

Italy-Albania-Montenegro

IPA II Cross-border Cooperation Programme 2014-2020



Draft CP template

Programming Task Force

September 2014

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¹ Legend:

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SECTION 1 STRATEGY FOR THE COOPERATION PROGRAMME'S CONTRIBUTION TO THE SELECTED THEMATIC PRIORITIES AND THE RELEVANT PARTNERSHIP AGREEMENT AND COUNTRY STRATEGIC PAPER(S)

1.1 Strategy for the cooperation programme's contribution to the selected thematic priorities and the relevant Partnership Agreement and Country Strategic Paper(s)

1.1.1. Description of the cooperation programme's strategy for contributing to the selected thematic priorities and the relevant Partnership Agreement and Country Strategic Paper(s)

Introduction

This cooperation programme (CP) describes the context and priorities for cross-border cooperation (CBC) between Italy, Albania and Montenegro for 2014-2020.

This programme enables regional and local stakeholders from 3 countries to exchange knowledge and experiences, to develop and implement pilot actions, to test the feasibility of new policies, products and services and to support investments. The programme is part-funded by the European Regional Development Fund (ERDF) and by IPA funds.

The chapter presents the programme territory and analyses its main features for selecting a list of key development assets and challenges in the Programme area that may be addressed through the cross-border cooperation.

The current version of the CP offers the analysis in its comprehensive form. It serves as a point of departure for unfolding a programme strategy which aims to improve an economic, social and territorial cohesion of the area and – at the same time – to contribute to the EU2020 Strategy, to SEE2020 and to EUSAIR pillars. Future versions of the document will report a summarized version able to fit with the length requirements of the EC programmes' template.

The IT-AL-MN Programme Area comprises the Italian Provinces of Foggia, Bari, Brindisi, Lecce, Barletta-Andria-Trani (BAT) and Taranto (Apulia Region) as well as Isernia and Campobasso (Molise Region), the entire countries of Albania and Montenegro.

The Programme is a newly settled one for the programming period 2014-2020 with a total budget of 78.800,00_euro and a co-financing rate of 10%_____

The Strategy of the programme will be based upon the results of the territorial analysis and the consultation process with the relevant stakeholders and where relevant on the lessons learnt from other Cooperation Programmes covering the same eligible area in the period 2007-2013.

A key future of the Programme strategy will be based on the coherence of the thematic priorities with the Pillars of the Macro-regional strategy for Adriatic Ionian region (Eusair) and with the SEE2020 strategy.

The territorial analysis has been drafted based upon the following documents:

- Italian Partnership agreement
- The 2 Regional ERDF Operational programmes for Molise and Puglia
- EC progress report 2013 and Country Strategy Paper for Albania
- EC progress report 2013 and Country Strategy Paper for Montenegro
- Thematic reports on Innovation and smart specialization for the 3 countries

- Eurostat and national Statistic for all the countries
- Other Territorial analysis drafted in the framework of other ETC programmes 2014-2020 whose area overlaps with the IT AL MN programme.

Basic Socio-Economic Data for the Area

The Programme Area encompasses an area of 66.365km² with a total population of 7.805.809 inhabitants. 50% of the population is concentrated in Puglia region which is also the most densely populated part of the territory four times more than Montenegro. Albania covers the largest part of the Programme Area (more than 40%) while Molise has the smallest geographical area and number of inhabitants. Albania has also the most alarming negative demographic trend of all regions presenting a reduction of 8.8% from 2001 to 2011 census. Unemployment rate remains high in the region especially for young people reflecting the effect of the crisis.

Puglia

Demography: Puglia has a population of 4,050 million inhabitants for a total area of 19366 km². Census data of 2010 shows that the region has a positive demographic trend compared with 2001 census data. Population increased of around 30.000 or +1.52%. Average density os 209.14 inhabitants per sqm showing significant differences between Bari and Foggia.

NUTS III	Surface	Pop 2010	Density	Population 2001	Density	Var
Bari	3.825	1.246.742	325,91	1.218.038,00	318,41	7,5
Brindisi	1.839	400.504	217,73	402.422,00	218,77	-1,04
BT	1.539	391.770	254,61	383.018,00	248,93	5,69
Foggia	6.966	625.657	89,81	649.598,00	93,25	-3,44
Lecce	2.759	801.170	290,34	787.825,00	285,51	4,84
Taranto	2.437	584.229	239,77	579.806,00	237,95	1,82
TOTAL	19.366	4.050.072	209,14	4.020.707,00	207,62	1,52

Source: ISTAT

Geography: the region borders the Adriatic Sea in the east, the Ionian Sea to the southeast, and the Strait of Òtranto and Gulf of Taranto in the south. Its southernmost portion, known as Salento peninsula, forms a high heel on the "boot" of Italy. Puglia is mostly a plain; its low coast, however, is broken by the mountainous Gargano Peninsula in the north, and there are mountains in the north central part of the region. It is bordered by the other Italian regions of Molise to the north, Campania to the west, and Basilicata to the southwest. It neighbors Albania, Bosnia-Herzegovina, Croatia, Greece, and Montenegro, across the Adriatic and Ionian Seas, respectively. Its capital city is Bari.

Employment: After a negative trend until 2010, labour market conditions slightly improved during 2010 and 2011 but the registered unemployment rate remains high at 15.9% (2012) on an Italian average of 10,8%. Whilst in services the situation is stable, some improvements can be reported in the agriculture (+2,2) and industry (+1,2). Construction sector reports a dramatic -5,5%. 2012 figures reports positive trends – started since 2010 – in women employment.

Molise

Demography: Molise has a population of 319.780 inhabitants for a total area of 4437 km². Census data of 2010 shows that the region has a negative demographic trend compared with 2001 census data. Population decreased of around 1000 or -0.57%. Average density of 63,60 inhabitants per sqm making it the second-smallest, least populous, and least densely populated region of Italy.

NUTS III	Sur	Pop 2010	Density	Population 2001	Density	Var
Campobasso	2.908	231.086	79,47	230.692	79,33	0,42
Isernia	1.529	88.694	58,01	89.775	58,71	-0,71
Regione	4.437	319.780	63,60	320.467	63,68	-0,57

Source: ISTAT

Geography: Molise borders Abruzzo to the north-west, Lazio to the west, Campania to the south, Puglia to the southeast and the Adriatic Sea to the northeast. The territory is characterized by mountainous inlands surrounded by hilly coastal plain. The highest peak is Mount Meta and is 2,241 mt. high

Employment: In the period 2010-2012 the region shows an employment rate which is equal to 54,7% concerning people aged 20-64. Negative trends in employment dynamics start after 2008, when employees percentage was at the top level: 58,5, as it was in Southern Italy (50,2) and in Italy (61,2). Unemployment rate (people aged 15-24) in 2011-2012 changed from 28,6% to 41,9%. In the meanwhile the overall southern value changed too: from 40,4% to 46,9%. National average arose to 35,3% (from 29,1%).

Albania

Demography: Albania has a population of 2,816 million inhabitants for a total area of 28750 km². Census data of 2011 shows that Albania has a negative demographic growth compare with 2001 census data. Population of Albania 3,069 thousand in 2001 decreased to 2,800 thousand in 2011 or -8.8%. Such decrease is due to continue trend of emigration of Albania mainly to neighboring countries such Greece and Italy, as well as in the rest of Europe. However the below table shows that population in some regions namely Durresi, Lezha and Tirana marked an increase in population. This is due to internal migration since the western part of Albania (mainly costal area and Tirana capital) is by far the most developed area of Albania. This is also the most densely populated area as it held 155 inhabitants per km² compared with 97 inhabitants of Albania average.

	2001	2011	% change	Territory (km ²)	Density 2011
Albania	3,069,275	2,800,138	-8.8	28,748	97
Durres	245,179	262,785	+7.2	766	343
Lezhe	122,126	159,182	+30.3	1,588	100
Tirane	597,899	749,365	+25.3	1,586	472

Source: Instat

Demographic indicators are stable with male life expectancy of 75.3 years and female 76.9. Infant mortality rate for 2012 amounts to 8.8 deaths of children under one year of age per 1000 live births. It should be noted that progress has been made in the area of statistics but the credibility and independence of INSTAT has to be ensured.

Employment: Labour market conditions improved during 2012, but the registered unemployment rate remained high at 13% on average, down slightly from 13.4% in 2011 (source INSTAT). Employment grew by 2.8% both due to more private-sector, non-agricultural jobs and a higher estimated number of employees in the agricultural sector. Labour market participation and employment rates remain low, especially for women, while the informal economy remains an important provider of jobs. Labour market statistics need to be improved. Child labour remains an important challenge as 7.7% of all Albanian children aged 5-17 work.

Administrative capacity: Poor level of administrative capacities is a major challenge in Albania with regard to pursuing IPA objectives and priorities. The large scale territorial administrative reform that just passed in the Parliament in July 2014, which led to a consolidation of 385 local government units into 61, is expected to have a lot of side effects in the short to medium term in the regional development performance of local government due to geographical readjustment of competences and reorganization of offices.

Albania obtained the EU candidate status on 27 June 2014.

Montenegro

Montenegro became an independent state after the referendum on independence in 2006. The country obtained the EU candidate status on 17 December 2010 and was invited to start EU accession negotiations on 29 June 2012. In the meantime, Montenegro has put significant efforts into the adopting of a compatible legislation with the *Acquis Communautaire*.

Demography: The population of Montenegro over the past two decades has remained practically unchanged in terms of total numbers, from 615,035 in 1991 to 620,029 in 2011, as per the census of the same year². Since the country has 13 812 km² the density of population is 44.9 per km². The demographic structure of the country, however, has significantly changed due to large migration of the previously predominant rural population to the urban areas. The internal migration from the less developed North to the more developed central and coastal areas has resulted in a dramatic 9.34% decrease of population in the northern region in the period 2007 – 2012 alone. Along with depopulation, the rural areas and smaller cities have been hurt by a ‘brain drain’ process leaving them without skilled human resources. Demographic indicators are stable with male life expectancy of 73.5 years and female 78.4 (2010 data). Infant mortality rate has been decreasing from 14.6 deaths of children under one year of age per 1000 live births in 2001 to 4.4 in 2012. In the same period the natural growth rate passed from 5.5 to 2.5.

Geographical Description: Montenegrin diverse topography includes 288.21 km long coast with unique landscapes characterised by beautiful bays and relevant tourist centres, the central plain area and the mountainous terrain in the north that belong to the most rugged in Europe. Its rivers flow into either the Adriatic Sea or the Black Sea basin. In the mountains, the rivers flow along deep canyons such as the Tara River Canyon which is the deepest canyon in Montenegro and in Europe, at 78 km in length and 1,300 meters at its deepest point. The climate varies, but in general, the northern part is characterized by a continental climate, with cold winters and hot,

² Montenegro 2011 census figure

relatively humid summers with well distributed rainfall patterns and heavy inland snowfall, while the southern part enjoys a more Adriatic climate with hot, dry summers and autumns and mild winters. Differences in elevation and proximity to the Adriatic Sea, as well as the exposure to the winds, account for variations in climate.

Employment: Unemployment remains very high at approximately 20%, practically unchanged since 2010. In 2012, labour market participation improved marginally to 50% compared to 49% a year before. Regional disparities are significant: in the coastal and central regions, the unemployment rate is 10% and 15.6% respectively, but it rises to 36.7% in northern Montenegro. Overall, a poorly performing labour market with low participation and high unemployment rates, particularly among the young (15-24 years, who account for more than 40% of the total) and the long-term unemployed, since 68% of unemployed persons have been out of work for more than two years, remains a serious challenge. The lack of employment opportunities is a major reason for concern, in view of its detrimental impact on the already low income and standard of living of the majority of the population

Education and Health: The system of education is relatively well developed with regard to primary and secondary schools, and university level education. The same assessment applies for the system of health, which provides relatively good services to citizens.

Economic Structure and Performance

The global economic crisis of the past five years affected both the EU and IPA Countries. The EU entered a recession in the second quarter of 2008 which lasted five quarters. Since the recession, overall growth in terms of GDP has been sluggish. The crisis has reversed the process of convergence of regional GDP per capita and unemployment within the EU. On the other hand, the economic crisis hit the Balkan region just as it was consolidating the progress it had made after emerging from years of war, political instability and painful economic reform programmes. For most countries in the region, the period 2003-2007 was one of the strongest in more than a decade, with annual real GDP growth averaging about 6%, while the region also received large inflows of FDI in 2003-2007. The economic slowdown in EU countries – the main recipients of Balkan exports – and the decreased influx of foreign direct investment triggered the first symptoms of the crisis in the region by the last quarter of 2008. By mid 2009 the effects on the financial sector were being felt more strongly, particularly with a slowdown in foreign bank lending activities. Thus, the review and strengthening of economic governance has become a top economic priority for the Western Balkans, together with intensified reforms to return to sustainable growth.

In the following table the main figures about some fundamental indicators for the 3 participating countries according to the available statistic (Eurostat, World Bank and ILO) are given.

