency Protocol) which replaced the 1976 Protocol concerning Cooperation in Combating Pollution of the Mediterranean Sea by Oil and other Harmful Substances in Cases of Emergency (Emergency Protocol). All three countries have developed their respective national systems for preparedness and response to marine pollution incidents and have their National Contingency Plans, trained personnel and material resources for combating oil spills.

The representatives of Croatia, Italy and Slovenia anticipating that a serious incident of marine pollution would gravely damage both the Adriatic ecosystem and the economic activity of the region, notably tourism, fisheries and energy generation, prepared and adopted the Sub-regional Contingency Plan covering the Adriatic Sea.

Special attention shall be given to the services provided by the INTERACT II Programme. This EU-wide programme focuses on the good governance of territorial cooperation and provides needs-based support to stakeholders involved in implementing programmes. The target groups for INTERACT are primarily the implementation authorities as well as other bodies involved in programme implementation. In order to ensure maximum benefit from the INTERACT Programme for the implementing bodies of this Programme, the use of INTERACT services and documentation as well as the participation in INTERACT seminars will be encouraged. Related costs are eligible under Technical Assistance.

If regions in the programme area are involved in the Regions for Economic Change initiative the Managing Authority commits itself to:

- make the necessary arrangement to support innovative operations with cross-border/transnational impact that are related to the results of the networks,
- foresee a point in the agenda of the Monitoring Committee at least once a year to discuss relevant suggestions for the programme, and to invite representatives of the networks (as observers) to report on the progress of the networks' activities;
- describe in the Annual Report actions included within the Regions for Economic Change initiative."

4-6-2- Programme coherence with strategies and ongoing Programmes

To check and evaluate the "external coherence" of the programme with EU, national and regional programming objectives, in this chapter we take into account and analyse the relationship between the Programme goals and (tab. 19):

- the goals of the Lisbon strategy;
- strategic EU policies;
- the Gothenburg strategies;
- IPA objectives.

In order to verify the coherence of the Programme the national strategic reference framework(s) for the accomplishment of the cohesion policies of the member States and the Multi-annual Indicative planning document(s) for strategic planning in the sphere of the pre-adhesion process (compared tab 19) were also taken into consideration.

Tab. 19- Coherence between the EU strategies and the objectives of IPA Adriatic CBC Programme

| EU strategies in the Adriatic Area | | IPA Adriatic CBC Programme | | |
|------------------------------------|--|----------------------------|------------|------------|
| | | Priority 1 | Priority 2 | Priority 3 |
| Lisbon Agenda | Knowledge and innovation– engines of sustainable growth | x | ↑ | x |
| | Making Europe a more attractive place to invest and work | xx | X | x |
| | Creating more and better jobs | x | ↓ | x |
| Strategic EU lines | Making Europe and its regions more attractive place in which to invest | xx | ↑ | x |
| | Improving knowledge and innovation for growth | x | X | xx |
| | More and better jobs | x | ↓ | x |
| Göteborg Agenda | Climate change and energy | | x | |
| | Sustainable transport | | | x |
| | Production and consumption sustainable modalities | | x | |
| | Conservation and management of natural resources | | x | |
| | Public health | x | | |
| | Social inclusion, demography and immigration | x | | |
| | Global poverty and sustainable global development challenges | x | | |
| IPA objectives | Promoting sustainable economic and social development in the border | x | | |
| | Working together to address common challenges in fields such as | x | x | |
| | Ensuring efficient and secure borders | - | - | - |
| | Promoting joint small scale actions involving local actors from the | x | | x |

* Extensive review process of Gothenburg strategy of 2001 adopted in June 2006

X = Low Level of Coherence XX= High Level of Coherence
 ←X → = cross importance of the environmental sustainability

The Programme is fully consistent with the Lisbon Strategy precisely because it is a cooperation programme and as such is heavily directed toward supranational European cohesion strategies.

The global objective and the strategic choices of the Programme contribute to the implementation of the Lisbon Strategy by adopting three priorities:

- with regard to the 1st strategy “Making Europe a more attractive place to invest and work”, the 3rd *Programme* priority “Strengthening and integrating existing infrastructure networks, promoting and developing transport, information and communication services ” cover in particular the objective of expanding and improving European infrastructure. The Programme pursues the reinforcement of port and airport infrastructures and services and the improvement and safety of the transport system.
- in line with the 2nd Lisbon strategy, the Programme should be highly efficient in implementing the Lisbon strategy goal of using knowledge and innovation to boost growth. The measures concerning the development, promotion and enhancement of research and innovation by establishing scientific and technological networks, international technological platforms, by strengthening the relationship between research and the production system and, more generally, by actions favouring the area’s ability to attract investments and jobs.
- with regard to the 3rd Lisbon strategy, the Programme contributes mainly to the first priority thanks to investment in human capital, supporting the development of competences, mobility of researchers and the exchange and dissemination of results and the practices besides, across the further intervention line of priority 1, it contributes to the modernisation of the social-health and job sectors.

The cohesion policy completes the achievements of the Lisbon Agenda objectives, and consequently, the *Strategic Guidelines* in identifying the primary objectives in the promotion of sustainable growth, competitiveness and employment, are in tight convergence and synergy with it by adopting the same three priorities.

The *Guidelines*, in also highlighting the role of the “territorial dimension” in the cohesion policy, emphasize the importance of territorial cooperation and suggest the prevailing thematic sectors for its application in the upgrading of the transport infrastructure and in hydrological and environmental resource management. The elements of coherence of the Programme with the *Guidelines*, appear very distinctive in the lines of action which aim to increase the attractiveness of European regions, to be realized by improving the efficiency of transport infrastructures, for which the Commission explicitly recalls the importance of the cross border projects; the enhancement of synergies between environmental protection and increase of renewable energy resource use. The Programme gives an important contribution to the second orientation which aims to increase the level of research and technological development in the public and private sector, to promote the introduction of innovation in the productive system, to promote the diffusion of information and communication technologies in the public and private sector.

In addition to the Lisbon and strategic EU lines, the priorities of the Gothenburg Agenda have also been respected during the formulation of the Programme. In particular, the suggestions about Sustainable transport strategies, conservation and management of natural resources, public health, climatic change and energy.

The Instrument for Pre-Accession Assistance (IPA) drawing up five components. The Adriatic Programme only follows the “Cross-Border Cooperation” component. The main objectives for the Cross-Border Cooperation component are¹⁸:

- Promoting sustainable economic and social development in the border areas;
- Working together to address common challenges in fields such as environment, natural and cultural heritage, public health and the prevention of and fight against organized crime;
- Ensuring efficient and secure borders;
- Promoting joint small scale actions involving local actors from the border regions.

In addition to the EU strategies above, the Programme takes into account the objectives listened in the IPA Implementing Rules. As can be seen by table 19 the Adriatic Programme shows a good level of

¹⁸ Cfr. Art. 86 of IPA Implementing Regulation /2007)

coherence with the IPA Instrument. In particular the priority “Economic, Social and Institutional Cooperation” is coherent with the objective of IPA instrument “Promoting sustainable economic and social development in the border areas”. Similarly the environmental objectives of the Programme have a good level of coherence with the IPA environment objectives.

The next table (tab. 20) shows how the Programme coheres with the National Strategic Reference Framework and Multi annual Indicative Planning Documents. As it is possible see, the multi annual indicative planning of the countries involved in the Adriatic Programme has a high level of coherence with the Priorities of the Programme and also with the IPA objectives.

The National Strategic Frameworks documents about the countries involved in the Programme considered until now (Italy, Slovenia and Greece) identified some priorities divided into some general objectives. From the coherence evaluation in this document show that many priorities and objectives have a good level of coherence with the CBC Programme.

Another important document which takes coherence into account is the “APQ Balcani” document. This shows the lines of intervention of this Programme in part of the area of the Adriatic Programme. Many of these priorities are also illustrated in the Adriatic Programme.

Tab. 20 Coherence with the National Strategic Reference Framework and Multi annual Indicative Planning Documents

| Multi Annual Indicative Planning Document and National Strategic Document | | IPA Adriatic CBC | | |
|---|---|------------------|---|---|
| | | 1 | 2 | 3 |
| MIPD Albania | Development of cross-border economic, social and environmental activities of border areas | x | x | |
| | Address common challenges in the field of environment, public health, prevention and fight against organised | x | x | |
| | Ensure efficient and secure borders | | | |
| | Promote legal and administrative cooperation | x | | |
| MIPD Bosnia i Herzegovina | Promote local "people to people" type actions | x | | |
| | Activities aimed to promote and enhance cross-border co-operation and the socioeconomic integration of border regions through the strengthening of economical, social, environmental and cultural ties between respective participating countries, including people to people type actions. | x | x | |
| | Addressing common challenges in the field of public health, prevention and fight against organised crime, counter-terrorism, corruption etc. | | x | |
| | Co-operation and networking between countries to ensure secure borders and to promote legal and administrative co-operation. | x | | |
| MIPD Croatia | Co-operation among local/ regional authorities, associations, NGOs and enterprises from neighbouring regions to enhance economic and social development of eligible border regions; | x | | |
| | Small infrastructure to improve potential for tourism or local/ regional transport and communication, including environmental aspects; | | x | x |
| | People-to-people actions to intensify contacts at local level among citizens from either side of the borders; | | | |
| | Technical Assistance and information diffusion to help with programme implementation and contribute to timely delivery of results; | | | |
| MIPD Montenegro | Cooperation between authorities covering strategies and actions to address risks and threats to border security and organised crime. | | | |
| | Development of cross-border economic, social and environmental activities of border areas. | x | x | |
| | Address common challenges in particular in the field of environment and public health and development. | x | x | |
| | Promote local "people to people" type actions including among NGOs and local authorities. | x | | |
| MIPD Serbia | Cross-border infrastructure. Flood prevention. Waters management | | | x |
| | Economic co-operation (especially, creation of strong logistical links, supply chains and clusters alongside the border) tourism, agriculture and rural development. | | | x |
| | Address common challenges in the field of environment, public health, prevention and fight against organised crime, etc. | x | x | |
| | Ensure efficient and secure borders. Promote legal and administrative co-operation. | | | |
| | Promote local "people to people" type actions, more emphasis should be put on stronger co-operation between public entities, NGOs in the fields such as education and cultural co-operation, development of democracy and tolerance, conflict prevention etc. | x | x | |
| | Cooperation among cultural institutions including Museums, Theatres, etc. | | x | |
| | Develop the reference framework for CBC activities and developing planning documents; | | | |
| | Fostering reciprocal trust at local level; | x | | |
| | Supporting initiatives in the area of education, research and employment generation. | x | | |
| | Support activities for the return of refugees to their country of origin, their reintegration and facilitation of the access to their rights. | | | |
| | Support efforts to control small arms and light weapons. | | | |
| | | | | |
| National Strategic Reference Framework Italia | Enhancement and valorisation of human resources | x | | |
| | Promotion, valorisation and diffusion of research and innovation for competitiveness | x | | |
| | Sustainable and efficient use of environmental for the development | | x | |
| | Enhancement of natural and cultural resources for attractiveness and development | | x | |
| | Social inclusion and services to improve life quality and the territory attractiveness | x | | x |
| | Networks and links to improve mobility | | | x |
| | Competitiveness of productive system and employment | x | | |
| | Competitiveness and attractiveness of urban territory | | | |
| | Attractiveness of Italy as places to invest | x | | |
| National Strategic Reference Framework Slovenia | Governance and institutional building | x | | |
| | The economic development objective | x | | x |
| | The social development objective | x | | |
| | The cross-generational and sustainable development objective | x | | |
| National Strategic Reference Framework Greece | The development objective of Slovenia in the international environment | | x | |
| | Investment in the productive sector of the economy | x | x | |
| | Knowledge Society and Innovation | x | | |
| | Employment and social cohesion | x | | |
| | Institutional framework | | | |
| APQ Balcani 2007-2013 | Attractiveness of Greece and of the Regions as places to invest, work and live | x | x | x |
| | Socio-economic development | x | | |
| | Material and intangible Interconnections | | | x |
| | Environment and sustainable development | | x | |
| | Dialogue and Culture | | x | |
| | Health and Welfare | | x | |