	Italy	Albania	MNE
GDP growth rate:	-1.9 {2013}	1.6 provisional estimation {2012}	-2,5 {2012}
GDP per capita:	101 {2013}	30 {2012}	41 {2012}
Population:	59.685.227 {2013}	2.816.000 estimated {2012}	621.000 {2013}
Employment:	59,8% {2013}	47% 2012 estimated	40% estimated ILO 2012
Unemployment:	12.6 {2014} M04	13% {2012}	19.6% {2012}

	12.7 {2014} M02		
Trade balance: current account transactions	-9.8 provisional{2013} -6.7 {2012}	-1.999 {2012}	-1.389 Mio Eur {2012}
Tourism (number of tourists)* arrival or residents/non residents at tourism accommodation establishments	103.733.157 {2012}	3.514.000 {2012}	1.264.000 {2012}

Source: AIO Cooperation Programme 2014-2020

Italy

In relation to the overall GDP value, in **Italy** after massive and generalized contractions for the years 2008 and 2009, signals of recovery at national level (+1.3% and +0.4% respectively in 2010 and 2011) have to be reported for the following years. **Puglia** has shown a similar trend (+0.6% and +0.7%). With regard to the GDP pro-capita, instead, after the first negative signals already recorded in the previous year Puglia has suffered from the collapse of gross domestic product, to a lesser extent to the Italian average but still registering a negative percentage change in that year of GDP of -5.5%, compared with the corresponding percentage equal to -6.1% to -5.3% in Italy. From the following year, in Puglia, there has been some recovery in GDP per capita (0.4 in 2010 and 0.6 in 2011) into a dynamic that also turned positive at the national level (1.3 in 2010 and 0.4 in 2011), instead remaining negative for the overall South (-0.2 in 2010 and -0.4 in 2011).

In reference to the macro-economic framework of the **Molise**, year 2012 registers a decrease in the levels of regional GDP per capita in the order of -2.3%, among the most significant registered at the national level; This decrease continues the downward trend of recent years. The forecast Unioncamere provides data of 2013 show that, compared to a contraction 1% of national GDP, a decline in the Molise in the order of -1.3%. So over the years has continued phenomenon of outsourcing of the local economy, in line with what is happening at the national level.

Albania

Economic growth slowed to 1.6% in 2012 from 3.1% a year earlier. Financial constraints, low confidence among consumers and investors and the presence of spare production capacity held back private consumption and investment spending. Overall, while growth remained positive, Albania experienced a slowdown in 2012 due to weak private domestic spending, which also extended to the first quarter of 2013. The year 2013 marks the lowest economic performance of Albania in the past 10 years. Economic weakness was caused not only by a weak domestic aggregate demand by reduction of remittances due to weak economic situation in Greece and Italy, but also weak performance of public sector, reduction of government budget revenues and consequently lower public investment in infrastructures and other important sectors (see table below). In 2013 GDP growth is estimated 0.7% down from 3.1% in 2011. Another factor that generated such a weak economy in Albania was due to transition period of government, which has weakened the economic confidence of both Albania and foreign investors. Due to such circumstances unemployment in 2013 reached 16.9% from 13.9% in 2011..

Indicators	2008	2009	2010	2011	2012	2013
Population (million)	2.9	2.9	2.9	2.8	2.8	2.8
GDP growth (%)	7.5	3.3	3.8	3.1	1.3	0.7

Euro GDP per capita	3,031	3,010	3,092	3,209	3,388	3,473
USD PPP GDP per capita	8,900	9,488	9,578	9,922	10,359	10,716
Inflation (average)	3.4	2.3	3.6	3.5	2.0	1.9
Employment rate (15-64 year)	53.9	53.5	53.5	58.7	56.3	50.2
Fiscal expenditures (% GDP)	32.3	33.1	29.7	29.3	28.4	30.1
Total revenues (% GDP)	26.7	26.0	26.6	25.8	24.9	24.0
Public debt total (%GDP)	54.7	59.5	58.5	60.3	62.5	70.5
Exports (% GDP)	10.3	8.6	13.2	15.4	16.0	17.8
Imports (%GDP)	-37.7	-35.0	-36.7	-40.0	-36.9	-34.8
Balance of goods	-27.4	-26.4	-23.5	-24.6	-21	-17.0
Trade balance (goods and services)	-26.6	-24.4	-20.8	-23.1	-18.9	-16.0
FDI (million EURO)	665	717	793	742		

Source: INSTAT, Ministry of Finance and Bank of Albania estimation, UNDP (FDI data)

Montenegro

Montenegro still experiences the consequences of the wars in the region in the nineties and of the more recent global economic crisis. The GDP in 2012 amounted to 3.34 billion €.

Its industrially oriented economy is shifting to services. In 2012 some 76% of workers were employed in services and 18% in industry. Small and medium size companies who are leading this process of change are exposed to unfair competition from informal sector, have difficulties accessing credit and count on limited public support. The key sectors of the economy are increasingly becoming tourism and agriculture, along with already strong energy sector.

The land available for agriculture accounts for 38% of the territory and food production represents one fifth of Montenegro's GDP. Agricultural production is based on small-scale family households due to existing natural conditions and property issues. The challenge of the sector is that the young generation is losing interest to maintain this family tradition and is increasingly seeking job opportunities in urban areas.

In Montenegro, the agriculture sector accounts for 7.9% of GDP, but with only 2.54% of total labour force employed in the sector (in the programme area, 1.53% of total employed population). Among the total imported goods for Montenegro, food has the biggest share (in 2013, 24% of total imported goods). Montenegrin agriculture is characterized by a large number of small agricultural households, with different crops and types of cattle. The households (31.58%) are typically of the size of 0.10 - 0.50 ha.

After two years of moderate growth, the economy entered into recession in 2012 having difficulties to attract foreign investment needed for its reactivation. Real GDP contracted by 2.5%, pulled downward by the poor performance of industry, construction, transport, financial services and agriculture. Following heavy borrowing over the last several years, the fiscal position of the government remains challenged by substantial contingent liabilities and growing debt. In 2013, the public debt increased to almost 60% of GDP. External indebtedness is expanding rapidly year-on-year and accounts for over three quarters of total public debt.

Regional Indicators for Smart Growth

Smart Growth as a Europe 2020 priority entails the following goals for improving the EU's performance:

- (1) Strengthening research, technological development and innovation;
- (2) Enhancing access to, and use and quality of, information and communication technologies;
- (3) Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF).

1.1.1.1 *Research, Innovation & SME Competitiveness*

Introduction

Innovation and SMEs

SMEs are key actors of the European economy, providing two out of three private sector jobs and more than half of the total value-added created by business. In recent years (2000-2010) SMEs had the double employment growth rate (1% annually) than large enterprises (0.5% a year). SMEs cover a wide range of businesses with very different sizes, capacities and types of activities³.

SME innovation is dealt as a horizontal issue in the new programming period; it is one of the major drivers for competitiveness and obviously it necessitates measures of support. However, it is important that Smart Specialisation Strategies (RIS3) are employed in order to highlight the truly unique competitive advantages of each region/ country and focus support in business and innovation support services that would enable SMEs to leverage new markets resulting from the RIS3 visioning and priority-setting.

In addition sectoral/cross-sectoral specialisations in which businesses and (tech and non-tech) centres of excellence of each region/ country should be identified and promoted; in parallel to this generalist services need to exist alongside high-value added services and their provision needs to be segmented to meet the needs of the different categories of businesses/entrepreneurs (e.g. high-tech, low-tech, start-ups, micro-businesses and crafts, growth companies, social enterprises, champions of successful sector diversification, etc.).

SME Support services relevant to the scope of research and innovation may take the following indicative forms:

- Support for the **commercialization of new products and services** and optimal use of the innovation potential of regional enterprises;
- **Innovation management advice, IP advice, tech transfer**, prototyping, market replication/market penetration, demonstrator projects, large scale demonstrators, proof-of concept;
- **Market intelligence**, analysis of emerging market opportunities;
- Facilitating the **recruitment and retention of talent**;
- **Internationalisation** support.

3. Regional Context- Key statistics

³ “Draft Thematic Guidance Fiche For Desk Officers Competitiveness Of Small And Medium-Sized Enterprises (SME)”, Version 2 - 13/03/2014

Italy

The following table summarises some key statistics for the entrepreneurship, competitiveness and innovation performance of the eligible Italian regions of Molise and Puglia (the majority of indicators were not made available at a regional NUTS 2 level) as well as Italy and the EU average (for comparison):

Table 3. R&I and SME competitiveness performance indicators. Source: Eurostat

Region	Molise	Puglia	Italy	EU average
R&D and Innovation				
GERD (2012 data)	0.5	0.7	1.3	2.1
BERD as a % of total GERD (2012 data)			58.1	66.6
GDP (Euro per inhabitant) (2011 data)	20,100	17,100	26,000	25,100
Patent applications to the EPO (per inhabitant), (2010-2011 data)	4.8 (2010 data)	9.1 (2010 data)	60.7	100.0
High-tech patent applications to the EPO (2010 data)	0.29	5.06	199.89	5,025.13
Employment in high- technology sectors (2012 data)	-	1.8	3.3	3.8
Employment in knowledge- intensive services (2012 data)	34.1	33.2	33.5	38.9
Employment in technology and knowledge- intensive sectors (% of total employment) (2008 data)	100	100	100	-
Researchers				
Total R&D personnel (% of active population) (2010 data)	0.7	0.7	1.4	1.7
Researchers (2010 data)	0.3	0.4	0.6	1.02
Education indicators				
Pupils and Students in all levels of education (ISCED 0-6)- as % of total population (2011 data)	17.1	19.6	18.5	21.6
Human resources in science and technology (HRST) (2012 data)	20	15.1	21.2	-
Competitiveness and business environment				
Competitiveness Index (2013 data)			38.5	52.5
Employment				
Employment rate, ages 20 – 64 (2012 data)	54.7	48.8	61.0	68.4
Unemployment rate (2012 data)	11.8	15.2	10.7	10.9
Economic policy and public finance				
GDP (Euro per inhabitant) (2011 data)	20,100	17,100	26,000	25,100
Total investment (2012 data)			17.9	17.9
Net foreign direct investment (inflow) (2012 data)			0.0	-
Public investment (2012 data)			1.9	2.3
Economic structure				
Employment in Industry (NACE B to E), (2012 data)			19.0	16.0
Employment in ICT, Financial and Real Estate Services (NACE J to L), (2012 data)			5.6	6.6

Productivity in Industry; GVA (PPS)/ Employment	87.2	100.0
Productivity in ICT, Financial and Real Estate Services; GVA (PPS)/ Employment, (2012 data)	100.0	100.00
% share of KIS SME employment in total SME employment (2009- 2010- 2011)	12.6	16.5

The key points from the analysis of entrepreneurship, competitiveness and innovation performance indicators of the eligible Italian regions (Molise and Puglia) are as follows:

- The regions allocate significantly lower **GDP shares to RTD (GERD)** in comparison to the Italian and EU average; similarly **business share in GERD** is less than EU average;
- **Patent applications** rates are very low in the regions; Italy also scores much lower than the EU average;
- Puglia has low **employment in high-technology sectors**; Italy similarly is below EU average levels; the same for **employment in knowledge-intensive services**;
- The number of researchers and the total R&D personnel in the 2 regions is also lower than Italian and EU average; education indicators also lag behind;
- Italy's **SME competitiveness performance** is lagging behind EU average considerably; **investments** are at EU average;
- Italy presents significantly lower **employment rates** than the EU average; Italy and primarily Slovenia present EU average comparable rates; **unemployment rates** are at EU average;
- **Italy's eligible regions** have more diverse profiles (from "Low tech regions" to "Advanced manufacturing regions" and "Advanced services regions" and from "Research intensive regions" to "Regions with no specialization in knowledge activities");

Albania and Montenegro

The following table summarises some key statistics for the entrepreneurship, competitiveness and innovation performance of Albania and Montenegro:

Table 5. R&I relevant indicators for the Albania and Montenegro. Source: [ERAWATCH, Platform on Research and Innovation policies and systems](#).

	Albania	Montenegro
GERD as % of GDP	0.2 (2012 data)	0.41 (2011 data)
GERD financed by abroad as % of total GERD	-	15 (2011 data)
Researchers	2894 (2011 data)	1699 (2011 data)
National patent applications	10 (2007 data)	105 (2014 data)
International patent applications	356 (2007 data)	2739 (2014 data)
Patents applications	366 (2007 data)	2844 (2014 data)

The following key observations can be made for research and innovation in the targeted countries of Albania and Montenegro (the conclusions are derived from World Bank's "Overview

of the research and innovation sector in the Western Balkans”, 2013 and they can be considered indicative of Albania and Montenegro):

- **Low scientific performance**, resulting from the insufficient supply of inputs—human resources, research funding, and facilities; nevertheless scientific performance is showing signs of improvement;
- **Brain Drain**- for example, in Albania more than 50 percent of all lecturers and research workers emigrated during the period 1991–2005;
- Obsolescence and depreciation of **research infrastructure**; poorly shared across institutions;
- **Low patenting activity**; inadequate management of intellectual property (IP);
- Inefficient **technology- transfer mechanisms** and commercialization of research results;
- Missing links of **industry-science interactions**; ad hoc collaborations without long- term strategy;
- **Businesses** show little interest to invest in research and innovation; declining trends in the employment of researchers by the business sector;
- Missing **legal framework** to manage intellectual property; missing reforms to facilitate contract enforcement, competition, access to finance, and labor market regulation;
- Restructuring and consolidation of **public research organizations** remains unfinished.

1.1.1.2 *Regional Strategies for Innovation*

Puglia

Developed since several years, Puglia can boast a significant industrial system in relation to the number of local units and employed staff recognized for its importance in terms of export capacity and investment in innovation.

Located around the large industrial area of Bari, Brindisi and Taranto, but also with significant presence in the Salento, plants and larger production sites are operating in the fields of iron and steel, basic chemicals and fine rubber, glass, energy, automotive, aerospace, food processing, ICT and building materials.

Next to them are present in various towns in Puglia smaller industrial settlements composed by small, medium and large companies in some cases of local entrepreneurs operating especially in the agro-food sector. Additionally, the range of industries is completed by the construction companies and those related to the extraction and processing of stone materials. The regional system of R&D is composed by 5 University of Puglia (4 state, one private) and their Industrial Liaison Offices (ILO), research centers both public and private, from the Technology Parks of "Technopolis" Valenzano and the "Cittadella della ricerca" in Brindisi and other technological districts.

In Puglia there are also the headquarters of all major public research centers (EPR), such as CNR, ENEA and INFN. In addition to a system of networks of public laboratories, Puglia has a significant presence in the framework of European research infrastructures with a special vocation to co-operation with the Mediterranean. In this sense, it is worth to mention the IAM - Mediterranean Agronomic Institute of Bari, one of the four branches of the CIHEAM network, International Centre for Advanced Mediterranean Agronomic Studies, Mediterranean Centre for

Climate Change (CMCC), which deepens the knowledge in the field of climate change, its causes and its consequences, and the ESFRI infrastructure for biodiversity.

They are also present in the region several research consortia, such as the Centro Ricerche Bonomo, CETMA, OPTEL, ISBEM and Laser Center that - although private bodies - have a significant public participation.

The analysis of patent activity in Puglia region in the period 1980 - 2011 highlights the prevalence of macro-sectors patent "Mechanical" and "Chemical", which are due respectively about 40% and 19% of patents registered in the period from Puglia from 1978 to 2010.

The time evolution of the composition of technological patents Puglia indicates a substantial stability over time of regional profiles of technological specialization, with the field of mechanics that maintains the primacy in the various five-year periods. It has to be noted, however, a decline in the relative weight of the mechanics from the five-year period 94-98 to 04-08 five-year period, rising from 48% to 36% of regional patents. At the same time, however, there is a growth sector of the "Chemistry" and "Electrical Engineering / Electronics," which instead increase from 14% to 20% and from 8% to 15% respectively.

It should be noted also that the region has developed a strategy to promote creativity with some good results in promoting the growth of creative industries and tourism. This includes the implementation and networking of physical spaces for creativity, the promotion of creative entrepreneurship and SMEs, support for the creative value chain, such as live entertainment, cinema and visual arts, as well as the promotion of regional clusters for creativity. Some of the initiatives undertaken include: Environmental and Cultural Systems, Urban Laboratories, Inhabited Theatres, Puglia Sounds, Active Principles, Creative District, Apulia Film Commission and the Film Fund • Cineporti, Located In Bari And Lecce, Puglia Events, INTRAMOENIA Extra Art, Contemporary Circuita, etc.

Molise

In 2013, the manufacturing productive base of Molise has been greatly enhanced by a number of registered enterprises amounted to 35,100 (there were 35,007 in the second quarter of 2013). Decreases, on the contrary, the weight of industry in line with those that are national values: the downsizing is due in large part, and especially in the last year of analysis, 2011, by the decrease in VA product industry in the strict sense, while decreases slightly the contribution of the construction sector. On the contrary, in Italy, the contribution of this sector has remained stable over the period analyzed.

The areas in which, in absolute terms, SMEs have shown the highest growth compared to the same period last year were related to the services sectors, in particular: tourism sector with the activities of accommodation services and restaurants (with 67 companies in addition, 41 of which are in the province of Campobasso, in percentage terms it means an increase of 3.1% over the previous year) and Business Services (2.3). The regional innovation system is weak and characterized by low R&D investment. All indicators show a very limited innovation capacity with respect to both North-Central and Southern Italian regions.

In 2011, the total R&D expenditure was only 0.42% of the GDP, significantly lower than the national average (1.25%). There was no significant change since 2008, when it was equal to 0.40%.

The share of SME introducing innovation products or processes was 16.4% in 2010 (last available year), half of the Italian average which was 31.5%. These data show the weak competitiveness and fragmentation of local industry. Moreover, the innovation system is also affected by the lack of collaboration between public research and business, as well as by the weaknesses of local organisations providing technology transfer and business services.

The inadequacy of regional infrastructure (poorly developed broadband network and logistic facilities which contribute to the isolation of mountain and rural areas) and the low level of ICT diffusion are other constraining factors that hinder the development of an innovation friendly environment.

The broadband diffusion among Public Administration is relatively good: 89.6% in 2012 (last available year) but below the national average.

Montenegro

Research and Innovation

Montenegro's innovation policy focuses mainly on research as a major source of innovation. By investing in research, it intends to become a knowledge-based society and increase its economic competitiveness.

In order to reach the EU target on investing 3% of GDP in research, build human capital and modernise the infrastructure, it must increase its present level of funding allocations that come mainly from the state budget. The level of investment in research increased from 0.13% in 2010 to 0.43% of GDP in 2011 (or € 13, 3 million). The plan is to raise the level of investment in research to reach 1.4% in 2016, whereby 70% of the expected funding should come from the public sector and 30% from the private sector.

Actions have been taken to stimulate investment by the private sector through tax measures and by stimulating public and private partnership through establishment of the first Centre of Excellence and Scientific and Technological Park in Montenegro on 1st June 2014. (Higher Education and Research For Innovation and Competitiveness Project-HERIC). One project component is related to Collaborative Research Grants. Four grants have already been awarded to Montenegrin scientific research institutions.

Montenegro has taken several measures and actions in line with the European Research Area and Innovation Union to strengthen capacity building. In December 2012, it amended the Strategy on scientific research activities 2012–2016, placing greater focus on development research and introducing new instruments to bring national research funding more in line with the EU research priorities. Several measures have been taken to strengthen human capital building and encouraging mobility of researchers. Montenegro also contributed to the Innovation Union by creating the first scientific and technological park in Montenegro. As part (I Phase) of this project, Innovation-Entrepreneurship Centre "Technopolis" Nikšić was established with three laboratories: ICT (data centre), biochemistry laboratory and Laboratory for Industrial Design. In order to improve the innovation system, Montenegro will adopt a new policy framework in this field.

SME Competitiveness

Following the restructuring and/or liquidation of large state owned enterprises, small and medium size companies have taken the leadership in generating new economic activity and employment in Montenegro. SMEs are usually more flexible to adjust to the market needs which provide diverse employment opportunities, sustainable development and positive contribution to export and trade. They contribute around 60% of GDP.

Montenegro had 23,741 companies in 2012 that are all, with a few exceptions, small and medium sized companies.

The Strategy for Development of Small and Medium-Sized Enterprises (2011-2015) contains several measures aiming at stimulating the private sector to be more competitive including through support for start-ups and creating clusters. A voucher scheme for innovative SMEs has been established granting support to companies wanting to engage in innovative products or/and

services, business innovative processes and innovation in the business organisation. However, participation of SMEs is still limited.

Public-sector support for SMEs is, nonetheless, far from optimal. Most SMEs lack managerial and marketing experience. Business support services (business centres, business incubators, business advisory services, etc.) to help them build up performance and strengthen their competitiveness, are not well developed.

Another constraint for SME and entrepreneurship development in the area is the existence of business barriers both within internal markets and for various types of regional transactions. This discourages potential initiatives for fostering cross border cooperation and creation of various types of business clusters and vertically integrated company linkages. Consequently, options should be explored for reducing business barriers and creating a more business-friendly environment for cross border cooperation.

Inadequate access to finance is an additional market barrier for small enterprises and entrepreneurs. The Indicative strategy paper for Montenegro 2014 – 2020 adopted on 18 August 2014, sets as priority the development of a comprehensive industrial competitiveness strategy and of the necessary administrative capacity needed to ensure its appropriate implementation.

Albania

As regards **research and innovation policy**, some actions to stimulate innovation and to strengthen human capital building have been taken. The Agency for Research, Technology and Innovation (ARTI) has stepped up the actions to promote participation in EU research programmes but overall the success rate is still very low (success rate 13%). The national budget for research slightly increased but the level of investment in research and technological development is still very low. Increased financial resources are required in particular to strengthen the capacities and modernize infrastructure. Due to the lack of reliable statistics it remains difficult to establish the level of investment in research as a share of GDP which is around 0.35% of GDP. The contribution of the private sector and SMEs in research and technological development in particular is very limited. With respect to the Innovation Union, the Business Relay and Innovation Centre within the Albanian Investment and Development Agency (BRIC/AIDA) continued to stimulate innovation by entrepreneurs with an increasing number of technology audits and measures targeting SMEs. Overall further capacity building and investment in research are required to ensure integration into the European Research Area and contributing to the Innovation Union.

The private sector remains dominant and continues to account for about 80% of GDP. Business registration and licensing continued to perform well through the established network of one-stop shops. In 2012 the number of new businesses registered grew by 8% year-on-year; they make up 12% of all active enterprises.

Table below shows the dynamic of active enterprise growth in Albania and comparison with the core program area. As it can be shown the number of active enterprises in Albania has increased from 32,172 in 2005 to 111,083 in 2013. Most of enterprise birth comes from the coastal regions. This development is most significant after 2010 where more than 60% of active enterprises have been in the Regions of Durrresi, Fieri, Lezha, Shkodra, Tirana and Vlora.

Active enterprises by year of creation

Qarqet	Total	Year of creation								
		2013	2012	2011	2010	2009	2008	2007	2006	÷2005

Total	111,083	12,131	12,248	11,033	12,091	8,685	10,010	6,499	6,214	32,172
%										
Total	100	10.9	11.0	9.9	10.9	7.8	9.0	5.9	5.6	29.0
Durrës	100	10.3	12.6	11.3	8.8	6.9	8.8	5.5	6.6	29.2
Fier	100	8.8	7.9	9.4	10.9	6.5	9.2	6.4	6.1	34.8
Lezhë	100	10.4	9.8	9.3	9.6	7.4	9.0	8.5	6.6	29.4
Shkodër	100	9.2	14.3	9.7	8.7	6.7	13.0	5.7	8.2	24.4
Tiranë	100	12.9	12.0	10.3	12.1	9.0	8.7	5.0	4.8	25.2
Vlorë	100	11.2	11.7	11.4	10.5	8.1	9.6	5.4	4.6	27.6
% of total		62.7	68.4	61.4	60.6	44.6	58.2	36.5	37.0	

Source: Instat

Small and medium-sized enterprises (SMEs) play a very important role in the economy, providing 71% of official employment, although weaknesses in their operational environment persist. In the non-agricultural sector, SMEs account for 47% of exports and 68% of value added.

Table below shows the structure of active enterprise in Albania by size and production activity (goods and services) for 2013. As it can be distinguished 90% of active enterprises in Albania falls into micro enterprises (1-4 employees), of which 87% operate in service sector (mainly coffee bars hotels and restaurants). Micro enterprises comprising 5% of enterprise stock, while small enterprises employing 10-49 employees are 4% of enterprise stock, while medium and large enterprise are only 1% of active enterprises, operating 37% in production and of goods and 63% in service sector.

Active enterprise by size and production activity 2013

		1-4	5-9	10-49	50+
Total	111,083	99,782	5,235	4,660	1,406
%		90	5	4	1
Producers of goods	16,842	13,071	1,565	1,681	525
%	15	13	30	36	37
Producers of services	94,241	86,711	3,670	2,979	881
%	85	87	70	64	63

Source: Instat

Regional Indicators for Sustainable Growth

Sustainable Growth as a Europe 2020 priority entails the following goals:

- supporting the shift towards a low-carbon economy in all sectors;
- promoting climate change adaptation, risk prevention and management;
- protecting the environment and promoting resource efficiency;
- promoting sustainable transport and removing bottlenecks in key network infrastructures.

The Programme Area performs lower than the EU 28 average (2013) in relation to the main indicators for sustainable development (use of renewable energy, ozone concentration levels, and the degree of susceptibility to climate change).

Sustainable tourism

Tourism is one of the important drivers of the Programme area economy and contributes to the overall social development of the all area. The whole cooperation area encompasses attractive landscapes and natural environment and high-potential for further development of cultural tourism in the main towns, some of which are inscribed on the UNESCO List and of sustainable tourism related to environmental assets.

Among the area's tourist resources, there are also varied and important eno-gastronomic and folk craft heritages. Some of the area's region have in fact a long culinary tradition and in some case the typical products (agricultural and crafts) originate an important domestic tourism flow.

The extraordinary environmental ecosystem and cultural heritage suffer of two opposite and different problems: in some coastal spots, it's subject to an excessive pressure applied by the same tourism settlements; in some other parts of the areas, minor destinations, the natural and cultural heritage is not yet enough enhanced, sometimes not easy to reach and without specialized services.