Programme implementation takes into account also the analysis of other cooperation programmes, for the period 2007-2013, which covers the same areas of Adriatic Programme. The Programmes considered during this phase are: "South East Europe (SEE)", "Italia-Slovenia", "Greece-Italy" and "Greece-Albania". The table 21 shows the level of coherence about this programmes and the Programme.

Tab. 21 Coherence with the strategies in the 2007-2013 Programmes in the Adriatic Area

| Programme strategies in the Adriatic Area | | IPA Adriatic CBC | | |
|---|--|------------------|---|---|
| | | 1 | 2 | 3 |
| South Est Europe (SEE) 2007-2013 | Facilitation of innovation and entrepreneurship | x | | |
| | Protection and improvement of the environment | | x | |
| | Improvement of the accessibility | | | x |
| | Development of transnational synergies for sustainable growth areas | | | |
| Italy - Slovenia 2007-2013 | Ensure sustainable territorial integration | | x | x |
| | Increase competitiveness and development of a knowledge-based society | x | x | |
| | Improve communication, social and cultural cooperation, also in order to remove persisting barriers | x | x | |
| | Strengthening competitiveness and innovation | x | | |
| Greece-Italy 2007-2013 | Improve accessibility to sustainable networks and services | | | x |
| | Improving the quality of life, protection of the environment and enhancement of social and cultural cohesion | | x | |
| Greece-Albania 2007-2013 | Enhancement of cross border economic development | x | | |
| | Promotion and development of the environment and natural and cultural resources | | x | |

4-7- TYPES AND CHARACTERISTICS OF PROJECTS

Only joint projects involving at least one MS partner and one from a CC/PCC are eligible for co-financing. Projects involving only MS partners or only CC/PCC partners are not admissible. The specific rules applicable to projects submitted by GR/AL partners only and by SI/HR partners only are outlined below.

| |
|--|
| <p>The general rules governing the eligibility of operations under IPA CBC programmes between Member States and CC/PCC, and notably those specifically applicable to the Programme to avoid inefficient duplication of effort, are as follows:</p> <p>a) Operations selected shall include beneficiaries from at least one Member State and one CC/PCC. Operations which include beneficiaries from Member States <u>only</u> or from (potential) Candidate countries <u>only</u>, shall not be eligible for financing.</p> <p>As a result, cross-border cooperation between Member States shall <u>only</u> take place in the relevant Structural Funds Territorial Cooperation programmes (e.g. Slovenia-Italy, Italy-Greece), while cross-border cooperation involving (potential) Candidates <u>only</u> shall take place in the relevant IPA CBC programmes (e.g. Croatia-Bosnia and Herzegovina, Albania-Montenegro, etc.).</p> <p>b) As a complement to the above general rule, and with regards to the participation of Slovenia and Greece in the Programme, operations involving <u>only</u> beneficiaries from:</p> <ul style="list-style-type: none"> the Obalno-kraška region in Slovenia and the Istarska županija and/or the Primorsko-goranska županija counties in Croatia, <p>or</p> <ul style="list-style-type: none"> the Thesprotia and/or the Corfu prefectures in Greece and the Vlore region (districts of Vlore and Saranda) in Albania, <p>shall not be eligible under the Programme. Such operations shall be eligible under the Slovenia-Croatia and under the Greece-Albania IPA CBC programmes respectively.</p> |
|--|

- c) In order to be eligible for financing under the Programme, operations involving beneficiaries from the Slovenia–Croatia regions and the Greece–Albania regions mentioned in 6.b), must also include:
- at least a beneficiary from the eligible regions of Italy or Greece (case of operations involving beneficiaries from Slovenia–Croatia regions) or Slovenia (Case of operations involving beneficiaries from Greece–Albania regions);
- or
- at least a beneficiary from any of other eligible areas in the (potential) Candidate countries other than the areas of Croatia or Albania referred to in point b) above.

The Programme strategy, reflecting the territorial dimension involved, is wide and pursues difficult objectives through three Priorities; *Research and Innovation, Natural and Cultural Resources and Risk Prevention, and Accessibility and Networks*.

Considering the huge resources and the diversity policy lines envisaged, it is necessary to avoid the risk of diluting the resources by splitting them between too many operations. It is preferable to utilise principles of appropriate concentration of investments in terms of territories and sectors to maximize the effectiveness of the intervention.

This is one of the fundamental principles laid down in the Community Regulations.

In compliance with Art. 95 of the IPA Implementing Regulation, as a general rule, the Programme shall finance joint operations which have been jointly selected by the participating countries through single calls for proposals covering the whole eligible area. Participating countries may also identify joint operations outside calls for proposals. In that event, the joint operation shall be specifically mentioned in the Programme or, if it is coherent with the priorities or measures of the Programme, shall be identified any time after the adoption of the Programme in a decision taken by the Joint Monitoring Committee

To this end the means and procedures for defining, identifying and selecting operations are very important. These operations will be identified jointly by beneficiaries and partners in the eligible territories, who will pool their experience and common interests.

For this category of projects, the Joint Monitoring Committee, should define a limited number of projects, important in their effect on the territory concerned.

These projects will be identified on the basis of their cost and specific thematic approach, effectiveness and long-term results in the territories concerned and in respect of the Programme's objectives.

Strategic Projects are complex projects involving partnership with particular characteristics, concerning several sectors and requiring lengthy periods for their creation, technical support actions and particular coordination.

Another feature of the Strategic Projects is the use of either a *top down* approach, where the JMC identifies Strategic projects, or a *bottom up* approach, which is the local alternative where local actors propose specific projects.

The Strategic Projects must be effective and answer the territory's needs as envisaged by the Programme. They would be carried out as horizontal initiatives: where a specific thematic approach is preferred and should include the participation of more territories of MS and CC/PCC.

The following would be essential standards for the identification of a Strategic Project:

- a. to be based on high level of co-financing;
- b. to be a long term project because of the complexities of organization, partnership and content;
- c. to have an active and high quality partnership rather than nearly formal participation;
- d. to have particular requirements in terms of content. The Strategic Projects will have to show where they coincide and contribute to carrying out the Lisbon strategy and/or the Gothenburg agenda. They must also show when necessary the opportunity or possibility of opening new areas of *European policy*. Strategic Projects must satisfy the integration elements promoted by Community policies regarding cooperation;
- e. to produce a positive outcome in the cooperation area. This is an aspect closely linked to the territorial area of the project which isn't by definition common. A project may be "strategic" because, even if it operates in a limited territorial framework, it rebuilds or completes some networks or deals with matters of general interest to the entire area and thus encourages greater overall cooperation;
- f. to produce lasting effects the Strategic Projects should produce lasting changes and effects that extend beyond the territory and beyond the actual contents of the project:
 - to produce a lever effect on financial resources to catalyse other private and/or public financing and human resources;
 - to permit the consolidation and the stabilization of the partnership regarding the strategy development priorities of the territories;
 - to create permanent cooperation opportunities;
 - to bring about positive changes in *stakeholder's* behaviour.

Further explanations about the project typologies will be developed in the Implementing Manual to be issued following the Programme's approval

The Programme partnership recognises the value of the Italy-Albania cooperation which has been supported by the two countries and the EU over recent years.

As a result, the Programme partnership invites Albania and Italy to develop a strategic project which will be of benefit for the whole Adriatic Programme area. The involved Albanian and Italian partners must aim to expand the partnership for this strategic project to other interested partners from the Programme area.

The Albanian and Italian partners are invited to submit to the Joint Monitoring Committee - in one of its first meetings – the strategic project, including a financial and activities plan¹⁹.

¹⁹ A series of meetings and exchange of correspondences with regards to a Strategic Project Italy-Albania in the framework of the Programme took place from March 2006.

On this month, a Letter of Intent was signed by the Prime Minister of Albania and the President of the Region of Puglia and sent to the President of the European Commission in Brussels, requesting the continuation of the cooperation between Albania and Italy under the Community funded programmes of cooperation.

A meeting organised by the European Commission and the Italian Ministry of Foreign Affairs where the new cross-border cooperation programmes were presented, took place in Rome on the 9-10 March 2006. It was decided that Albania will participate in only one programme with Italy. After the decision not to have a bilateral programme Italy-Albania for the next programming period 2007-2013 and in order to continue the cooperation activities started since 1994, efforts to include a Strategic Project Italy-Albania in the Programme have continued.

A high level Forum on "Investments and Legality in Albania" took place in Bari, Italy, on the 24th of May 2007, where discussions on the future cooperation of the 2 countries under the new Programme took place.

5- INTERVENTION PRIORITIES

INTRODUCTION

In this chapter are detailed the specific objective, implementation modality and the potential beneficiaries²⁰ for each Priority. In addition in paragraph 5.5 the Programme indicators in term of Output and Result and quantified targets are outlined.

5-1- PRIORITY 1 – ECONOMIC, SOCIAL AND INSTITUTIONAL COOPERATION

The general objective of the Priority “Strengthening research and innovation in order to contribute to competitiveness and increase the development of the Adriatic area through economic, social and institutional cooperation “ is to be achieved through four Measures. These are:

- Measure 1.1 – Research and Innovation
- Measure 1.2 – Financial Support for Innovative SMEs
- Measure 1.3 – Social, Health and Labour Networks
- Measure 1.4 – Institutional Cooperation

5-1-1- Measure 1.1 – Research and Innovation

The Measure’s objective is to improve research capacity in the Adriatic area, by increasing levels of competence, encouraging transfer of innovation by creating networks between the entrepreneurial, institutional, academic, training and research sectors, principally by promoting joint research activity.

The purpose is to facilitate initiatives aimed at strengthening the scientific-technological research system, by strengthening connections between the entrepreneurial, institutional, academic and research sectors, above all by promoting joint research activity between private companies as well as between the private and public sector. Various sectors are involved, including construction. In addition environmental research and research in the field of eco-innovations is to be encouraged.

The support aims to create and strengthen cooperation between universities, research centres, private companies and public bodies in order to facilitate advanced research through financial support of strategic projects. In addition it is intended to promote exchange of researchers and technicians between companies and universities. In the measure particular importance is given to capacity building, transfer of know-how and the exchange of technical-scientific expertise.

The interventions financed by this Measure should seek to involve Serbian partners.

Expected beneficiaries:

Research Institutions, Universities, enterprises, Public Organizations.

Examples of possible actions are:

- Establishment of cooperation networks between University, Research Centres and other qualified Organizations;
- Developing competitive and cooperative mechanisms to guarantee funds to the most promising researchers;

²⁰ The final list of beneficiaries will be included in Terms of Reference of Call for tenders, calls for proposals and calls for expression of interest.

- Supporting and facilitating advanced research activities;
- Fostering researcher mobility and, in particular, the exchange of researchers and technicians between enterprises and universities;
- Reinforcement of systemic cooperation between research and private/public companies;
- Creating international technological platforms;
- Capacity Building and transfer of know-how;
- Promoting the dissemination of best practice;
- Creating scientific and technological networks in the Adriatic area for the exchange of information, data and experiences on research and innovation;
- creating ICT facilities to support SMEs and start-ups processes and supporting the creation of regional and interregional clusters of excellence;
- promotion of joint research activity between enterprises and universities and developing partnership for innovation, and by supporting the creation of regional and trans-regional clusters of excellence.

5-1-2- Measure 1.2 – Financial Support for innovative SMEs

The measure aims to create incentives for the territorial and productive systems to invest in research and innovation through the diversified and innovative offer of financial instruments.

The initiatives will focus principally on research, technology and science transfer, boosting entrepreneurial initiative and creating a productive environment where innovative capacity, even in traditional sectors, can grow and develop, in order to strengthen Europe's competitiveness.

Expected beneficiaries:

SMEs and Joint SMEs , Public Bodies, Development Agencies

Examples of possible initiatives are:

- Promote creation and growth of knowledge-based enterprises by promoting process of start up, spin off, the creation of business incubator networks and subsidiary factories and the use of seed capital;
- Supporting investment in research and innovation and technological and scientific transfer;
- Accelerating the creation and strengthening of cluster systems, with particular attention to cooperation between the entrepreneurial, institutional, academic and research in public and private sectors;
- Internationalization of Joint SMEs;
- Promoting innovation in traditional and none productive sectors in terms of product, process, market, organization.
- Supporting ideas, innovation and knowledge;
- Assistance to SMEs for the promotion of environmentally-friendly products and production processes;
- Investment in firms directly linked to research and innovation;
- Improving access to business finance;
- Providing support to invest in training and development activities linked to business improvement.

5-1-3- Measure 1.3 – Social, Labour and Health Networks

The objectives of the Measure are the creation of new and strengthening of existing cooperation networks in social, labour and health policy.

This Measure aims to facilitate exchange of experience and transfer of competence in the social-health and labour sector.

One of the top priorities is finding equilibrium between the highest quality services and equal access for all while keeping expenditure at reasonable level according to sound management practices.

The exchange of experience and capacity transfer in the social, labour and health sector, improvement of quality and accessibility to social care protection services, to reduce territorial inequalities will be supported. The initiative should be of an innovative character to better integrate what it is normally guaranteed by ordinary resources and national policies.

Expected beneficiaries

Voluntary organizations in the social and health sectors, Local and Public Authorities,

Examples of possible initiatives are:

- Exchange of experience and transfer of competence in the social-health and labour sector, also by enhancing the use of ICT;
- Optimising the exploitation of existing health and social infrastructures in order to improve quality and accessibility to social and health services;
- Increase in migrants' participation in employment, thereby strengthening their social integration;
- Facilitation of geographical and occupational mobility of workers and integration of cross-border labour markets;
- Integration of social and health policies to harmonise the delivery of health services and the reduction of territorial inequalities;
- Creation of international networks (e.g.: epidemiological monitoring, exchange of information in order to rapidly address health emergencies);
- Action to improve the integration of disadvantaged people;
- Creation of integrated networks of services for voluntary social work and of health services (hospital facilities, tele-medicine, tele-assistance and common service centres);
- Creation of integrated networks to improve labour mobility;
- Providing health and social services through home care through the use of ICT;
- Exchange of experience and transfer of competence in the labour market and the training sector;
- Harmonisation of academic qualifications and certificates.

5-1-4- Measure 1.4 – Institutional Cooperation

The Measure aims to promote innovative services to the public through exchange of technical and governmental competence and the spread of best practice between local government authorities.

Interventions financed by this Measure should seek to involve Serbian partners.

Expected beneficiaries:

Public Bodies, Business Support Organizations and Agencies, NGOs

Examples of possible initiatives are:

- Promotion of exchange of experience regarding technical and managerial competence, the wide adoption of governance tools which facilitate the integration/cooperation between Public Authorities;
- Promotion of permanent networks between Public Authorities for the dissemination of innovative services;
- Dissemination of best practice;
- Dissemination of innovation processes among governments (e-government), to greater simplify procedures and reduce time needed for supply of services to citizens;

- Promoting actions aimed at increasing European identity in a multicultural and multi-ethnic context through territorial and social cooperation projects addressed mainly to young people.

5-2- PRIORITY 2 – NATURAL AND CULTURAL RESOURCES AND RISK PREVENTION

The Priority is based on the following objective “Promoting, improving and protecting natural and cultural resources through joint management of technological and natural risks”.

The general objective is achieved through four Measures:

- Measure 2.1 – Protection and Enhancement of the Marine and Coastal Environment
- Measure 2.2 – Natural and Cultural Resource Management and Prevention of Natural and Technological Risks
- Measure 2.3 – Energy Saving and Renewable Energy Resources
- Measure 2.4 – Sustainable Tourism

5-2-1- Measure 2.1 – Protection and Enhancement of the Marine and Coastal Environment

The objective of this Measure is the enhancement, prevention and protection of the coast also through joint management of the marine and coastal environment and of common risks.

The Measure aims to support intervention to protect the coastal heritage to ensure revitalization and rebalancing of the coastal area and the marine environment while pursuing sustainable tourism as a key to the development of the area.

The support aims to protect marine and coastal ecosystems which are fragmented, highly vulnerable and under considerable anthropomorphic pressure, through the development of protected zones (Integrated Coastal Zone Management - ICZM).

The measure is in line with the main policy directions for further promotion on ICZM in Europe set out by the EC in COM 2007 (308) of the 7 of June 2007 and will take fully account of the INSPIRE System (Infrastructure for Spatial Information in Europe) and the GMES (Global Monitoring for Environment and Security).Programme

Expected beneficiaries:

Public Bodies, Research centres

Examples of possible initiatives are:

- Reinforcing Local Authority competence in the joint management of the marine and coastal environment also through the promotion of a common planning policy;
- Implementation of specific studies of the coastal environmental system;
- Developing common instruments for integrated coastal zone management;
- Marine -coastal environment monitoring also through a joint Geographical Information System (GIS);
- Joint projects for the protection of inland water from widespread pollution, from alien and invasive species and the control of sea water quality;
- Strengthening of ecological systems and protection of biodiversity to improve environmental quality and the promotion of economic and social sustainable development;
- Prevention of coastal erosion;
- Scientific researches to improve sustainable and responsible use of marine food resources to guarantee food supply quality;
- protection of the NATURA 2000 sites.

5-2-2- Measure 2.2 – Natural and Cultural Resource Management and Prevention of Natural and Technological Risks

The objective of this Measure is to strengthen institutional capacity for preservation and management of territorial resources and prevention of risk and mitigation of accidents through territorial cooperation.

It is important to propose promotion and preservation strategies for the natural and cultural heritage in the Area; as it is a strategic resource of vast importance for developing sustainable tourism. The cultural and natural heritage of this territory is of especial particular environmental, historical, architectural and cultural interest, and is still not widely well known.

Social and economic analysis of the area eligible under the Programme has nevertheless shown the presence of threats which if not dealt with promptly, may be an obstacle to the development of the territory. Such resources provide an important development opportunity and not only from tourism.

The measure is in line with the main policy directions for further promotion on ICZM in Europe set out by the EC in COM 2007 (308) of the 7 of June 2007 and will take fully account of the INSPIRE System (Infrastructure for Spatial Information in Europe) and the GMES (Global Monitoring for Environment and Security).Programme

Expected beneficiaries:

Public Authorities, NGOs, SMEs

Examples of possible initiatives are:

- Strengthening the competence of Public Authorities in defining long- term environmental strategies(including the SEA use plans);
- Innovation and dissemination of technology for the preservation and management of the cultural and natural heritage;
- Exchange of best practice on preservation and management of environmental and cultural heritage;
- Establishing collaboration between Agencies, Organization and Universities to create networks in the field of environmental and cultural protection and risk management;
- Exchange of experience in management of NATURA 2000 sites in respect to the Council Directive 92/43/EEC on the conservation of natural habitats and wild fauna and flora and Council Directive 79/409/EEC on the conservation of wild birds;
- Exchange of experience in management of natural resources and protected areas;
- Ballast water management;
- Joint projects to check and free eligible area from pollution.

5-2-3- Measure 2.3 – Energy Saving and Renewable Energy Resources

The Measure aims to develop renewable energy resources and energy conservation.

The Measure, in line with objectives set out by the EU, aims to improve energy efficiency by financing investment in new technologies, and encourage, through awareness campaigns, SME to adopt them.

Expected beneficiaries:

SMEs, Public Authorities

Examples of possible initiatives are:

- Promotion of centres of excellence for the development of renewable energy sources (sustainable use of sea water, solar energy, biomass & biogas, abattoir refuse);
- Dissemination of best practice on energy conservation and renewable energy sources;
- Promotion of awareness campaigns on energy conservation and renewable energy sources;
- Preparation of regional and local programmes for sustainable energy production and consumption;
- Promotion of pilot projects and demonstrative actions on the use of renewable sources especially by the creation of small scale renewable power plants.

5-2-4- Measure 2.4 – Sustainable Tourism

The Measure aims to increase international competitiveness of tourist destinations in a sustainable way, by improving the quality of market oriented tourist packages, particularly emphasising natural and cultural resources.