Performance of the programme area, indicative indicators⁴

Tourism in the programme area is often concentrated in coastal regions. The Italian regions obviously show the highest rate of tourist of the all area, while the largest growth rates is recorded in Albania (50% increase from 2008 to 2012). The most significant tourism data of the program area is related to the marked increase in the overnight stays. From 2008 to 2011, the nights spent in the area's accommodation establishments were about four times higher than the European average in the same period.

Across the programme area countries, the share of inbound tourism (visits from abroad) differed very widely in 2011: this share ranged from a low of 40.9 % of the total nights spent in Italy, 44.4% in Albania to a high of 88.8 % of all nights spent in Montenegro. Western Europe is the tourism generating area of the region. Generally, in terms of visitor arrivals, Germany is the major tourism generating country. Italians are numerous as well in Albania. Recently is also growing the Russian Federation tourist demand. In Albania, the most inbound market from EU came from the neighbouring Montenegro and Italy.

Regarding tourism intensity which measures the number of overnight stays in relation to the resident population, in 2013, Montenegro has 9.411.943 overnight stays. Of these, Russian tourists accounted for 2.637.000 and Italian tourists for 124.663 overnight stays. The average length of stay is another important indicator to measure the degree of sustainability economic and environmental of the tourism sector. In Montenegro is recorded the longest stay, with an average 6.35 days and Albania the lowest with 2.5 days.

The Italian Adriatic Regions have by far the largest tourism accommodation capacity. The offer of very big establishments is instead grown and is growing in Montenegro, often generated from foreign investments.

⁴ Source: Eurostat, INSTAT, ISTAT, MONSTAT

Detailed Analysis per region

Puglia

According to the available data, Puglia records the following values in tourist attractiveness: tourist rate in national and regional parks is equal to 4,2% (ISTAT, 2013); cultural heritage demand corresponds to 27,2% (MIBACT/ISTAT, 2013); days spent by tourists in hosting structures reach 3,4 (ISTAT, 2013).

Some values about maritime tourism can be mentioned too: in fact from the infrastructural side there are 64 ports, of which 46 on the Adriatic side and 18 on the Ionian side, hosting a total amount of 12.703 boat moorings, fully congested especially during summertime.

So, material and immaterial treasures in Puglia are unique and various but the related demand for these assets remains below national average. In order to improve sustainable tourist fruition of natural and cultural integrated heritage, appropriate territorial communication, brand reputation and identity divulgation strategies have to be implemented, together with innovative combination of historical identity promotion and new forms of audiovisual or contemporary art.

Aiming to reach this goal, Puglia plans have to be included in a macro-regional perspective, given that historical cultural exchanges with Balkan countries are a matter of fact which represent an opportunity for future cooperation.

Molise

The regional area of Molise shows unexpressed potentialities concerning hosting offer in tourism and cultural sector. It has been observed (2012) that in this territory 36,4 beds per person are available each 1.000 inhabitants, whilst in Southern Italy this amount reaches 58,9, and in Italy it is equal to 80,0.

Only during summertime the Region remarks an increasing demand and consequently tourist providers concentrate their activities along coastal sites.

Hotels' offer represents 54% of 11.435 beds per person available for tourists. Moreover, 80% of the hotels are located near Campobasso and its province. According to UNIONCAMERE data (2011) the percentage of tourist enterprises of the overall existing enterprises in Molise, reaches 6%, against a national average of 6,6%. This partial development doesn't help employment in tourism. Only 4,2% of regional employees come from this field, below national value (5,3%).

Private operators in Molise cultural sector corresponds to 0,5% of national cultural enterprises. Also in this domain employment suffers a lack of related jobs. The percentage of cultural employees (1,3%) is below Southern Italy average (1,6%) and below national average as well (1,7%). At a glance, one of the main needs of the territory seems to be the creation of networking among cultural and historical heritage and natural landscapes. So, it appears necessary to better enhance - through an appropriate joint initiatives of cross-border cooperation - ancient rural boroughs, historical sites and green treasures which can represent a model of attractiveness in terms of genuine lifestyle, environmental quality, social cohesion against demographic loss.

Montenegro

Tourism has been in expansion over past years in Montenegro and has become the country's key industry. Besides attractive coast and several inland cities, the country offers unique landscape resources, mountains, forests, lakes, clean rivers, mineral and thermal springs, natural parks, biodiversity, old traditional villages and rich cultural heritage.

In 2013, a total of 1.492.006 tourist arrivals have been registered, of which 90% have been

foreign tourists. Revenues from tourism in 2013 were EUR 714 million, which is an increase of 10,7% over the previous year. The sector accounts for 19,5% of GDP. In 2013 the direct contribution of travel and tourism to GDP stood at 348.7 million euros, or 9.8% of total GDP. Investments in tourism amounted to 208.3 million euros, which is 28% of total investments in that year.

The central and eastern continental parts have less developed tourism, but have significant potential for its future development. These are mostly mountainous areas that have a comparative advantage for specialised tourist programmes focused on new “active” type of holidays, including but not limited to bird-watching, skiing, hiking, and cycling.

Under the Strategy for Sustainable Economic Growth of Montenegro through Introduction of Clusters 2012-2016, which is aligned with the Tourism Development Strategy until 2020, Montenegro is divided in six tourist clusters: Budva- Bar, Ulcinj, Kotor Bay, Skadar Lake – Cetinje, mountain region of Bjelasica, Komovi and Prokletije, and mountain region of Durmitor and Sinjajevina, that also cover the country’s five national parks. While these clusters are networking internally, there is significant scope for improving clustering activities with other productive sectors, like the agriculture.

The key weaknesses hampering tourism development, particularly outside the major tourist centres on the coast, are inadequate hospitality infrastructure and marketing skills, static and ineffective tourist promotion, low integration of cultural heritage in the tourism offer, lack of information exchange within the tourism industry, low level of networking between tourism operators and other sectors like agriculture, and lack of differentiated and innovative tourism products and services that would encompass the whole region and make it more attractive to potential tourists.

Successful marketing campaigns to bring increasing number of tourists to the coast could be further enhanced by integrating in them the opportunities offered by the rest of the country. The same could be promoted as a multi-ethnic and culturally diverse European destination that has unique cultural/historic heritage and beautiful unspoiled nature, coast, mountains, rivers, canyons, spas, national parks and protected areas.

Montenegro has vast untapped potential for promoting and celebrating cultural and natural heritage and linking the same to the tourist offer. The five national parks provide the most promising opportunities for sustainable tourism development in Montenegro outside the coastal area. Development of nature-based tourism throughout Montenegro will contribute to the integration of places of lesser importance in the overall tourism product and create new development opportunities for the local population. It will contribute to reducing migration, and revival of villages.

Cultural tourism is mostly developed in several urban centres on the coast and the city of Cetinje given their rich and unique cultural heritage and the variety of cultural events organized throughout the year. Other regions also have rich cultural heritage but it is still insufficiently exploited for tourism purposes. Poor state of cultural monuments and facilities around them are one of the key reasons for this.

Protection of cultural heritage at the national level is assumed by a specialized Institute for Protection of Cultural Monuments in Montenegro. However, municipalities have the primary responsibility to look after, maintain and use, and protect monuments from damaging impact of nature and human activities, to make them publicly available, and support the costs of regular maintenance. The lack of financial resources, nonetheless, limits the action of municipalities, possibilities of exchange of experience, opportunities for knowledge dissemination, organization of joint events and activities related to the protection of cultural heritage.

. The attention of the tourism market should be directed towards tangible cultural assets (cultural and historical monuments, cultural and historical complexes, sites or areas), museums,

and galleries, intangible cultural assets (language, dialect, oral heritage, customs, traditional crafts), and to religious, educational, and festival tourism. However, cultural tourism has yet to be recognized as a generator of development and serious efforts to integrate culture and tourism and to develop a sustainable cultural-tourism product have yet to be made.

Montenegro needs to diversify its tourist produce in order to reduce its pronounced seasonality. A greater focus on cultural, nature-based and agro tourism could contribute to that end. Linking tourism and agriculture is of great importance in general the Montenegrin economy.

Albania

The development of sustainable tourism potential has been identified as a key challenge in Albania since the previous programmatic period and remains presently one of the key strategic priorities of the present Albanian government since September 2013.

Despite the fact that the country possesses many cultural and natural attraction resources of very high quality that could attract high number of visits, the number of incoming travellers is growing steadily over the recent years but remains strikingly low compared to neighbouring countries of Greece, Montenegro and Croatia.

Arrivals of foreigners by means of transport (1995-2013) (in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	748	937	1,126	1,419	1,856	2,418	2,932	3,514	3,460
By air	128	150	182	206	227	246	267	273	417
By sea	130	141	162	189	215	216	191	180	220
By land	490	646	782	1,024	1,414	1,956	2,474	3,061	2,823

Source: Instat

Main constraining factors determining the situation on the sector and preventing international investment, according to various assessments are the poor state of transport infrastructure development, lack of efficient management systems for the treatment of solid waste and wastewater treatment and management, poor land management and land use planning framework, unresolved legal issues related with the land and construction ownership, limited financing for the preservation and maintenance of natural and cultural assets, limited capacities and organization of the public sector, lack of appropriate data collection and management systems.

Hotel accommodation capacity has been growing also over the recent period with a pick in 2011 followed by a slow down after 2011. However hospitality standards overall remain poor and tourism product undifferentiated.

Hotels and their capacity (2005-2013) – (numbers)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hotels	220	243	221	240	–	–	–	–	–
Beds	6,742	7,248	8,649	8,038	11,932	11,793	18,905	15,901	10,620

The number of overnight stays has been affected by the economic crisis internal and external as well as transition period from changing of government and new government economic policies in 2013.

Overnights of foreigners and Albanians in hotels (2005-2013) - (in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
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Total	344	459	547	490	539	610	801	591	394
Foreigners	130	136	172	130	170	185	356	353	178
Albanians	214	323	375	360	369	425	445	238	215

Source: INSTAT

The tourism strategy of 2007-2013 focused on promoting Albania as special interest tourism destination under the motto “Discovery of Albania” however with poor results since the international market is very limited and domestic market is more focused on conventional sun & beach tourism product. The limited duration of the season is another impediment for the sustainable tourism development.

Since September 2013, the Law on tourism was amended, clarifying the legal status and scope of activity of the Tourism Service Offices. The Ministry of Tourism is in the process of preparing the new Tourism Strategy for the period 2014-2020 as well as launched a process for preparation of a National Coastal Spatial Plan aiming to promote quality tourism development investments. The government also adopted more strict measures against uncontrolled development and illegal construction throughout the coastal zone. A challenge upon implementing these ambitious policies over the next few years will be the problems in communication between different territorial entities which have been consolidated by force under the recent operation of territorial administrative reform and need now to cooperate on a new basis.

Protection and Enhancement of Natural Resources, Protected Areas and Landscape

The Programme Area has a rich environmental heritage (sea, mountains, forests, wetlands), many protected areas, excellent quality natural environment making it attractive to individuals and investors. It includes several NATURA 2000 sites on the Italian part as well as national and regional parks, some of which have been designated as Special Areas for Conservation (SAC), Special Community Interest (SCI) and Special Protected Areas (SPA).

The landscapes of Puglia are the main asset - environmental, territorial, urban, social / cultural - and the main immediate basis in order to achieve a future socio / economic sustainable Programme Area. The landscapes of the coasts are characterized by the olive-trees, the pseudo-steppe (Alta Murgia), citrus groves, vineyards, cereal (Tavoliere), but also the typical constructions (trulli and masserie), a wealth of stories and culture of inestimable value. But the landscapes are at risk: degradation and progressive impairment are under the eyes of all. Even more aggressive than environmental agents (fire, coastal erosion, desertification), are social behaviours, the processes of economic development and new lifestyles that increasingly impact on the landscape altering its beauty and integrity.

In Montenegro and Albania Illegal hunting and logging in the protected areas as well as widely spread unauthorised construction, particularly in the coastal area, are significant concerns. The most evident example of negative changes, i.e. disappearing of natural features of protected objects of nature is observed in the Montenegrin Littoral where the tourism/urban development pressure is dominant, particularly on the protected beaches and their immediate hinterland. Low level of general environmental awareness, particularly at local level where state nature initiatives are often perceived as business barrier, does not help address the challenge. Landscapes in Montenegro and Albania are at risk by environmental agents (fire, coastal erosion, desertification, plant pest) and social behaviours.

The significant efforts made by the regional and local authorities for the establishment and

management of protected areas must be reinforced by interventions on a larger scale. This should be done in order to cope with the regional and/or bio geographical scale of biodiversity and for accomplishing the effective integration, standardization, and public accessibility of biodiversity data and knowledge.

Designation of protected areas

Considering the area under natural protection, there is a clear division between the Italian Regions and the two non-member states. In the first the share of protected areas and Natura sites is much larger. This indicates a different approach in designation and management of these areas.