The strategy must ensure a joint approach to the promotion of the Adriatic basin as a whole. This may also be guaranteed by financing a principal strategic project.

Expected beneficiaries:

Tourism Board and Organizations, Public and Private Bodies Developing or Operating Tourism and/or Cultural Facilities

Examples of possible initiatives are:

- Enhancement of natural and cultural centres of excellence, strengthening of networks between museums, theatres, etc;
- Creation of networks for developing the tourism and sports infrastructure;
- Strengthening territorial and landscape awareness through the promotion of cultural identity;
- Improving management of tourist services through cross-border cooperation (exchange of experience and know how, etc);
- Promotion and creation of Area trademarks (eco-labels, blue-flags);
- Enhancement of new cultural products for development of sustainable cultural tourism;
- Tourist marketing action aimed at lengthening the tourist season;
- Promotion of integrated tourist routes and packages;
- Carrying capacity assessment for tourism development;
- Improvement and integration of tourist information services;
- Development and promotion of trade in traditional craftwork through the creation of local consortia and joint territorial marketing actions;
- Joint strategies for diversification and differentiation of the tourist destinations of the Adriatic area;
- Studies and common strategies to enhance inland areas as tourist destinations.

| |
|--|
| 5-3- PRIORITY 3 –ACCESSIBILITY AND NETWORKS |
|--|

The general objective of the Priority is “Strengthening and integrating existing infrastructure networks, promoting and developing transportation, information and communication services”. Three specific objectives which correspond to the following Measures.

- Measure 3.1 – Physical Infrastructure
- Measure 3.2 –Sustainable Mobility Systems
- Measure 3.3 –Communication Networks

5-3-1- *Measure 3.1 – Physical Infrastructure*

An objective of the Measure is the development of sea and air transport and ancillary services to guarantee inter-functioning and integration between existing transportation networks.

The support aims to modernise and strengthen port and airport facilities to optimise existing potential through the improvement of service, security and the upgrading of existing facilities. Isolated actions with no demonstrable influence on overall interconnectivity of the area will not be financed.

Expected beneficiaries:

Public and public equivalent authorities (ports and airports authorities)

Examples of possible initiatives are:

- Modernization and strengthening of port and airport facilities;
- Improving the security of goods and carriers.

5-3-2- *Measure 3.2 - Sustainable Mobility Systems*

The Measure is intended to promote sustainable transport services to improve links in the Adriatic area.

The Measure supports an efficient, safe and sustainable transportation system with the aim of achieving integrated development of the Adriatic area and accessibility to bordering territories.

Expected beneficiaries:

Public Authorities, Public and private companies

Examples of possible initiatives are:

- Support for the cross-border management of public transport services;
- Promotion of links between ports and inland areas to enhance interfunctionality networks;
- Strengthening and promotion of transport services for both goods and people.

5-3-3- *Measure 3.3 – Communication Networks*

Information technology represents an essential factor of innovation and economic development as well as a fundamental instrument for social cohesion.

The Measure aims to enhance and develop information and communication networks and their accessibility as they are tools in the exchange of expertise.

The measure also seeks to improve accessibility to information and services, while reducing traffic volume.

Expected beneficiaries:

Public Authorities, NGOs

Examples of possible initiatives are:

- Innovative projects on the use of new ICT, particularly in the promotion of awareness and enhancement of the territory in culture and multimedia;

- Promoting ICT for access to public services (e-government, e-learning, e-procurement etc.)
- Using ICT as an instrument to reduce cross-border transportation needs (video-conferencing, websites, etc);
- Using ICT to develop efficient traffic management systems and traffic information systems regarding cross-border transport flows.

5-4- PRIORITY 4 – TECHNICAL ASSISTANCE

The general objective of the Priority is to “Guarantee management, implementation, monitoring, control and evaluation of the Programme”. This priority includes two Measures:

- Measure 4.1 – Administration and implementation
- Measure 4.2 – Information, publicity and evaluation

Technical Assistance (TA) will be given to activities necessary for the effective and smooth management and implementation of the Programme. Technical Assistance will be used for the preparatory, management, monitoring, evaluation, information, and control activities.

This will guarantee the pre-conditions (material and personal resources) for efficient and effective programme implementation and follow-up including project selection, control, monitoring, evaluation and information.

5-4-1- Measure 4.1 - Administration and Implementation

This measure covers the operational costs required for effective and efficient implementation of the Programme such as:

- costs related to the JTS and its antennas or info-points;
- assistance and support to the management structures (MA, CA, AA, JMC, JSC, OFLC);
- strengthening administrative capacity;
- performing high quality assessment of applications, monitoring and control of projects implemented under the Programme and the programme generally, as an integral part of sound management of the programme ;
- Expenditure of the JMC and JSC meetings;
- Construction, maintenance and upgrading of computerised systems for collecting financial and physical indicators of progress and impact for both internal and external consumption.

5-4-2- Measure 4.2 – Information, Publicity and Evaluation

This measure covers the operational costs required for the dissemination of the Programme related information amongst potential beneficiaries and the wider population of the eligible area. It is possible to finance:

- setting up, maintaining and upgrading of the website;
- information and publicity measures to increase the awareness of potential beneficiaries, target groups and the wider public about the Programme and eligible activities that might be co-financed as well as the results of the Programme's implementation (e.g. organisation of public events and awareness raising events);
- information and documents, including translation costs;
- promotion of partnership and cooperation between partners (e.g. partner search forums);
- information, technical support seminars, training, and advisory services provided to applicants and potential beneficiaries in project preparation;

- carrying out/commissioning thematic evaluations, studies, reports and surveys that contribute to greater relevance and effectiveness of the Programme or/and are of public interest;
- capitalisation on outputs and results and dissemination of information such as best practice.

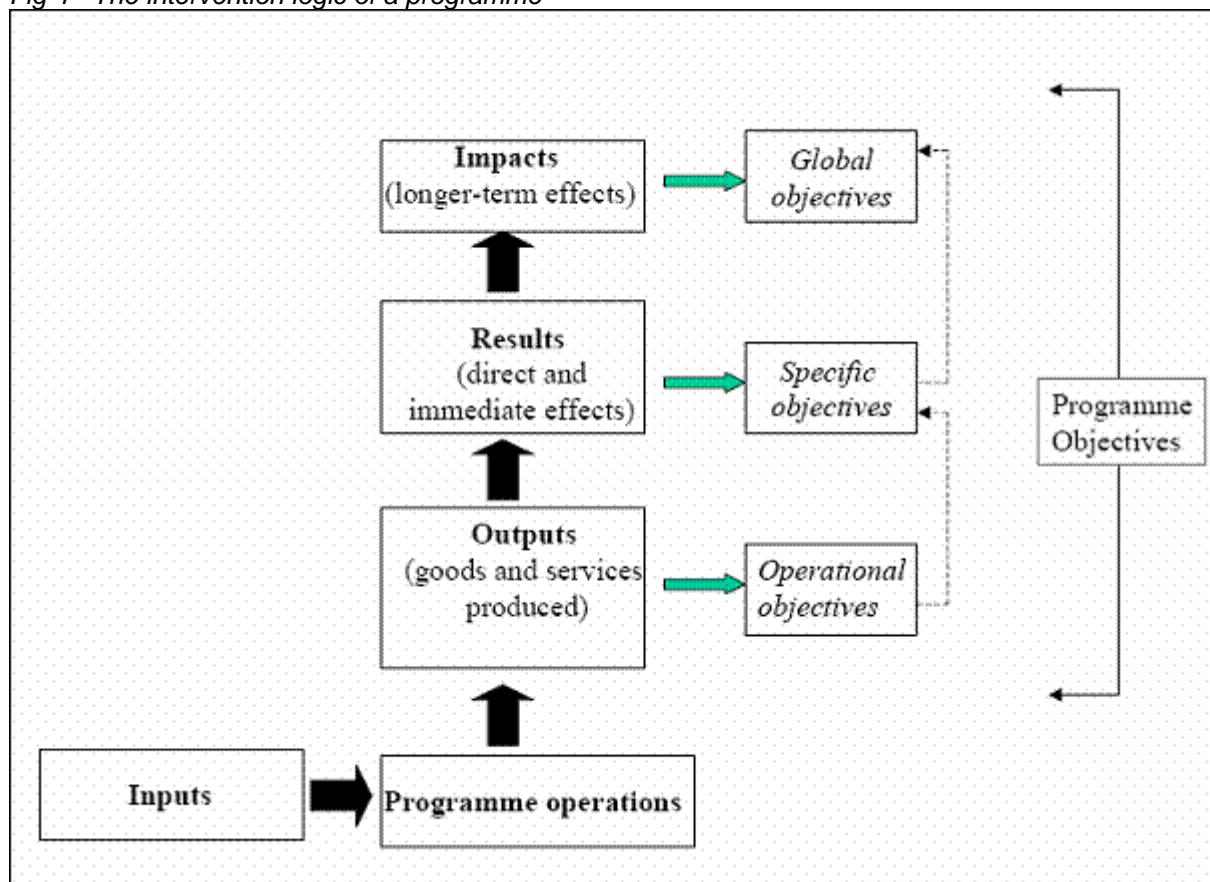
5-5- QUANTIFIED TARGETS AND INDICATORS

In accordance to Art. 94 of IPA Implementing regulation the targets Priorities shall be quantified using a limited number of indicators for output and results, taking into account the proportionality principle. The indicators shall make it possible to measure the progress in relation to the baseline situation and the effectiveness of the targets implementing the priorities.

The set of indicators serves for internal programme management and forms an indispensable basis for reporting and communication to make the Programme's achievements clear to Programme partners and to a broader public.

The ex ante quantification of the targets is based on two parameters: the financial weight of the priority axes and an average project size drawn from previous experiences.

Fig 4 - The intervention logic of a programme



To be able to monitor a programme's implementation and judge its performance against the objectives set, it is necessary to use a set of indicators, which must be decided in advance or early on in the programme's implementation, so that data on them can be collected.

Table 22 – Definition of input, output, result and impact indicators

Resource or input indicators refer to the budget allocated to each level of the assistance.

Financial indicators are used to monitor progress in terms of the (annual) commitment and payment of the funds available for any operation, measure or programme in relation to its eligible cost.

Output indicators relate to activity. They are measured in physical or financial units (e.g., length of railroad constructed, number of firms financially supported, etc.).

Result indicators relate to the direct and immediate effect on direct beneficiaries brought about by a programme. They provide information on changes to, for example, the behaviour, capacity or performance of beneficiaries. Such indicators can be of a physical (reduction in journey times, number of successful trainees, number of roads accidents, etc.) or financial (leverage of private sector resources, decrease in transportation cost, etc.) nature.