In **Puglia** concerning environmental physical context there are different categories of sites under protection, according to EU, national and regional law. They are constituted by: 2 national parks; 16 national natural reserves; 3 marine protected areas; 19 regional protected areas. In relation to NATURA 2000 there are 89 sites of interest, of which 11 are Special Protection Zones. The relationship between protected natural areas in their territorial dimension and the natural protected areas including the coast is significant. Only 29 out of 89 SCI and SPA areas have their own management plan, approved between 2009 to 2010.

From the morphological point of view the region of **Molise** is characterized by a variety of important natural areas. Among these, the Natural Protected Areas (1,46% of regional surface): 1 National Park, shared with Lazio and Abruzzo; 4 Natural Reserves of which 3 are national and 1 regional; 2 Oasis managed by environmental activist organizations. In relation to NATURA 2000 in Molise Region 85 sites of Community Interest can be found (21,5% of the regional surface), as well as 12 Special Protection Zones (14,7% of the regional surface).

The Constitution defines **Montenegro** as an ecological state. However, environment protection and climate change are among its biggest weaknesses. These areas require substantial investments but the country has limited resources and has thus not been able to make much progress towards meeting the EU acquis.

Nonetheless, Montenegro is aligning its nature protection policy and preparing for establishment of the Natura 2000 network. It has adopted EU harmonized nature protection laws and adopted a national biodiversity protection strategy for 2010 – 2015. However, the responsible ministry for environment has publicly admitted that practically most of actions of this strategy have not been implemented to date due to a lack of capacity, financial limitations and other pressing priorities. Among others, the development of scientific information and data required for the designation of sites slated for protection is still at a very early stage.

At present, an area of approximately 125.000 ha is under some kind of protection, or 9% of the territory. These include 5 national parks, of which 4 represent mountain ranges while the fifth is the Lake Skadar shared with Albania. Some 16.000ha of the area in Kotor Bay are under UNESCO protection. A number of beaches on the Montenegrin Littoral have also been put under a protection regime. The Spatial plan of Montenegro foresees expansion of protection to new areas in the northern region and the coast, but detailed scientific studies and public consultations required by the Law on nature protection to justify the protection status have yet to be undertaken. Municipal authorities that are responsible for preparation of studies for protection of sites of regional importance (regional parks of nature) do not have the necessary knowledge or means to engage in such endeavours.

According to the Biodiversity protection strategy, a revision of the existing protected areas of nature in this region is needed to ensure better protection of its natural values. The Montenegro Coastal Area Management Programme (CAMP MNE), implemented with UNEP support, has defined the priority actions in this regard and proposed a model of integrated management of

this area. The new management structure could benefit from knowledge transfer and experience sharing with similar long established institutions.

Due to poor capacity to enforce the law and manage the protected areas, however, the state has not been able to mitigate the threats to nature and its biodiversity. The weak local municipal authorities have not been able to develop their spatial planning frameworks, enforce land management regulation and stop uncontrolled development.

Consequently, capacity building, better enforcement at all levels and ensuring proper coordination among public authorities is a highest priority, since strong and well equipped administration at national and local level is imperative for the application and enforcement of the acquis. This should be coupled by stronger effort to develop the scientific data for the designation of protected areas and future Natura 2000. A more careful development planning of the coast that takes into account the unique natural values must be envisaged.

As regards investment needs, the priority areas are to improve the solid waste management and waste water treatment and water management facilities in line with the EU standards, i.e. focused on the largest and strategically most important agglomerations (densely populated and industrialized territories) and environmentally sensitive areas. There both national and local authorities demonstrate clear ownership and commitment for timely design and implementation, as well as eventual maintenance of investments and prevent negative impact of plant pests and diseases through adequate monitoring and phytosanitary action.

In **Albania** in the field of *nature protection*, the proportion of protected territory was increased by 0.75% to reach 15.83% including 17 National Protected Areas, 5 Managed Natural Reserves, Nature Monuments, Protected Landscapes and Ramsar sites. A new Ramsar site was designated in June 2013. However, the protection of those areas still needs to be guaranteed. The current coverage of protected areas is uneven and is not representative of the different habitat types which exist in the country. The national network is still small to have an effective long-term impact on biodiversity protection. Moreover, protection is itself threatened by informal construction, woodcutting and illegal hunting still being widespread. The illegal hunting of birds and mammals is jeopardising efforts for biodiversity management and the administrative capacity of the inspectorates to fight them remains weak. Fishing resources are also endangered particularly due to the over-fishing near coastal area and use of illegal practices.

Very few investments have been done in the sector of Protected Areas and Nature Protection in Albania since more than 10 years. This has led to frequent law breaches within the Protected Areas. Law enforcement is weak and measures are still insufficient to counter the negative trend of biodiversity, fish and forest depletion. Only a few steps have been taken following the acceptance by the Bern Convention in 2011 of the candidate sites proposed by Albania for the Emerald Network.

Challenges in the field of nature and biodiversity protection consist on: (i) the identification and setting-up of the NATURA 2000 network of protected areas as an ecological network of Sites of Community Importance (SCI-s); (ii) effective implementation of management plans of protected areas and (iii) proper law enforcement that will ensure the long term survival of the species and habitats present in the country by achieving their 'favourable conservation status'.

Human pressure on natural resources and environment

The Programme participating states practice different approaches in the water field. Besides the overall high consumption, which is partially caused by low water prices and low collection rates, other problems in the water supply system include water shortages, especially in the coastal region and during the summer season, and insufficient level of coverage of the rural areas

with public water supply systems (with poor water quality control for the waters from the rural water supply systems and other sources). Quality of drinking water is regularly monitored for the public water supply systems and the quality requirements are in line with WHO and EU standards. Discharge of communal and industrial wastewater into natural recipients is done with almost no treatment other than primary. An additional problem is the lack of pre-treatment of industrial wastewater discharged into the public sewerage systems, and a low level of residential connection to the sewerage especially in the remote areas.

In the context of the Water Framework Directive (WFD), the EU wants to put in place a common methodology for cost-recovery calculation, which would take account of the polluter pays principle. Water pricing – included in the WFD – has to be realistic and take account of environmental costs, but at present, in many cases, it is not working. Incentives for domestic consumers, farmers and businesses to use water more carefully should be installed through adequate pricing levels based on water-metering.

In Italy the water tariff is based (with very few exceptions) on irrigated area rather than on volumetric usage, moreover water tariffs for farmers are lower than for other users (water tariffs for agriculture vary significantly across the regions and the different river basins, and range from 30 EUR/ha to 100 EUR/ha, and in some cases up to 700 EUR/ha) and do not cover investment or depreciation costs, but only part of operation and maintenance costs.

In **Albania** recent developments demonstrate improvements. The Law on integrated water management was adopted in December 2012 and a water supply and sewerage master plan was finalized in April 2013. Centralized wastewater collection only exists in the larger cities. Four wastewater treatment plants are functioning while three other plants are completed but not yet operational and two more are under construction. Current financial and human investments are not sufficient to ensure the proper functioning and maintenance of existing wastewater treatment plants. The capacity of public water companies to manage basic services in delivering drinking water and waste water treatment is weak. Development of river basin management plans, including at regional level, is at an early stage.

Montenegro on the other hand has good quality and abundant underground and surface waters due to rich rainfall and relatively well-preserved water resources and low density. But the average consumption is exceptionally high. This can partly be attributed to climatic conditions, but is mainly due to wasteful use of water and high losses in the water supply systems. The country has an ambitious plan to improve the water supply and waste water management infrastructure. This comprises the rehabilitation and extension of the water supply systems in all municipalities where such a renewal is necessary, the construction/rehabilitation of the sewerage networks in all municipalities and the construction of wastewater treatment plants in 20 out of 23 municipalities. The control and planning system will be improved by introducing a full water-quality monitoring network and by preparing river basin and integrated coastal management plans.

In the field of **waste generation**, the area is characterized by lower waste levels than the EU28 but with rapidly rising per capita levels and overall poorly coordinated waste management mechanisms with limited recycling structures and a heavy reliance on (often uncontrolled) landfills. There were considerable variations among the countries, both in the amount of waste generated in 2010 and the activities that contributed considerably to waste generation.

In **Italy**, municipal waste has increased between 2000 and 2010 from 28mt to 32mt, equivalent to 509kg to 531kg/person, higher than the 520kg/person EU average for 2010. The country has great variability in waste management quality, with very well performing (high recycling/composting, stabilized or reduced waste generation levels) regions as well as extremely poor performing regions. Italy's recycling and recovery rates are still in transition, for example it

doubled municipal waste recycling between 2000 and 2010 from 10% to 20%, and it reduced its landfilling of municipal waste in that time from 76% to 48%. It is anticipated that Italy will meet the 2020 target of 50% municipal waste recycling. However, it is questionable whether the 2009 (2013 with derogations) biodegradable municipal waste diversion target will be met. Focus in previous years has been on the much-needed closure of illegal or sub-optimally performing landfills. This has led to a shortage in landfill capacity. This situation has been exacerbated by poorly developed waste collection services. In some regions, since the closure of many landfills, political focus has been on building of large incinerators instead of introducing recycling/composting collection systems. This also explains the wide discrepancies in recycling performances between regions. In general, technical barriers to good waste management include lacking and misused infrastructure, surplus staff and poor management.

Waste produced in **Puglia** can be divided in two kinds: urban waste and special waste. The annual production of urban waste – considering trends 1997-2011 – decreased from 2009 to 2011. Special waste production falls under: waste treatment and sewage water depuration (20,7% of the total); metal production (9,8%); chemical industry (9,7%); electric energy, water and gas production (9,1%).

In **Molise** waste management and recycle are considered crucial in order to achieve a zero impact sustainable development. Urban waste recovered per inhabitant – during 1996-2012 – increased: from 364,7 kg to 404,4 kg. This puts Molise Region below national value (505,0 kg) and below Southern Italy value as well (462,6 kg). Moreover, traditional management methods seem to persist and in 2012 the amount of waste carried to dumps corresponds to 423,6 kg per inhabitant, marking exactly the double in comparison to the Italian data (236,2 kg) and to the Southern Italy data too (196,4 kg). The percentage related to recycled waste has changed: from 2,8% in 2000 to 18,4% in 2012. This value is still below Southern Italy average (26,5%) and below national average as well (45%) but anyhow it has to be highlighted the strong progresses achieved in the last decade, thanks to the Programming Period 2007-2013.

In **Albania** implementing legislation on waste management was adopted and management plans were prepared in Tirana, Lezha and Shkodra. Waste management remains a serious cause of concern in Albania. Separation of waste has not yet started with few exceptions and recycling rates are very low. The recycling industry is nascent and has to import most of the required raw materials from outside the country. Municipalities have very weak capacities to manage waste, including at the end destination. Most of the waste is still disposed of unsafely in legal and illegal dumpsites or burned. To date, only two sanitary landfills complying with EU standards exist. The construction of one landfill in Korça is under way. There are still no facilities for hazardous, medical and construction waste, and no clear procedure for the management and control of landfills. New investments in the area of waste should focus more on waste separation and recycling.

In the area of waste management, **Montenegro** adopted implementing legislation on waste oil handling, on handling PCB-containing equipment and waste, on handling and processing construction waste, and on conditions and methods of disposal of cement asbestos waste. The negative impacts from waste will be reduced by constructing 6 waste management centres with an EU regulations compliant sanitary landfill, each. In addition, 15 waste treatment installations will be constructed. This will allow starting of the closures of all non-compliant landfill sites. A strategy for the export/treatment of hazardous waste and a waste prevention programme will be prepared in line with the EU waste legislation.

Climate Change and risk prevention

Climate Change

Overall the programme area is characterized by medium level of per capita emissions with a noted contrast between Italy (at appr. 6.5teq) and Montenegro at approximately half that level and Albania being distinctively lower at 1,5 teq per capita and year, as a result of the low motorization and the very high share of electricity from Renewable Energy Sources (RES).

Relating to the most recent ARPA Puglia air quality survey, the Region of **Puglia** presents quite a homogeneous status, mostly respecting the Italian law parameters. The only exceptions can be found in Taranto (Tamburi neighbourhood) and Martina Franca. Despite this, sustainable urban mobility for CO2 low emissions needs concrete answers and Puglia still results at national level, one of the main Italian Regions in terms of industrial pollution of the atmosphere. The most important industrial plants (energetic and siderurgical) are based in Brindisi and Taranto areas, so their contribution to the general balance of air quality, is definitely heavy. Here, CO2, PM10 and dioxin ejection reach the highest values at national level. Finally, ozone concentration, especially during summertime, is very diffused all over the territory and constantly exceeds target values for health protection.

Reduction of CO2 emissions is a priority also in **Molise** where during 2005-2011 CO2 emissions increased by 57% in relation to 1990 values.

As regards **climate change**, **Montenegro** has ratified the Kyoto Protocol. It is a non-Annex I Party to the United Nations Framework Convention on climate change (UNFCCC) and has no greenhouse gas (GHG) emission limitation/reduction target. It has submitted a national communication (NC) under the UNFCCC that provides information regarding national circumstances, greenhouse gas inventories, climate change mitigation, vulnerability to climate change and steps taken to adapt to climate change, and information on public awareness, education, training, systematic research and observation, and technology transfer.