Impact indicators refer to the consequences of the programme beyond the immediate effects. Two concepts of impact can be defined:

Specific impacts are those effects occurring after a certain lapse of time but which are, nonetheless, directly linked to the action taken and the direct beneficiaries.

Global impacts are longer-term effects affecting a wider population.

*Priority 1 – Economic, social and institutional cooperation***Output indicators**

| NAME | TARGET | DATA SOURCE |
|---|--------|-------------|
| Number of projects | | |
| Total Number of projects | 65 | Monitoring |
| <i>Number of projects: Research and Innovation</i> | 10 | Monitoring |
| <i>Number of projects: Financial Support for innovative SMEs</i> | 20 | Monitoring |
| <i>Number of projects: Social, Labour and Health Networks</i> | 15 | Monitoring |
| <i>Number of projects: Institutional Cooperation</i> | 20 | Monitoring |
| | | |
| | | |
| Types of projects | | |
| Developing common policies and strategies | 25 | Monitoring |
| Developing common tools | 25 | Monitoring |
| Developing pilot actions | 13 | Monitoring |
| Developing common feasibility studies | 2 | Monitoring |
| | | |
| | | |
| Partnership | | |
| Number of Projects involving 2 – 4 partners | > 60% | Monitoring |
| Number of Projects involving 5 – 8 partners | > 35% | Monitoring |
| Number of Projects involving more than 8 partners | > 5% | Monitoring |
| Number of Projects involving 2 – 3 countries | > 60% | Monitoring |
| Number of Projects involving 4 – 6 countries | > 35% | Monitoring |
| Number of Projects involving more than 6 countries | > 5% | Monitoring |
| | | |
| | | |
| Specific Outputs | | |
| N° of research activities supported | 15 | Monitoring |
| N° of RTD/Innovation networks created | 10 | Monitoring |
| N° of university/research centres involved | 10 | Monitoring |
| N° of SMEs assisted of which: | 30 | Monitoring |
| N° of female SMEs assisted; | 15 | |
| N° of SMEs developing environmental products | 8 | |
| N° of new companies assisted of which: | 15 | Monitoring |
| N° of female SMEs assisted; | 7 | |
| N° of SMEs developing environmental products | 3 | |
| N° of projects developing collaboration in the field of public services | 10 | Monitoring |
| N° of people participating in joint education or training activities | 300 | Monitoring |
| N° and type of facilities improved (social, health, labour) | 10 | Monitoring |
| N° of projects strengthening institutional capacity | 20 | Monitoring |

Result indicators

| NAME | TARGET | DATA SOURCE |
|--|--------|-----------------------------|
| N° of new services/products/process developed with cross-border partners | 15 | Monitoring |
| Increase in turnover in SMEs assisted (already existing) | 25 | Surveys / Evaluation report |
| % of new company assisted surviving more than 18 months | 70% | Surveys / Evaluation report |
| Percentage of population accessing social, health and labour facilities | 30% | Surveys / Evaluation report |
| N° of beneficiaries involved, described by type | 700 | Monitoring |

5-5-1- Priority 2 – Natural and Cultural Resources and Risk Prevention

Output indicators

| NAME | TARGET | DATA SOURCE |
|--|--------|-------------|
| Number of projects | | |
| Total Number of projects | 53 | Monitoring |
| <i>Number of projects: Protection and Enhancement of Sea and Coastal Environment</i> | 12 | Monitoring |
| <i>Number of projects: Natural and Cultural Resources Management and Prevention of Natural and Technological Risks</i> | 15 | Monitoring |
| <i>Number of projects: Energy Saving and Renewable Energy Resources</i> | 20 | Monitoring |
| <i>Number of projects: Sustainable Tourism</i> | 6 | Monitoring |
| | | |
| | | |
| Types of projects | | |
| Developing common policies and strategies | 18 | Monitoring |
| Developing common tools | 13 | Monitoring |
| Developing pilot actions | 20 | Monitoring |
| Developing common feasibility studies | 2 | Monitoring |
| | | |
| | | |
| Partnership | | |
| Number of Projects involving 2 – 4 partners | > 60% | Monitoring |
| Number of Projects involving 5 – 8 partners | > 35% | Monitoring |
| Number of Projects involving more than 8 partners | > 5% | Monitoring |
| Number of Projects involving 2 – 3 countries | > 60% | Monitoring |
| Number of Projects involving 4 – 6 countries | > 35% | Monitoring |
| Number of Projects involving more than 6 countries | > 5% | Monitoring |
| | | |
| | | |
| Specific Outputs | | |
| Km of coast protected | 60 | Monitoring |
| N° of newly created cross-border emergency teams and issues addressed | 2 | Monitoring |
| N° of cross-border agreements/ networks between operators/agencies in environmental field | 3 | Monitoring |
| N° of projects encouraging and improving the joint protection and management of the environment | 3 | Monitoring |
| N° of co-operation agreements/networks to improve emergency preparedness | 3 | Monitoring |
| N° of campaigns on energy conservation and renewable energy sources | 2 | Monitoring |
| N° of pilot projects on the use of renewable resources | 15 | Monitoring |
| N° of tourist packages/routes/trademarks created | 10 | Monitoring |
| N° of cross-border tourism products/joint marketing approaches and joint information services | 10 | Monitoring |
| N° of marketing initiatives supported (or joint promotion campaigns | 2 | Monitoring |
| N° of new/improved attractions/facilities | 25 | Monitoring |

Result indicators

| NAME | TARGET | DATA SOURCE |
|---|--------|--------------------------------|
| N° of ecosystems protected | 5 | Monitoring |
| N° of natural/cultural heritage sites protected | 10 | Monitoring |
| % of natural resources interested by Joint management | 20 | Evaluation report |
| Improved environmental management and promotion of biodiversity | 2 | Monitoring / Evaluation report |
| % Increase number of overnight stays in the Adriatic area | 2% | Surveys / Evaluation report |

5-5-2- Priority 3 –Accessibility and Networks

Output indicators

| NAME | TARGET | DATA SOURCE |
|---|--------|-------------|
| Number of projects | | |
| Total Number of projects | 58 | Monitoring |
| Number of projects: Physical Infrastructure | 8 | Monitoring |
| Number of projects: Sustainable Mobility Systems | 20 | Monitoring |
| Number of projects: Communication Networks | 30 | Monitoring |
| | | |
| Types of projects | | |
| Developing common policies and strategies | 38 | Monitoring |
| Developing common tools | 20 | Monitoring |
| Developing pilot actions | 0 | Monitoring |
| Developing common feasibility studies | 0 | Monitoring |
| | | |
| Partnership | | |
| Number of Projects involving 2 – 4 partners | > 60% | Monitoring |
| Number of Projects involving 5 – 8 partners | > 35% | Monitoring |
| Number of Projects involving more than 8 partners | > 5% | Monitoring |
| Number of Projects involving 2 – 3 countries | > 60% | Monitoring |
| Number of Projects involving 4 – 6 countries | > 35% | Monitoring |
| Number of Projects involving more than 6 countries | > 5% | Monitoring |
| | | |
| Specific Outputs | | |
| N° of projects developing joint use of infrastructure | 15 | Monitoring |
| N° of ports/airport modernized | 10 | Monitoring |
| N° of transport services improved | 15 | Monitoring |
| N° of projects improving links | 15 | Monitoring |
| N° of gaps filled in transport links | 5 | Monitoring |
| N° of projects reducing isolation through improved access to ICT and networks | 25 | Monitoring |

Result indicators

| NAME | TARGET | DATA SOURCE |
|--|--------|-----------------------------|
| N° of new moorings created | 2 | Evaluation report |
| N° of inter-modal transport facilities improved | 10 | Monitoring |
| N° of additional public transport services | 5 | Monitoring |
| Percentage of population using new transport links (early) | 2% | Evaluation report |
| N° of new ICT services established | 4 | Surveys / Evaluation report |
| Increase % of population with access to ICT | 2% | Surveys / Evaluation report |

5-5-3- Priority 4 – Technical Assistance

Output indicators

| NAME | TARGET | DATA SOURCE |
|--|--------|-------------|
| Number of projects | | |
| Total Number of projects | 4 | Monitoring |
| <i>Number of projects:</i> Administration and Implementation | 2 | Monitoring |
| <i>Number of projects:</i> Information, Publicity and Evaluation | 2 | Monitoring |
| | | |
| | | |
| Specific Outputs | | |
| N° of cross-border programme structures established | 3 | Monitoring |
| N° of seminars/public events | 15 | Monitoring |
| N° of projects evaluated (assessed) | 500 | Monitoring |

Result indicators

| NAME | TARGET | DATA SOURCE |
|--|--------|-------------|
| N° of manuals / guidelines created | 4 | Monitoring |
| N° of participants in the events organised for the publicity and implementation of the programme | 600 | Surveys |
| N° and quality of projects submitted for funding and success rate | 50% | Monitoring |

6- FINANCIAL PROVISIONS

In the following paragraph are presented the Programme's financial table for the period 2007-2013, in accordance with the IPA Implementing regulation.

6-1- PROGRAMME BUDGET AND RATE OF ASSISTANCE

Tab 23 - Annual commitment of IPA in the Programme (in Euro):

| Years | Total IPA CBC allocation |
|------------------------|---------------------------------|
| 2007 | 19,764,156 |
| 2008 | 33,767,061 |
| 2009 | 36,909,920 |
| 2010 | 37,648,116 |
| 2011 | 38,401,079 |
| 2012 | 39,169,100 |
| 2013 | 39,952,484 |
| Total 2007-2013 | 245,611,916 |

Tab 24 - Indicative breakdown by priority (2007/13) Priority by source of funding (in Euro):

| Priority | Community Funding | National co-financing ²¹ | Total funding | Co-financing rate | EIB contributions | Other funding ²² |
|--|--------------------|-------------------------------------|--------------------|-------------------|-------------------|-----------------------------|
| | (a) | (b) | (c) = (a) + (b) | (d) = (a)/(c) | | |
| Priority 1 - Economic, Social and Institutional Cooperation | 55,023,022 | 9,709,945 | 64,732,967 | 85.00% | - | - |
| Priority 2 - Natural and Cultural Resources and Risks Prevention | 93,579,681 | 16,514,062 | 110,093,743 | 85.00% | - | - |
| Priority 3 - Accessibility and Networks | 72,448,021 | 12,784,945 | 85,232,966 | 85.00% | - | - |
| Priority 4 - Technical Assistance | 24,561,192 | 4,334,328 | 28,895,520 | 85.00% | - | - |
| Total (2007-2013) | 245,611,916 | 43,343,280 | 288,955,196 | 85.00% | - | - |

²¹ It refers both to public and private co-financing.

²² It refers both to public and private beneficiaries co-financing.