According to the 2013 EU Progress report: Montenegro is not ready to take on a legally binding GHG emission limitation or reduction commitment under the post-2012 climate regime. It is not able to meet the GHG reporting obligations under Decision 280/2004/EC on the monitoring mechanism. The country has associated itself with the Copenhagen Accord but not yet put forward a mitigation commitment by 2020 consistent with those of the EU and its Member States. Regarding alignment with climate acquis, Montenegro is at an early stage. Five installations were identified for the purpose of future implementation of an emissions trading system. Significant efforts are required to strengthen the country's monitoring, reporting, and verification capacity.

In this regard, Montenegrin government plans to prepare and adopt in 2014 a National Strategy on Climate Change that will be a base for identification of potentials for low carbon-dioxide emission in the economy. In order to mitigate causes leading to climate change and adjust to adverse effects on Montenegro, a National Report on Climate Change is also being prepared, containing an inventory of greenhouse gas emissions, a greenhouse gas emission reduction plan, as well as an assessment of degree of vulnerability and measures to adapt to the consequences of climate change, and on the other hand a Programme for the gradual elimination of ozone depleting substances.

Priority actions in the area of climate change mitigation and adaptation will concentrate on strengthening the institutional capacity to design, implement and monitor mitigation policies, as well to enhance the resilience of vulnerable economic sectors and infrastructure to climate change. Support will also be provided for promotion of energy efficiency and the use of renewable energy sources.

Regarding **climate change**, a comprehensive country-wide climate policy and strategy are lacking in **Albania**. The country regularly associated itself with EU positions in the international

context. While having associated itself with the Copenhagen accord, it has not yet put forward a mitigation commitment by 2020. Albania should consider taking mitigation commitments consistent with those of the EU and its Member States for the purpose of the post-2020 climate agreement to be reached by 2015. In line with the EU Green Paper 'A 2030 framework for climate and energy policies', the country needs to start reflecting on its climate and energy framework for 2030.

As regards alignment with the climate *acquis*, legislation has been adopted in the field of fuel quality. The country identified 13 stationary installations for the purpose of future implementation of an emissions trading system. Significant efforts are still required to enhance the country's monitoring, reporting and verification capacity. Albania participated regularly in the climate component of the Regional Environmental Network for Accession (RENA). Climate awareness at all levels remains low and cooperation between all relevant stakeholders requires further strengthening.

Risk Prevention

Different parts of the Programme Area present a relatively high exposure to risks of natural and human causes compared to national and EU average. Risk types encompass landslide, seismic, hydraulic and hydrogeological risk, soil desertification, erosion and fires, stress from urban and tourism development, or even industrial pollution in Albania.

In **Puglia** Region, it has to be noticed that one of the most critical points of the entire regional soil is represented by forestry fires which, in 2011, caused 945 cases of "green" surface destruction, equal to 8.877,21 hectares. Among these, 580 were woods and 387 were other green areas.

Other critical aspects can be found in soil desertification and in developing urbanization affecting rural areas: in fact soil consumption and progressive constructions in agricultural contexts highlight a concrete menace for regional ecology, notably in Salento, in central Apulia and in Ionic bow. From 1945 to 2006 the spread of extra-urban buildings strongly augmented: +416% in the mentioned counties (+915% including total amount of buildings, settings and productive zones). The coastal zone is highly stressed by tourism and by human activities. This is true especially for sand dunes (37% of coastal line), suffering erosion and loss of natural defensive functionality against marine advancement.

In Puglia almost all the landslide risk is concentrated in the province of Foggia, where around 30% of the territory is classified at risk in comparison to a regional average equal to 8,4%. On the contrary, the areas which are classified at hydraulic risk, are distributed equally to the whole regional land. In the provinces of Foggia, Barletta-Andria-Trani and Taranto around 6% of the territory is defined at hydraulic risk against a regional average of 4%. In particular, the provinces of Foggia and Taranto are the most risky in terms of hydrogeological danger. So, if we consider all risk categories – hydraulic, landslides and floods – 13% of Puglia regional surface can be identified definitely at risk.

Turning to natural risk management, **Molise** is the Italian region having the highest number of municipalities exposed to landslide risk. In fact 36% of municipalities are included in the area which is considered the most dangerous (R4). High seismic risk is extended to 91,2% of regional territory and municipalities involved in this area are 127 (93,4%), while the inhabitants potentially damaged correspond to the 83,3% of the whole regional population. Furthermore 43 municipalities are situated in Highest Risk Area, 84 in Medium Risk Area and only 9 in Low Risk Area (ISTAT/Protezione Civile, 2012).

In **Montenegro** the government policy for strengthening the inspection of protected areas foresees the mapping of the main areas of soil erosion in order to prevent further land degradation.

As regards *industrial pollution control and risk management*, **Albania** ratified in September 2012 the Protocol on Preparedness, Response and Cooperation to Pollution Incidents by Hazardous and Noxious Substances (OPRC-HNS).

As regards environmental *noise* policies, a permanent task force has been established to deal with noise pollution in urban centres and costal tourist areas but enforcement of its decisions remains challenging. There were no developments in the chemicals and civil protection sectors according to country Progress Report.

Low carbon strategies

Energy policy is perceived as one of the key challenges of the coming decade at European, but also at global level. The recent past has been marked by a significant number of strategic documents at European level and the requirement to transpose it into national strategies and action plans.

In order to ensure the achievement of the 20/20/20 goals Member States need to invest in measures which support the shift towards a resource-efficient and low-carbon European economy that is efficient in the way it uses all resources, to decouple economic growth from resource and energy use, reduce CO₂ emissions, enhance competitiveness and promote greater energy security.

The ESI Funds can contribute to accelerating the implementation of EU legislation on renewable energy and energy efficiency, in particular the Energy Performance of Buildings Directive, the Energy Services Directive, the Renewable Energy Directive and the Strategic Energy Technology Plan.

In 2012, the EU adopted the Directive on Energy Efficiency. The Directive brings forward legally binding measures to step up Member States' efforts to use energy more efficiently at all stages of the energy chain: from production over transformation and distribution networks to final consumption. Measures include the legal obligation to establish energy efficiency schemes or policy measures in all Member States. These will drive energy efficiency improvements in households, industries and transport sectors. Other measures include an exemplary role to be played by the public sector and a right for consumers to be able to monitor energy consumption closely.

Situation in the Programme Area

In the RES sector there is a division between Italy, where RES is relatively low but diversified (with wind power and photovoltaic (PV) being well developed) and with a higher share in the two non-member states, Albania and Montenegro (due to the high importance of hydro-power).

Table 1: Low Carbon Economy context indicators

	GHG in Thousands of tonnes CO ₂ eq.	RE in %	PEC in Million TOE (2012)	Energy Intensity in kg of oil equivalent per 1000 EUR (2012)	Road Share of Inland Freight Transport in % of tonnes km transported (2011)	Wind Energy Production in TOE (2012)	PV Energy Production in TOE (2012)	Motorisation Rate in Cars per 1000 inhabitants

Italy (IT)	404.444 (2011)	13,5 (2012)	155,2	117,3	87,8	1.152,8	1.621,8	610 (2011 data)
Source	http://appsso.eurostat.ec.europa.eu							
Albania (AL)	4.283 (2010)	97 (2011)	2,2 (2011)	55,5 (est.)	99 (est.)	0	0	118
Montenegro (ME)	2.581 (2010)	45,8 (2011)	1,2 (2011)	98 (est.)	100 (est.)	0	0	311
Source	http://databank.worldbank.org							

Considering Primary Energy Consumption (PEC) Italy and Montenegro demonstrate relatively low due to the higher share of services in the GDP, while Albania has a very low PEC level per inhabitant. Considering energy intensity and efficiency all countries are facing however similar constraints, either in the sense of the need to become more energy efficient or in the sense of transforming their economic structure without becoming increasingly energy demanding. Land-bound transport modes and related emissions are heavily depended on country form, topography and availability of reliable railway alternatives. Hence it comes to no surprise that all cooperation countries are heavily road-transport dependent. Motorisation rates are high in Italy, close to the European average and lower in Montenegro and relatively low in Albania. The lower numbers in those countries are usually related to lower income but are constantly rising.

Both Puglia and Molise offer a surplus of electric energy production; Puglia of 83,5% (2012), Molise of 84,6% (2012).

Puglia region, currently, starting from third position in the Italian ranking for electric energy produced from renewables, covers through alternative sources 36,4% of the total internal energetic needs (8.000 gwh according to 2012 TERNA/ISTAT data). Nevertheless, energy provision still remains underdeveloped. So, in order to ensure efficiency and maximise energy flow management, further progresses can be achieved through the realization of smart grids. These are low tension systems, which are flexible and able to guarantee balance and security of the electric distribution all over regional territory.

According to the available data, from 2012 to 2013 electric energy consumption has decreased of -1,4%, from 18.545,70 (mln/kwH) to 16.970,50. This is specially due to the industrial sector that in the mentioned years records a decrease of -12,6%, while agriculture of -12,2%. This is generally respecting the trend foreseen at national level. However, it is more interesting to highlight the fact that energy consumption for the public administration has decreased by -4,8% while public light system electric energy consumption has decreased of -3,7%.

Regarding **Molise** Region, it has to be underlined that in the period 2005-2011 it has significantly improved its production of electric energy from alternative sources. In 2011 the concerned territory reached 67,4% of this production, thus overtaking the 20% target indicated by Europe 2020 Strategy. According to 2012 survey (ISTAT), Molise counts on 78,5% as consumption of energy covered by renewables. Currently, this makes Molise the best one in Adriatic-Ionian Italy, as "green" electricity producer. Other very good results have been scored in the Italian ranking. In fact National target for EU 2020 is foreseen as 13,4%, while Molise has already reached 11,7% (Final Energy Consumption/GDP).

It has been analysed how – in 2005-2009 – Eolic plants have dramatically increased by 420%, hydroelectric Energy arose to +48%, allowing an overall development of Green Energy: +186,1% (see also Documento Programmatico Molise POR FESR 2014-2020).

According to the available data, from 2012 to 2013 electric energy consumption has decreased of -1,1%, from 1.309,20 (mln/kwH) to 1.294,70. This is due to the industrial sector that in the mentioned years records a decrease of -1,6%, while agriculture of -5,0%. This is generally respecting the trend foreseen at national level. Energy consumption for the public administration has decreased by -1,1% while public light system electric energy consumption has decreased of -4,8%.

Despite positive outcomes concerning Energy saving in the whole region, nevertheless it has to be reminded that a critical point still arises: Energy surplus produced in the area depends on thermoelectric industry and on import of raw materials as well. Aiming to reach 78,9% (Renewables/Final Gross Consumption) as “burden sharing” goal, indicated by Italian Ministry of Economic Development (in 2011 it was 67,4%), it will be necessary to mix sources, enforcing in particular forestry and agricultural biomasses utilization. In this perspective some specific initiatives related to public and private building energy efficiency are considered strategic: smart grids in urban areas, as well as promotion of sustainable and clean mobility for a better quality of citizens’ life.

Additionally, it is worth to mention that in July 2014 Italy through its Ministry of Economic Development (MISE) has published the National Energy Efficiency Action Plan 2014. The document, proposed by the Italian National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA), outlines energy efficiency goals that Italy has planned to achieve by 2020 as well as running policy measures for achieving them.

According to the document, established measures together with ongoing instruments will help Italy to achieve the expected energy efficiency targets, including reducing 50-55 million tons of greenhouse gases emissions yearly as well as saving about 8 billion euros in fossil fuels imports.

In **Montenegro** besides hydro and thermal energy potential, the area also offers significant but still unexploited opportunities for use of solar and wind power energy. Under a Decision by the Ministerial Council of the Energy Community taken in October 2012, Montenegro’s target for renewable sources as a proportion of gross final consumption of energy is 33%. However, Montenegro still needs to adopt the ten-year work programme (national renewable energy action plan) on the development of renewable energy sources. The country has a strategy and action plans for energy efficiency, but lacks administrative capacity for its promotion. Consequently, the projects and actions in this area are developing at a slow pace.

In **Albania** regarding renewable energy here has been some progress as regards attracting greenfield investment in the energy sector with 11 new agreements signed in 2012 to construct and operate hydropower plants (HPPs). However diversification of electricity sources is still lacking. The Law on **renewable energy** was adopted aiming at further alignment with the *acquis*. Implementing legislation for the new law remains to be adopted. The development of the National Renewable Energy Action Plan is delayed. Rules concerning access to the grid for renewable energy installations are to be included in the new Power Sector Law.

Administrative barriers for licensing and authorisation of renewable energy investments and connection of renewable energy producers to the grid have not been reduced. The law on biofuels remains to be amended in order to approximate it to the *acquis* on the use of renewable energy in transport.

Transport and energy Infrastructure

The programme area fragmentation on two sides of the Adriatic-Ionian Sea specifies the pattern of spatial interactions in the programme area. The diverse Balkan topography contributes to a further fragmentation of physical relations: both internal and external ones.

The two Adriatic coasts present a dynamic settlement of opposite sign and a system of relations in both cases developed largely in the North-South Axis. In the Italian case, however, have some East-West-South link with the Tyrrhenian urban system, which is much more developed than the Adriatic, while in the case of the Balkans we have fewer gates and much more tortuous and slow infrastructural links to the area behind the Balkan Danube and its main urban centers.