6-2- ALLOCATION OF FUNDS*Tab 25 - Allocation of Funds by Priority and Year. Community and National fund (in Euro):*

| Priority | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total Fund |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Priority 1 - Economic, Social and Institutional Cooperation | 6,975,584 | 11,917,786 | 13,027,031 | 13,287,571 | 13,553,322 | 2,985,836 | 2,985,837 | 64,732,967 |
| Priority 2 - Natural and Cultural Resources and Risks Prevention | 6,975,584 | 11,917,786 | 13,027,031 | 13,287,571 | 13,553,322 | 25,606,210 | 25,726,239 | 110,093,743 |
| Priority 3 - Accessibility and Networks | 6,975,584 | 11,917,786 | 13,027,031 | 13,287,570 | 13,553,322 | 13,035,037 | 13,436,636 | 85,232,966 |
| Priority 4 - Technical Assistance | 2,325,195 | 3,972,595 | 4,342,344 | 4,429,190 | 4,517,774 | 4,454,211 | 4,854,211 | 28,895,520 |
| TOTAL | 23,251,947 | 39,725,953 | 43,423,437 | 44,291,902 | 45,177,740 | 46,081,294 | 47,002,923 | 288,955,196 |

7- IMPLEMENTING PROVISIONS FOR THE OPERATIONAL PROGRAMME

7-1- PROGRAMME MANAGEMENT

In the framework of the Adriatic Cross-Border Cooperation there is provision for the establishment of authorities and joint structures responsible for managing the Programme. The authorities and the structures must respect the rule of a single structure for a single programme and functions separation principles.

The authorities are the following:

- (a) Managing Authority, is responsible for the management and the implementation of the Programme;
- (b) Certifying Authority, is responsible for certifying the expenses occurred;
- (c) Audit Authority, is responsible for control systems.

The established structures of the Programme are:

- (d) Joint Monitoring Committee;
- (e) Joint Steering Committee;
- (f) Joint Technical Secretariat.

If changes occur during the implementation of the Programme *regarding title, address, telephone, or email*, which modify the structures responsible for the management and control system during implementation, this will be communicated to the European Commission and to the Joint Monitoring Committee, the annual reports will be updated and the Programme modified.

7-1-1- Joint Monitoring Committee

The Joint Monitoring Committee will be set up within three months from the date of notification to the participating countries of the decision approving the Programme.

The Joint Monitoring Committee will meet at least twice a year, at the request of the participating countries or of the Commission²³.

The Joint Monitoring Committee together with the Managing Authority, in accordance with the provisions of Art. 110 – 111 of the IPA Implementing Regulation, shall satisfy itself as to the effectiveness and quality of the implementation of the Cross-Border Cooperation Programme, in accordance with the following provision

- (a) it will consider and approve the criteria for selecting the operations financed by the Cross-Border Cooperation Programme and approve any revision of those criteria in accordance with programming needs;
- (b) it will approve the Calls for proposals prior to their publication (by the JTS);
- (c) it will be responsible for selecting and approving operations;
- (d) it shall periodically review progress made towards achieving the specific targets of the Cross-Border Cooperation Programme on the basis of documents submitted by the Managing Authority;
- (e) it shall examine the results of implementation, particularly achievement of the targets set for each priority and the evaluations referred to in Article 57 (4) and Art. 109 of the IPA Implementing Regulation;

²³ Art. 110 (1) of the IPA Implementing Regulation.

- (f) it shall consider and approve the annual and final reports on implementation referred to in Article 112 of the IPA Implementing Regulation;
- (g) it will approve the strategic project applications.

Further:

- (f) it shall be informed of the annual control report referred to in Art. 105 (1) (c) of the IPA Implementing Regulation and of any relevant comments the Commission may make after examining those reports;
- (g) it may propose to the Managing Authority any revision or examination of the Cross-Border Cooperation Programme likely to make possible the attainment of the objectives referred to in Article 86 (2) of the IPA Implementing Regulation or to improve its management, including its financial management;
- (h) it shall consider and approve any proposal to amend the content of the Cross-Border Cooperation Programme;

The Joint Monitoring Committee shall draw up its rules of procedure within the institutional, legal and financial framework of the participating Countries and in compliance with a Joint Monitoring Committee mandate set out by the Commission, in order to exercise its mission in accordance with the IPA Implementing Regulation. The JMC shall adopt them in agreement with the Managing Authority.

The Joint Monitoring Committee will function, in accordance with the following provisions:

- (f) each country must be represented;
- (g) each country has one vote;
- (h) it will make decision on the bases of consensus except where other voting procedures are specified in the internal rules of procedures;
- (i) it shall be supported by the Joint Technical Secretariat in its functions.

The JMC is composed of representatives both of central and regional/local governments of the participating Countries. The final composition of the JMC will be included in the internal rules of procedures with a view to ensure a balanced representation of participating countries. The total number of JMC members shall allow the Committee to function in an efficient and cost-effective manner. In order to represent the whole Programme territory, the maximum number of members of the JMC per country will be as follows:

Managing Authority

| | |
|------------------------|--|
| Albania | 6 representatives (2 central + 4 regional/local) |
| Bosnia and Herzegovina | 3 representatives (central) |
| Croatia | 8 representatives (1 central + 7 regional/local) |
| Greece | 4 representatives (2 central + 2 regional/local) |
| Italy | 9 representatives (2 central + 7 regional/local) |
| Montenegro | 2 representatives (central) |
| Serbia | 1 representative (central) |
| Slovenia | 9 representatives (2 central + 7 regional/local) |

Representatives of the European Commission shall participate in the JMC in an advisory capacity. An environmental representative and representatives of the economic and social partnership may also participate, whenever appropriate, as observers in accordance with art. 87 of IPA Implementing regulation.

The expenses of the MA and of only two representatives from each participating country will be covered by the Technical Assistance resources.

7-1-2- Joint Steering Committee

In accordance with Art. 110 (f) of the IPA Implementing Regulation, the Joint Monitoring Committee may delegate the function for selecting operations to a Joint Steering Committee (JSC), but retains the responsibility .

The JMC, during its first meeting, will decide and approve the rules of procedure of the JSC which will detail: the chairman, the composition, the tasks and the meetings schedule.

Experts (i.e. environmental expert) may also participate to JSC to evaluate the fulfilment of specific criteria.

The JSC is assisted by the Joint Technical Secretariat.

7-1-3- Managing Authority

The Managing Authority will be responsible for managing and implementing the Cross-Border Cooperation Programme in accordance with the principle of sound financial management. The MA is the principal interlocutor with the European Commission.

The Managing Authority of the Programme shall be established in Italy, in L'Aquila, and it is identified in the following structure:

| | |
|-------------------------------|--|
| Responsible Structure: | REGIONE ABRUZZO Direzione Affari della Presidenza, Politiche Legislative e Comunitarie Programmazione, Parchi, Territorio, Valutazioni ambientali, Energia - Servizio Attività Internazionali |
| Address: | Via Salaria Antica Est n. 27, 67100 L'Aquila (Italy) |
| E-mail: | giovanna.andreola@regione.abruzzo.it |

The "Direzione Affari della Presidenza, Politiche Legislative e Comunitarie Programmazione, Parchi, Territorio, Valutazioni ambientali, Energia - Servizio Attività Internazionali" is functionally independent of the Certifying Authority and Audit Authority. A resolution of the Regional Government grants to the Managing Authority all the corresponding functions specified in the Art. 103 of the IPA Implementing Regulation.

The Managing Authority shall be responsible for:

- (a) ensuring that operations are selected for funding in accordance with the criteria applicable to the Programme and that they comply with applicable Community and national rules for the whole of their implementation period;
- (b) ensuring that there is a system for recording and storing in computerised form accounting records of each operation under the Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- (c) verifying the regularity of expenditure. To this end, it shall satisfy itself that the expenditure of each final beneficiary participating in an operation has been validated by the controller referred in Article 108 of the IPA Implementing Regulation;
- (d) ensuring that the operations are implemented according to the public procurement provisions referred to in Article 121 of the IPA Implementing Regulation;
- (e) ensuring that final beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- (f) ensuring that the evaluations of Programmes are carried out in accordance with Article 109 of the IPA Implementing Regulation;

- (g) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 134 of the IPA Implementing Regulation;
- (h) ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- (i) guiding the work of the Joint Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the Programme to be monitored in the light of its specific goals;
- (j) drawing up and, after approval by the Joint Monitoring Committee, submitting to the Commission the annual and final reports on implementation referred to in Article 112 of the IPA Implementing Regulation;
- (k) ensuring compliance with the information and publicity requirements laid down in Article 62 of the IPA Implementing Regulation.

The Managing Authority will submit to the Commission a detailed description of the management and control systems adopted in compliance with art. 115 of the IPA Implementing Regulation.

For the implementation of its functions the Managing Authority shall be supported by the Joint Technical Secretariat entrusted through regular public tender.

7-1-4- Joint Technical Secretariat

The Joint Technical Secretariat is set up by the Managing Authority,²⁴ in agreement with the participating countries of the Programme and represents the main technical-administrative structure supporting the Programme. It assists the Managing Authority, the Joint Monitoring Committee, the Joint Steering Committee, the Certifying Authority and the Audit Authority in the carrying out their tasks.

The Joint Technical Secretariat shall be established in Italy, in L'Aquila at:

| | |
|-------------------------------|--|
| Responsible Structure: | REGIONE ABRUZZO |
| Address: | Via Salaria Antica Est n. 27, 67100 L'Aquila (Italy) |
| Email: | info@adriaticpacbc.org |

The tasks assigned to the Joint Technical Secretariat are the following:

- (a) facilitate relations between stakeholders;
- (b) disclosure of information about the Programme;
- (c) assistance for the drafting of the call for proposals and their publication;
- (d) collection of the project proposals;
- (e) organisation of JMC, JSC and other meetings;
- (f) verification of the projects formal admissibility;
- (g) preliminary appraisal of the project proposals;
- (h) it shall support the managing structures of the Programme in their functions;
- (i) centrally collecting and processing data on project implementation for monitoring the Programme implementation;
- (j) collecting progress reports from lead beneficiaries.

The staff of the Joint Technical Secretariat, which is recruited and guided by the Managing Authority, is selected through public tender procedure and must fulfil the professional requirements requested by the positions as well as the knowledge of the languages used in the countries participating in the Programme.

²⁴ Article 102 of the IPA Implementing Regulation

7-1-5- The Office of the First Level Control

To develop the organization of the First Level Control System in the context of the activity supporting the Management Authority as indicated in the Programme, it is intended to establish the First Level Control Office (FLCO) and Decentralized Offices in the MS/CC/PCC Administrations which checks on all operations or parts of operations implemented in the eligible area.