It's important to distinguish between the external accessibility of the macro region Adriatic Ionian and the accessibility within the different regions that compose it. The external accessibility is essentially linked to ports, airports and major routes by land, rail and road crossing along the tracks historically determined by the morphology of the territory which allowed the consolidation of the infrastructure routes travelled by trade flows, while the interior is linked connections of short and medium range which is dominated by road and rail networks.

In practice, these are the main recognized guidelines that can be employed as access ports in the cooperation area, and that in perspective should form the skeleton of reference for future strategic investments on the terrestrial networks. In addition to these there is a network of minor roads and railways linking together the cities and regions of the larger system.

Ports

Compared to the network of European ports, those belonging to the programme area can be considered small to medium-sized all with regard to the flow of containers (TEUs) taken as an indicator of international competitiveness. It should be recognized that port traffic in the cooperating countries show a prevalence of imports compared to exports means that the functions of the catchment area are directed more to the markets of consumption and production. It is a fact that the ports have a limited hinterland interregional or international, and this is due to two main factors: the low population density or limited extension of the areas served, and the difficulties caused by the topography of the connections.

Puglia has three major ports with diversified functions. Brindisi is an important commercial and industrial port, Bari, in addition to being a commercial port, is mainly a passenger and cruise ship terminal, while the port of Taranto has important traffic volume and has connections with international ports in the Mediterranean basin, the Far East and the US.

Puglia is among the leaders in maritime passenger transport in Europe, even though in the past three years there has been a decrease in the number of passengers passing through its ports mainly caused by reductions in the numbers of passengers embarking and disembarking. The number of seaborne passengers transported to or from the main ports of Puglia fell by 3,4% in 2012. Similarly, the number of total goods loaded and unloaded from the main ports in Puglia has been reduced in the last three years by around 6%.

In **Montenegro** ports need modernisation. The port of Bar, the deepest in the region, is the country's major port. Its container terminal has recently been privatised. It is planned the modernisation of the port and revitalisation/expansion of the merchant fleet in the period 2013-2016. The port of Kotor services large cruisers and other commercial boats, while the marina in Tivat has positioned itself as a major Adriatic gateway for yachts. Other sites on the coast have also have excellent potential for developing new marinas or upgrading existing ones, but the state lacks technical and financial capacity to undertake the necessary studies proving their bankability, attract investors and offer them as concessions to (or develop them together with the) private sector.

Competitive pressure from other regional ports, impose on Montenegro to invest in development of combined truck/railway transport on the most important directions in Montenegro, open new perspectives for Ro-Ro transport and better connect ship ferry lines with Italy. For maritime economy to be revitalised, among others, new lines connecting the Port of Bar with other ports on the Mediterranean should be opened and new vessels should be purchased. Again, detailed technical and market studies are needed that Montenegrin experts cannot prepare without outside support.

Montenegro has limited inland waterways transport on the Lake Skadar and the connecting rivers. The big lake, shared by Montenegro and Albania, has attractive tourism potential, but

there is no waterway traffic between the two countries, although both sides have expressed interest in its development. Skadar Lake would best be valorised through development of nautical tourism for which the upgrading of the small port of Virpazar, encompassing the reconstruction of harbour capacities and the activation of border crossing for international lake-passenger traffic, would be the best option.

In **Albania** transport infrastructure development and maintenance remain a challenge. The country continued to participate in the South-East Europe Transport Observatory and to implement the memorandum of understanding on the development of the South-East Europe Core Regional Transport Network. However preparations are not yet very advanced.

As regards port infrastructure in **Albania**, the port of Dures is the biggest harbor in the country regarding goods (currently 78% of total maritime trade at national level) and main gateway to Italy for passenger traffic. The Port of Vlore is the second largest harbour of Albania and the secondary terminal port of “Corridor VIII” project after Dures. Both ports are now undergoing through important modernization programs. Works in Durres are progressing well, while procurement procedures started for works planned in Vlora. Resources for dredging of port access need to be secured in order not to jeopardise investments. The third largest harbor is the port of Shëngjin in the northeast that services mostly cargo in bulk and fuel. In the south there is a sea link connection between Corfu and the secondary port of Saranda which is developing towards its transformation into a tourist port.

Airports

The network consists of the airports in some medium-sized ports and a number of other smaller airports in the regional ranking. The limited amount of direct connections within the Programme area indicates well the low intensity of the exchanges. Most connections are made in fact going through an intermediate stop outside the area, although it is a short distance.

The demand for air transport clearly indicates that the prevailing routes are to and from the countries of Central Europe, some of which serve as the hub and to the rest of the world to other destinations. The integration inside the programme area today appears to be limited by the fact that they appear also limited the degree of integration and the reasons for mutual exchange internal to these countries, in addition to the fact that some distances are served by road or rail transport, certainly slower but cheaper.

In Puglia there are four airports, in Bari, Brindisi, Foggia and Taranto.

In **Montenegro** there are two international airports – Podgorica and Tivat. One small airport is located in Nikšić. The public company managing the airports is efficient, profitable and capable to invest in their operations. The modernization of both airports in Podgorica and Tivat forms part of government plans in the period 2013-2016

In **Albania** the only operating airport is the international airport of Tirana which has been constructed under a special agreement with private investor in 2002 that prevents the development of new or using other existing airport in the country for next 20 years. This fact is considered a huge obstacle in accessibility regarding objective of development of tourism development on the south coast which the priority of the government policy considering still poor level of existing transport infrastructure.

Road Network

The roads by which the Programme area communicate internally and with neighbouring regions are affected by the morphology of mainland. The development of the internal road network is largely based on the historical routes that have experienced the greatest flows in the past decades and now include the effects of fragmentation state occurred at the end of the twentieth century in the WBS, which interrupted or greatly reduced the previous inter-regional trade and thus reduce transport flows.

The Italian has a highway network that efficiently presents some problems only around some of the major coastal urban areas. The great part of the road network of Albania Montenegro and also of the Italian regions presents in fact flows between 5-10,000 vehicles daily which can give rise to saturation or criticalities especially when the road sections are at a single lane in each direction, while only in the Valley and around the major Balkan capitals, there are higher than average flows and also critical axes in two or three lanes in each direction due to greater traffic intensity.

With regard to road freight transport Molise in 2011 had an impact of 19.4 (T/km) per 10,000 inhabitants compared to 14.7 of Southern regions and 22.8 of overall Italy.

The EU and Montenegro agree that the improving of road and rail links included in the South-East Europe Transport Observatory (SEETO) comprehensive network is a priority. Bar-Boljare motorway project was developed to address this issue. However, this effort is challenged due to mountainous landscape, rather low-density traffic and limited financial means for a huge investment which might crowd out investment in other transport modes. It would, in particular, affect the rail which needs specific attention, notably the rail link from the port of Bar, as well as maintenance of the transport infrastructure which is not fully ensured. In the recently adopted Indicative strategy paper for Montenegro 2014 – 2010, nonetheless, the investments in the railway corridor Bar-Belgrade and developing the potential for multi-modal maritime-railway transport are marked as high priorities.

Road transport is the main form of movement of goods and passengers in **Albania**. Improvements continued throughout the road network. Construction work began on the Fier bypass on road corridor VIII, while construction of the Tirana–Elbasan road is progressing and the Damës-Tepelenë segment is still not completed. On the north-south corridor, the section from Shkodra to the border with Montenegro has been completed with the exception of Shkodra ring road which is delayed. Expropriation problems and lack of funds continue to slow down some projects. Often works are not finished and roads are left without signs and marking. Comprehensive environmental impact assessments are not carried out systematically. The tender for the maintenance concession for the Milot-Morine motorway, which was launched in February 2012, has not yet been finalised. The road maintenance asset management scheme has been updated. Funds allocated for maintenance are still insufficient.

New technical standards for road transport are still awaiting adoption. There have been no improvements with regard to road safety; the number of road accidents and the death toll remain high with pedestrians making up a high share of the casualties.

Rail Network

The railway network testifies probably even more than the road, the major differences between the two "peninsular" developments, East and West, of the programme area. The western part, Italian, has a medium level of rail network and also of rail services, while both the rail network and services seem to be less efficient than in northern part of the country, both for passengers and freight. But the development of the entire network in the eastern coast presents average low standards both as regards the rail infrastructure and services, passengers and goods, from which also the limited role for the railway mobility especially at international level.

Puglia has a railway network of 838 km. The European Commission has recently approved an investment of 115 million EUR from ERDF for two railway projects in Puglia. The first project “Electric railway line Bari-Taranto” foresees the electrification of the 121 km long Bari-Taranto Railway Network running parallel to the Bari-Taranto standard railway line. The second project “Modernisation of the FSE railway line” is expected to speed up the modernization of the standard railway network managed by Ferrovie del Sud-Est (FSE) in the area of Salento, providing a better signaling and safety equipment. Both projects are part of a strategic transport plan for the region to improve railway transport infrastructure and services for better accessibility, reliability and safety of rail travel. More than 900 000 inhabitants will benefit from these investments and more than 2000 jobs are expected to be created during their implementation.

In **Molise** the regional infrastructure rail network presents a density of 6 km of network every 100 sqm, a bit higher than the national average that is 5.5 km and overall South 4.7 km. The region, however, is not crossed by high-speed lines and additionally 74.0% of the rail network is electrified while 66.6% of the electrified lines are single track. According to SVIMEZ (*Indice sintetico di dotazione infrastrutturale per la mobilità logistica e la movimentazione dei flussi*) if the national average is calculated as 100, Molise network is assessed as a value of 43.5. This figure is below the average for the South (66.8) and ranks the region at the third-last place at the national level, in front of Basilicata (40.2) and Sardinia (6.5). Moreover, in spite of a strong number of rail terminals in (229.8 considering 100 the Italian average) there is a lack of connections to the rail network taking advantage of such a strategic element.

In **Montenegro** the government is planning to continue investment on reconstruction and modernisation of the Bar – Vrbnica railroad. A five-year business plan was prepared by the Railway Directorate for 2013-2017, but further alignment with the acquis in the area of rail transport safety is needed. A 2012 review mission by the EC concluded that Montenegro had stepped up progress towards meeting the phase 1 requirements under the ECAA agreement and that the great majority of these requirements had been complied with.

Regarding **Albania** in the field of train transport, situation remains extremely poor. Albanian railway network has a total length of 447 km and 230 km main line secondary line. It stretches from the border station Bajza (bordering Montenegro) north to south with Vlora terminus, to the east terminus of Pogradec, on the border with Macedonia. Connection with the international railway network is through the line Bajze - Podgorica, Montenegro, which is currently used for the transport of goods only. It is also linked with the Port of Durres. Electric trains are not yet in operation. After 1990, as a result of changing the structure of production and the strengthening of other types of transport, railway transport volumes decreased drastically, both goods as well as passengers.

Railway transport of goods and passengers (1993-2013)

Year	Passengers		Transported Freight	
	in thousands	in millions pass.-kms	in thousands tonnes	in millions tonne-kms
1993	3,961	223	539	54
1996	3,389	168	521	42
2000	2,381	125	412	28
2004	1,758	89	417	32
2008	822	41	355	52
2012	448	16	142	25
2013	329	12	151	23

Source: INSTAT

There has been no progress in developing the rail network. The border crossing agreement with Montenegro was ratified in December 2012. A network statement has been finalized and was published in March 2013. The new Railway Law is still awaiting adoption. No progress has been made towards setting up independent railway institutions, infrastructure managers and rail operators. Resources allocated for the development and maintenance of railway infrastructure remain extremely low, resulting in further deterioration.

Border Crossings

The increased number of borders created in the last twenty years in the wider Balcan area has a direct impact on both the long-haul traffic - international crossings - that short-range - cross-border inter-regional - and indirectly on the mutual integration of economies, most of which exchange more with external countries, especially Europeans, who with geographic neighbours . The synthesis of all results in the problem of the times of crossing borders, both road and rail, especially from the commercial loads, which have a very extended period of variability: less than half an hour to several hours. All this represent barriers to the operatons of logistic chains and intermodality.

Better intermodal organization and equipment helps to reduce the transport costs and the environmental performances mainly referred to the road transport thanks to a rational use of the lorry fleets and a progressive improvement of operational standards by the existing vehicle in use, which are economically competitive at a loss of environmental performances.

At the same time the quality of the rail service is mainly addressed to satisfy the low value goods transport or those ones which do not require high commercial speed.

The EU economic integration process of the Programme area can for sure stimulate a better development of the transport sector as long as the countries opting for EU integration will be able to reorganize their domestic transport systems in an efficient and competitive way.

Looking at sustainable interventions related to the available resources it is allowed to suppose to improve the efficiency of the intermodal organization of the Programme area starting from increasing the efficiency of the intermodal nodes – ports, freight villages, goods yards – by intervening on their entrance bottlenecks, on the storage and parking areas, and the efficiency of the intermodal transfer technologies.

Energy Infrastructure

With regard to energy infrastructure it seems that the development of the network infrastructure in the IPA countries, in some cases with participation of Italian investments in the context of development of Trans European energy networks as well as the TAP project for the transportation of gaz present some opportunities for cooperation between the Programme regions.