The FLCO carries out the following tasks: 1) coordination of the activities of the decentralized control offices; 2) guaranteeing uniformity in interpretation and evaluation of expenditure eligibility; 3) providing control of the matching of the Beneficiaries' progress expenditure data, entered into the system by the decentralized offices each according to territorial qualification, and the data entry financial progress of Priority 4; 4) receiving all accounted expenditure certification from beneficiaries, verification of the formal correctness of validated expenditure declarations and preparation of the expenditure declaration to be sent to the Certifying Authority; 5) supervising the monitoring system feed and carrying out the validation and the consolidation of the expenditure data; 6) processing the data and supply financial progress report of the Programme.

The FLCO is responsible for document verification of all (100%) of operations, for which the Beneficiaries have filled in an Expenditure Declaration, to verify the eligibility of expenses under the following principles:

- 1) principle of effectiveness: requires verification that the expenditure has actually been incurred by the beneficiaries or their partners for project implementation;
- 2) principle of legitimacy: requires verification that expenditure is in compliance with EU and national rules;
- 3) principle of localization of the operation: require that expenditure is incurred for operations made in the eligibility area of the Programme;
- 4) principle of documentary evidence: requires that expenditure has been documented with receipted invoices or accounting records of equivalent legal validity.

The FLCO may require, in certain cases, additional documents from Beneficiaries.

The procedure regarding first level control must start with the preparation by each single Beneficiary of expenditure accounting regarding the activities under their competence.

To do this, each Beneficiary must conduct an administrative and accounting evaluation of the documentation that supports its Declaration of expenditure and must record these actions in the check list for self-evaluation provided by the person responsible for first level control and which will be transmitted with the declaration.

The FLCO responsible for each country verifies documents for all operations (100%) for which Beneficiaries declare expenditure in order to verify the admissibility. Following verification the FLCO issues an expenditure eligibility certification accounted for each beneficiary or, if necessary, requests further documentation to amplify that already received from the Beneficiaries.

The expenditure certification is sent to: 1) the Beneficiary to which the accounting refers; 2) the First Centralised Level Control Office; 3) the Lead Beneficiary.

Following verification of the documents, the Office of the First Level Control - Decentralized Office carries out in situ verification of stratified sampling of the activities by type of operation and by Beneficiary.

7-1-6- The System of Decentralized Monitoring

The implementation of the Programme requires supporting structures for the MA as well as for the countries/regions.

At the centralised level, the MA is supported by the Joint Technical Secretariat and the FLCO.

The assistance is also foreseen on a decentralised and local/regional level to guarantee the respects of the criteria and guidelines presented in the Programme.

The tasks of the TA at the local level includes the assistance to potential applicants as well as the assistance to the public territorial structures participating in the Programme (with particular reference to the activities connected to the monitoring system). This includes all the activities related to the central monitoring system: gathering of data at project level (procedural, financial and physical indicators) for each country/region involved in the Programme.

7-1-7- Certifying Authority

The Certifying Authority is responsible for the correct certification of the expenses incurred for the implementation of the Programme.

The Certifying Authority of the Programme shall be functionally independent of the Managing Authority and the Audit Authority.

The Certifying Authority of the Programme shall be established in Italy, in L'Aquila, and it is identified in the following structure:

| | |
|-------------------------------|---|
| Responsible Structure: | REGIONE ABRUZZO SERVIZIO AUTORITÀ DI CERTIFICAZIONE |
| Address: | Palazzo Silone, via Leonardo da Vinci 6, Palazzo Silone – 67100 L'Aquila (Italy) |
| E-mail: | giuseppina.camilli@regione.abruzzo.it |

The Certifying Authority, as provided by Art. 104 of IPA Implementing Regulation, is responsible for:

- (a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- (b) certifying that:
 - (i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
 - (ii) the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the Programme and complying with Community and national rules;
- (c) ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- (d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;
- (e) maintaining accounting records in computerised form of expenditure declared to the Commission. The managing authorities and the audit authorities shall have access to this information. At the written request of the Commission, the certifying authority shall provide the Commission with this information, within ten working days of receipt of the request or any other agreed period for the purpose of carrying out documentary and on the spot checks;
- (f) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the Programme by deducting them from the next statement of expenditure
- (g) sending the Commission, by 28 February each year, a statement, identifying the following for each priority of the Programme:
 - (i) the amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation;

- (ii) the amounts recovered which have been deducted from these statements of expenditure;
- (iii) a statement of amounts to be recovered as at 31 December of the preceding year classified by the year in which recovery orders were issued.

The Certifying Authority is the competent body for receiving the payments made by the Commission and making payments to lead beneficiaries.

7-1-8- Audit Authority

The Audit Authority, as defined by Art. 105 of the IPA Implementing Regulation, is responsible for checking the effective functioning of the management and control systems.

The Audit Authority of the Programme shall be functionally independent of the Managing Authority and the Certifying Authority.

The Audit Authority of the Programme shall be established in Italy, in L'Aquila, and it is identified in the following structure:

| | |
|-------------------------------|---|
| Responsible Structure: | REGIONE ABRUZZO STRUTTURA SPECIALE DI SUPPORTO "CONTROLLO ISPETTIVO-CONTABILE" |
| Address: | via Leonardo da Vinci 6 – 67100 L'Aquila (Italy) |
| E-mail: | giulia.marchetti@regione.abruzzo.it |

The Audit Authority of the Programme will make use of an operational structure outsourced and selected through an open call for tender.

The Audit Authority for the Programme shall be assisted by a group of auditors comprising a representative of each country participating in the Programme carrying out the duties provided in Article 105 of the IPA Implementing Regulation. The group of auditors shall be set up within three months of the decision approving Cross-border Cooperation Programme. It shall draw up its own rules of procedure. It shall be chaired by the audit authority for the Cross-border Cooperation Programme

The Audit Authority, as foreseen by Art. 105 of the IPA Implementing Regulation, is responsible for:

- (a) Ensuring that audits area carried out to verify the effective functioning of the management and control system of the Cross-border Cooperation Programme;
- (b) ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- (c) by 31 December each year from the year following the adoption of the Programme to the fourth year following the last budgetary commitment:
 - (i) submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous twelve month period ending on 30 June of the year concerned and reporting any shortcomings found in the systems for the management and control of the Programme. The first report, to be submitted by 31 December of the year following the adoption of the Programme, shall cover the period from 1 January of the year of adoption to 30 June of the year following the adoption of the Programme. The information concerning the audits carried out after 1 July of the fourth year following the last budgetary commitment shall be included in the final control report supporting the closure declaration referred to in point (d) of this paragraph. This report shall be based on the systems audits and audits of operations carried out under points (a) and (b) of this paragraph;
 - (ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that

statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular.

- (d) submitting to the Commission at the latest by 31 December of the fifth year following the last budgetary commitment a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report. This closure declaration shall be based on all the audit work carried out by or under the responsibility of the audit authority.

If weaknesses in the management or control systems or the level of irregular expenditure detected do not permit the provision of an unqualified opinion for the annual opinion referred to Art. 105 (1)(c) (ii) of the IPA Implementing Regulation, the Audit Authority shall give the reasons and estimate the scale of the problem and its financial impact.

The audit is carried out each 12 months beginning on July 1st 2008.

The Audit Authority shall ensure that the audit work takes account of internationally accepted audit standards and guarantees that the agents that carry it out are independent and have no conflict of interests.

7-2- PROJECT DEVELOPMENT AND SELECTION

The aim of the Programme is to achieve high quality result orientated projects of strategic character, relevant to the Programme area.

Selection of projects will be the responsibility of the JMC (the JMC will delegate this function to the JSC) assisted by the Joint Technical Secretariat.

The Joint Monitoring Committee may also introduce top-down elements to stimulate generation in order to achieve high level cross-border projects. These elements may include among others:

- (a) open call for proposals (targeting all potential applicants, to submit project ideas relevant to Programme priorities);
- (b) restricted calls for project proposals:
 - (i) focusing Programme priorities (developing detailed project descriptions);
 - (ii) narrowing the target group of potential project partners;
 - (iii) setting specific eligibility and quality criteria regarding the number and type of partners, activities, etc..

Preparation for restricted calls may be supported by thematic seminars at the level of Programme stakeholders (target groups, experts, Programme management bodies, etc) to define potential fields of strategic cooperation, which might serve as a basis for the calls;

The final approval or rejection of projects is the responsibility of the JMC. The JMC may create sub-committees and involve external experts in the generation and evaluation of projects if necessary.

Detailed procedures on project generation, application and selection of projects will be developed by the Joint Technical Secretariat, approved by the JMC.

7-2-1- Project generation

Assistance and support will be given to beneficiaries developing projects. All beneficiary countries will be responsible for conducting awareness campaigns on available funding for potential beneficiaries.

While generating projects the following must be guaranteed:

- (a) all potential applicants and project partners receive the same information wherever they might be located;
- (b) assisting the establishment of partnerships by helping to find interested actors, e.g. by means of a database or promotional events;
- (c) providing technical assistance to projects (e.g.: in the form of model contracts, etc).

7-2-2- Project selection

Project selection will be the overall responsibility of the JMC. In order to achieve Programme goals, the JMC will search for projects of a genuine cross-border character, reflected in the:

- (a) relevance of the topic/theme
- (b) concreteness of the envisaged results and impact
- (c) quality of the partnership of the project
- (d) cost-benefit efficiency in terms of mobilized resources (financial, human, natural and cultural);
- (e) environmental impact of the project.

In the selection process, two different sets of criteria are applied in approving an application. The first consists of eligibility criteria – it gives the minimum requirements that an application has to meet. Projects which do not fulfil the eligibility criteria are excluded. The second set consists of quality criteria – these criteria form the basis for an assessment of the application to rank projects for selection.

Detailed criteria (including eligibility and quality criteria) used in project selection will be developed by the Joint Technical Secretariat and approved by the JMC, and will be communicated to potential applicants in the form of detailed Applicant Manuals.

The Joint Monitoring Committee may restrict the scope of eligible applicants in any given call for proposals taking into account the specific arrangements of the given call.

7-3- IMPLEMENTING SYSTEMS

7-3-1- Monitoring

The Managing Authority and the Joint Monitoring Committee ensure through a monitoring system the supervision of the Programme.

To this end the Managing Authority is responsible²⁵ for the institution implementation of the computerised system for recording and storage of accounting data of each operation carried out to ensure physical, financial and procedural monitoring of the Programme. Particular attention must be paid to the choice of the output and result indicators to measure the progress and effectiveness in carrying out the priorities.

The structure responsible for monitoring verifies the quality and the completeness of data given by the Lead partners to ensure the correctness, reliability and congruity of the monitored information.

The data obtained from the computerised monitoring system will be made available, in different formats, to the subjects involved in the implementation on the basis of their needs (European Commission, Joint Monitoring Committee, Evaluator, etc).

The Managing Authority will use the financial, physical, and procedural data to process annual reports

²⁵ Art. 103(b) IPA Implementing Regulation.

to forwarded to the European Commission, following the report's approval by the Joint Monitoring Committee

Data exchange between the European Commission and the MA will be carried out electronically, in accordance with Article 111 "*Arrangements for monitoring*" of IPA Implementing Regulation.

Annual reports are published on the official site of the Programme.

7-3-2- *Evaluation*

The evaluation aims to improve the quality, effectiveness and coherence of the Programme, the strategy and implementation, taking into account the specific structural problems of the territory or sector concerned.

Both an ex-ante evaluation of the Programme, to optimise fund allocation and improve the quality of the Programme and a Strategic Environmental Assessment (SEA) were carried out contemporaneously with the drawing up of this document.

During the programming period various thematic evaluations aimed at identifying important elements will be made to support decisions on modifying the Programme, particularly when indicators show the Programme is falling short of its targets.

Evaluations are financed by funds allocated for technical assistance and are carried out by experts and organisations – internal to the administration or outsourced –which operate independently from the Managing Authority, the Certifying Authority and the Audit Authority.

The results of the evaluations are submitted to the Joint Monitoring Committee before sending them to the European Commission and are published according to the applicable regulations on access to documents.

7-3-3- *Financial flows*

The payments, according to Art. 122 of the IPA Implementing Regulation, are made as pre-financings, intermediate payments and final balance. The Commission's acceptance of the description of the management and control system (art. 115 IPA Implementing Regulation) and the compliance assessment report (art. 116 IPA Implementing Regulation) are preconditions for the payment of the pre-financing (art. 128 IPA Implementing Regulation).

Exchange of information concerning financial transactions, projected expenditure and payment requests²⁶, between the European Commission and the appointed Authority, occur by e-mail.

As established by Art. 128 of the IPA Implementing Regulation, the European Commission provides a single pre-financing amount. The pre-financing amounts to 25% of the contribution of the community fund to the Programme for the first three years.

The appointed Authority will repay to the European Commission the total amount of the pre-financing if any applications for payment are forwarded within a twenty four months term from the date on which the European Commission paid the pre-financing.

Intermediate payments may be made by the European Commission, following receipt of application for payment, an expenditure statement in accordance with the Art. 124 of the IPA Implementing Regulation and the last annual report.

The Certifying Authority organises applications for intermediate payments, affixes a digital signature and sends them to the European Commission.

²⁶ Art. 122 (4) IPA Implementing Regulation

The Certifying Authority makes payment directly to the Lead Partner. The Lead Partner is responsible for disbursement to each single partner of the project.

The last stage of the financial flow concerns balance allocation. In this stage, the same principles and the same means envisaged for the intermediate payment must be applied in accordance with the conditions established by Art. 133 of the IPA Implementing Regulation.

Matured interest belongs to the beneficiary countries and must be used only for the Programme. The amount of interest is declared to the Commission when the Programme is definitively closed in accordance with Art. 36 of the IPA Implementing Regulation.

7-3-4- Eligibility of expenditure

In accordance with Article 89 of the IPA Implementing Regulation expenditure shall be eligible if it has actually been paid between 1st January 2007 and 31 December of the third year following the last budgetary commitment, for operations or part of operations implemented within Member States, and incurred after the signature of the financing agreement for operations or part of operations implemented within beneficiary countries.

Community funding may finance expenditure incurred in implementing operations or parts of operations, up to a limit of 20% of the amount of the community contribution to the Programme, in areas defined under territorial derogation in accordance with Art. 97 of the IPA Implementing Regulation (defined in chapter 1.3 – Table 2).

In accordance with Article 34 (3) and 89 (2) of the IPA Implementing Regulation the following expenditure shall not be eligible:

- (a) taxes, including value added taxes;
- (b) customs and import duties, or any other charges;
- (c) purchase, rent or leasing of land and existing buildings;
- (d) fines, financial penalties and expenses of litigation;
- (e) operating costs;
- (f) second hand equipment;
- (g) bank charges, costs of guarantees and similar charges;
- (h) conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
- (i) contributions in kind.
- (j) interest on debt;
- (k) the purchase of land for an amount exceeding 10% of the eligible expenditure of the operation concerned.

By way of derogation the following expenditure shall be eligible:

- (l) value added taxes, if the following conditions are fulfilled: they are not recoverable by any means, it is established that they are borne by the final beneficiary, and they are clearly identified in the project proposal.
- (m) charges for transnational financial transactions;
- (n) where the implementation of an operation requires a separate account or accounts to be opened, the bank charges for opening and administering the accounts;
- (o) legal consultancy fees, notarial fees, costs of technical or financial experts, and accountancy or audit costs, if they are directly linked to the co-financed operation and are necessary for its preparation or implementation;
- (p) the cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or Community legislation;
- (q) overheads, provided they are based on real costs attributable to the implementation of the operation concerned. Flat-rates based on average costs may not exceed 25% of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed.

In addition to the technical assistance the following expenditure paid by public authorities in the preparation or implementation of an operation shall be eligible:

- (r) the costs of professional services provided by a public authority other than the final beneficiary in the preparation or implementation of an operation;
- (s) the costs of the provision of services relating to the preparation and implementation of an operation provided by a public authority that is itself the final beneficiary and which is executing an operation for its own account without recourse to other outside service providers if they are additional costs and relate either to expenditure actually and directly paid for the co-financed operation.

7-3-5- Financial Control System and Reporting

The management of financial resources assigned to the Programme is conducted in accordance with community and national administrative and accounting rules and utilising sound financial management criteria.

According to Article 128 of the IPA Implementing Regulation the pre-financing shall amount to 25% of the first three budgetary commitments to the Programme.

The Certifying Authority makes payment directly to the Lead Partner. The Lead Partner is responsible for disbursement to each single partner of the project.

The Beneficiaries Lead partners present in regular periods defined in the subsidy contract the accounts of expenditure on implementing the interventions and related reimbursement request.

The presentation of the reimbursement request is activated by each Lead Partner by sending the reimbursement request to the Managing Authority. The original request is accompanied by all relative documentation in the form of a certified copy of the expenses.

The Managing Authority is responsible for the management and control of the entire Programme. In particular, it shall guarantee the effectiveness of the control system, in accordance with art. 101-105 of the IPA Implementing Regulation.

Before presenting the first payment claim a detailed description of the control and management system will be sent to the Commission, with particular attention to the organization of procedures adopted by the Managing, Certifying and Audit Authority

Further to the information foreseen by the Art. 115(2)(3) of the IPA Implementing Regulation, the description of the management and control system includes the reassurance on access to information procedures for the three Management, Audit and Certifying Authorities (Art. 115 (2)(3) of the IPA Implementing Regulation).

In order to confirm the expenditure, in accordance with art 108 of the IPA Implementing Regulation, each participating country must set up a first level control system that makes it possible to verify that products and services financed are indeed supplied, that declared expenditure actually takes place and that it conforms to national and community regulations, for financed operations. To this end participating countries must appoint persons responsible for the legality and regularity of the expenditure declared by final beneficiaries participating in the operation

When financed products and services refer to the whole operation, verification must be made by the controller of the participating country in which the Lead partner is based. Each participating country must ensure that expenditure is confirmed by the controllers within three months from the date on which the documents are sent by the Lead partner.

The Audit Authority, in accordance with Art. 105 of the IPA Implementing Regulation, verifies, during checks, the effective functioning of the control and management system for the whole implementing period.

The Certifying Authority, in accordance with Art. 104 of the IPA Implementing Regulation, contributes to the oversight activity, ensuring the correctness and admissibility of expenditure statements and that they are based on reliable accounting systems. This is done by taking account also of the results of the oversight activity, verification and auditing carried out by the Managing Authority and by the Audit.

Participating countries are responsible for the management and the control of the regularity of financed operations; in particular they must identify and correct irregularities and recover the amounts unduly paid and, if it is the case, late payment penalties. They must notify the European Commission and inform it of relevant national judicial and administrative procedures and the progress of any proceedings resulting from irregularities.²⁷

The Certifying Authority undertakes to recover any sums unduly paid by requesting them from the Lead Partner. In consideration of existing agreements between project partners, the Lead partner will in turn submit a request to the project partners who committed the irregularities. If the Lead partner fails to recover such sums from the project partner, the participating country, where the project partner is based, will have to repay the Certifying Authority those amounts unduly paid.

7-3-6- *Information and Publicity*

Participating Countries and Managing Authorities, under art. 103 (k) of the IPA Implementing Regulation, guarantee respect of their obligations in matters of publicity and information and single financed operations. The communication plan, and any major amendments to it, will be drawn up by the Managing Authority and approved by the Joint Monitoring Committee.

Publicity and Communication, in accordance with art. 62 of the IPA Implementing Regulation will be subject to a comprehensive information and publicity strategy aimed at informing and obtaining participation to the widest possible degree of public and private actors, as well as the dissemination of the results. The strategy will use all available channels of communication to disseminate the information.

The general aim of the strategy is to highlight the role of the Community and to ensure that assistance from Funds is transparent by actively disseminating information and furnishing platforms that stimulate exchange of experience in order to raise awareness with the general public.

The specific objectives of the strategy are:

- (a) Spreading information about the opportunities created by the Programme and ensuring transparency for groups targeted by the Programme including relevant actors for specific Programme priorities;
- (b) Making the general public fully aware of the results and benefits achieved by cross-border projects.
- (c) Informing, correctly and punctually, potential beneficiaries of the rules and procedures to guarantee sound project implementation.

Communication should primarily be directed towards potential applicants and beneficiaries to ensure that they are properly and punctually informed about the opportunities to receive funding and about calls for proposals.

The second target group is the general public who, as indirect beneficiaries, should be aware of results and benefits achieved by projects.

The Managing Authority has overall responsibility for communicating with beneficiaries and the public on the basis of an *Information and Publicity Plan* which includes an indicative budget for implementation to be adopted by the Joint Monitoring Committee on a yearly basis.

²⁷ Art. 114 of the IPA Implementing Regulation.

The Managing Authority is responsible for drawing up an Information and Publicity Plan for the whole Programme period and on a yearly basis. Also it must be prepared information material for dissemination, created, maintained and updated the Internet homepage, organised information events with partners from the Programme area, be responsive to any request for information, organize a major information campaign publicizing the launch of the Programme and at least one major information activity a year, presenting either the launch of the call for proposals or the achievements of the Programme including, where relevant, major projects, and publicised the list of beneficiaries, the names of the operations approved and the amount of public funding allocated to the operations.

Annual reports and the final report on implementation of the Programme should contain some examples of information and publicity measures for the Programme taken when implementing the communication plan.