In **Montenegro** electricity generation and its transmission and distribution represent the country's key energy sector. The electricity utility, including the generation, distribution and supply entities, is the country's largest and strongest enterprise. It was privatised in 2009 by the Italian a2a but the state has kept the majority stake in the company. Its power generation units consist of two large hydropower plants Piva and Perućica and a thermal power plant in Pljevlja. Following the recent upgrading of existing power plants and the downsizing of several large industries, Montenegro has become a net exporter of power in 2013. This status could be preserved in the coming years if the planned investments in the sector are realised.

In addition, a high-voltage transmission line is an important part of the Balkan network and represents a solid basis for further modernisation and development. Trans-European energy

networks (TEN-E) play a pivotal role in Montenegro's electricity supply. Montenegro's electricity networks are well connected with the power systems of Serbia, Bosnia and Herzegovina and Albania, but the electricity networks are outdated, except for interconnection with Albania to 400 kV which has been recently upgraded. The state controlled Montenegrin power transmission company, along with a consortium of Italian power companies, has started the construction of a submarine power transmission cable connecting Italy and Montenegro under the Adriatic Sea. This interconnection infrastructure between Italian and Balkan peninsulas through Montenegro and new connections between regional electricity systems will foster development of a regional electricity market. The same will facilitate exports and imports of electricity and encourage further power generation investments in Southeast Europe. In this regard, however, a number of NGOs from the region and neighbouring countries have raised concern that some of these investments might involve construction of high dams and large thermal plants that could be in conflict with environmental goals such as biodiversity and decarbonisation.⁵ They claim that instead of such investments stronger focus should be assigned to the developing of alternative energy supply solutions and the improving of energy efficiency.

Montenegro has no national gas network but in May 2013 the government signed a memorandum of understanding with Albania, Croatia and Bosnia and Herzegovina as a preliminary step towards developing a domestic gas market connected to the Ionic-Adriatic pipeline.

As regards **energy networks**, Albania remains over-dependent on hydropower and vulnerable to hydrological conditions. The new energy sector strategy is still being developed. Electricity generation capacity improved with the operation since September 2012 of the new Ashta hydro-electric plant. Investments in rehabilitation and modernisation of monitoring of the 220 kV substations at Fier, Tirana, Elbasan and Burrel were completed. A feasibility study for the construction of a 200 Kv interconnection with the former Yugoslav Republic of Macedonia has been finalised. Preparations for the construction of the 400 kV interconnection with Kosovo were relaunched in January following a delay due to disputes regarding the outcome of the first tender procedure. The government adopted a regulation on the identification, assessment and granting of concessions for hydro-electric plants.

An intergovernmental agreement with Italy and Greece on the Trans-Adriatic Pipeline (TAP) project and the Host Government Agreement between the TAP consortium and Albania were ratified in March and April respectively. In June the TAP project was selected to bring Azeri gas of the Shah Deniz 2 field from the Turkish border via Greece and Albania to Italy. This pipeline will allow Albania to have access to natural gas resources. Albania has adopted a national sectoral plan for the development of the TAP project and has signed a joint agreement with the energy regulators of Italy and Greece.

Regional Indicators for Inclusive Growth

Inclusive Growth as a Europe 2020 priority entails the following objectives:

- promoting employment and supporting labour mobility;
- promoting social inclusion and combating poverty;
- investing in education, skills and lifelong learning;
- enhancing institutional capacity and an efficient public administration.

⁵ <http://seechangenetwork.org/index.php/newsfeed/1-latest-news/83-press-release-on-pecis-approved-by-energy-community.html>

Europe 2020 strategy sets the goal of increasing the population's (aged 20-64) employment rate from the current 69% to at least 75% through the greater involvement of women, older workers and the better integration of migrants in the work force.

Labour Market

Conditions in the labour market of the entire Programme area are fairly critical. The unemployment rate is more than double the EU-28 average rates (10.8%). Inequalities also appear in regard to age and gender. Youth unemployment rates are particularly high. Women's unemployment also is very high and follows the same pattern in all participating regions, reflecting very small integration of women into the labour market. Within the Programme Area there are significant disparities, particularly between coastal and inland mountainous areas in Montenegro and Albania. Internal migration remains an important factor characterizing the labour markets in the Programme Area. Also informality is a structural aspect of employment particularly in IPA countries.

The unemployment rate in the Region of **Puglia** is standing at 23% in 2013. Those in employment are principally men. In the past five years there has been a significant increase in immigration levels whereas historically Puglia has always had a high level of emigration. Emigration has continued, with recent graduates having a high propensity to leave. Another significant phenomenon is commuting by 'teams' of specialised labourers in the building and carpentry sectors who periodically move to the north of Italy to work as subcontractors for large construction firms. From a sectoral point of view, employment in the region is concentrated in services (including the public administration) a sector that represents 66 % of the employed population; the figures are lower for industry (25.4 %) and agriculture (8.5 %). Compared to the south of Italy as a whole, Puglia has, on the one hand, a higher percentage of people employed in industry and agriculture and, on the other, a smaller percentage working in services. In addition, Puglia is estimated to have some 17 % of people engaged in the 'black' economy against a national average of 12%.⁶

In the period 2010-2012 **Molise Region** shows an employment rate which is equal to 54,7% concerning people aged 20-64. So, it reaches the sixteenth position among the Italian regions and the first position among Southern Italy regions. These score an average of 47,8%, while national value corresponds to 61% and EU value is 68,5%. Negative trends in employment dynamics start after 2008, when employees percentage was at the top level: 58,5, as it was in Southern Italy (50,2) and in Italy (61,2). Unemployment rate (people aged 15-24) in 2011-2012 changed from 28,6% to 41,9%. In the meanwhile the overall southern value changed too: from 40,4% to 46,9%. National average arose to 35,3% (from 29,1%). Secondary education allows better chances to keep a job: In 2007-2010 the highest loss of workers hit less formed employees. During 2007-2011 the Labour Market highlights high-skilled professionals' rise, going from 18,1% to 22,4%, whilst low skilled professionals have been "downgraded" to 44% (47% as former value).

One of the main critical aspects and needs is that intermediate med-skills professionals suffer a greater lack of qualified employment, thus they are often replaced by low skilled individuals. In **Montenegro** unemployment is high at approximately 20%, practically unchanged since 2010 according to the labour market surveys. Regional disparities are significant. In the coastal and central regions, the unemployment rate is 10% and 15.6% respectively, but it rises to 36.7% in northern Montenegro. Unemployment particularly affects the young (15-24 years), who account for more than 40% of the total.

The slow process of employment generation has also been accompanied by unfavourable migration trends. In the internal migration from the less developed north to the more developed

⁶ EURES- The European Job Mobility Portal

central and coastal areas, the northern region has lost 9.34% of its population from 2007 to 2012. The unfavourable situation with migration is further compounded by a steady 'brain drain' process leaving the country without the preciously needed skilled human resources.

There is still high dependence on public sector employment, since the weak entrepreneurial initiative does not generate sufficient opportunities for alternative employment.. Montenegro uses active labour policies and the necessary institutional infrastructure to address these important issues, but there is scope for improving their effectiveness. Better results could, in particular, be achieved in improving access to vocational training, internship, non-formal and life-long learning modules and programmes, as well as through increased cooperation between public and private partners in the labour market.

Along the border with Albania, i.e. on both sides of the border, there are attractive regions with high unemployment that have not been promoted to investors capable to create employment opportunities. Needless to say, an improved cooperation of the two countries, their engaging in joint investment promotion efforts with support of Italian counterparts and in offering specifically designed incentives, could enhance the attractiveness of these border areas to the investment community.

The economic growth registered in the last decade in **Albania** did not have much impact on employment levels. The low labour market in Albania is influenced by many factors, such as higher participation of young people in education, or the fact that a large number of young men and women are increasingly discouraged from job search etc. Labour Force Survey (LFS) in 2012 showed that the participation rate in work was 65.5 percent (74.3% for men and 56.6% for women), three percentage points lower than that recorded in 2011. Such a decline is due to the decline in the degree of labour force participation among young people aged 15 to 24 years (from 44.8% in 2011 to 37.4% in 2012) and especially to young women.

An additional reason influencing the low labour market is that a large number of the population is involved in small scale informal market which is neither counted nor registered. During the period 1998-2006 the employment-population ratio declined from 57% to 48.7%. However, in 2007, the first survey of the labor force recorded an employment rate of 56.4%. These figures show that the creation of private sector jobs - despite doubled in number during the period 1996-2008- has not been powerful enough to offset the losses in employment in the public sector (30%) and agriculture (28%).

Regional Gross Value Added

The distribution of the Gross Value Added (GVA) in the three productive sectors of the Programme Area indicates that:

- The share of the primary sector is very low compared to the other two sectors of the Programme Area's GVA).
- The tertiary sector is dominant. The tourism sector industries represent a major element in the Programme Area economy, in terms of absolute value, Gross Value Added and employment. Importantly, they offer opportunity for future economic growth for the Programme Area and the rebalancing of the economy.

The added value at basis prices of **Puglia** amounts to 63.402 MEuro in 2011 showing an improvement of 2,1% in relation to years 2010-2011. The same years for Italy show an increase of 1,6%. The sectoral composition of the added value of the industry is characterized by a weight lower than the national average but higher than the average in the South (2011). The agricultural sector and the service sector are relatively more important than the average national. The construction industry accounts for 5% of the value added although significantly decreasing in the last years (2011). The agricultural sector is the most important one, leading the national trend

and is based on intensive and specialized production: as a fact, Puglia produces 23.1% of the value added of the agricultural sector of the South and 9.5% the national one.

Analysis of Value Added in **Molise Region** at current prices show an increase in the weight of the primary sector in the definition of the total result of the regional economy: in 2007 it resulted as 4.0%, 4.4% in 2011. More significant increase has been recorded for the services sector: from 70.5% to 71.1%. So over the years has increased the importance of agriculture that weighs more than double compared to Italy.

The gross value added of Montenegro at current prices in 2012 was 3,148 157 thousands euros which marked a decrease of 2.6 % in relation to 2011. Agriculture that accounted for 7.4%, industry and mining 5.4%, construction 4.6% and transportation 4.1% of the valued added - recorded the most significant decline. In turn, water supply, sewerage and waste management that accounted for 2.2%, energy sector 2.8% and accommodation and food services 6.7% of the gross value added - recorded the greatest increase. Overall, according to government estimates, the share of services in GDP from 69% in 2010 is expected to increase to the level of 77% in 2016.

Regarding **Albania**, in terms of GDP structure below table shows that in 2013, 50% of value added in Albania economy is created by service sector (down 1% compare with 2009 data). Agriculture sector has increased its significance to the Albanian economy since its share of value added formation is increased from 20% in 2009 to 22% in 2013. A decrease in significance is noted in construction sector due to the shift of the resources from this sector to industry.

agriculture	Industry	Construction	Services		
22	15	13	50	100	2013
20	13	16	51	100	2009

Source: INSTAT

Education

The EU target with regard to education is to improve the quality and effectiveness of education and training by reducing school drop-out rates to less than 10% and increase share of people in tertiary education to at least 40%. Italian regions particularly Puglia are still far from reaching these goals but situation is improving over the last decade. In IPA countries the system of education is presented as well developed with relatively high level of literacy and increasing number of persons that seek a tertiary education degree. However it is characteristically suffering from limited resources allocation and low quality, which often does not provide the needed skills and preparation to compete in the labour market. The poor achievement of vocational training is characteristically noted in Albania as well need to promote career education.

Educational domain in **Puglia** highlights good results despite the relatively low performance of the region with regard to Italian average. So, nowadays the Region is very close to the Italian targets. In particular, early leaving school rate which was very high has dropped significantly from 30,3% in 2003 to 19,9% in 2013. The Italian value is 17%. NEET number has strongly decreased (-12.000 units), from 408.000 in 2010 to 396.000 in 2012. This is translated in -2,9% (-0,9% in Southern Italy, -2,2% at national level).

In **Molise Region** the concerned territory joins the sixth position in the Italian ranking in relation to education and training of youngsters aged 15-19. The percentage is equal to 83,1. According to last reports (see "Rapporto PISA Invalsi") students' skills get an average value of 478, below the Italian average (490), and below OECD's average (493). Despite this, the percentage still remains far from EU 2020 target (40%) and furthermore, the University attractiveness index scores a negative trend in 2012 (-26%). Nevertheless, it has to be underlined that women aged 30-34 who award a University degree (32,1%) double males aged 30-34 (15,8%).

In **Montenegro** the system of education is relatively well developed with regard to primary and secondary schools, and university education. Less than 2% of the inhabitants are illiterate. Secondary schools are located in every city. The number of regional higher education institutions is also steadily increasing, and is offering a greater diversity of undergraduate and graduate level curricula. Nonetheless, the quality of school and university education needs to be improved. In addition, there is a mismatch between education qualifications and the labour market, but the country has started to address its priorities in this area. Links between educational institutions and the business sector, however, are still weak and result in low innovation, research and development activity.

Despite the fact that education is considered one of the big priorities of **Albanian** Government in the last 10 years still public expenditures on education barely exceed 3% of GDP, while other countries in the region have this indicator at 4.4% of GDP, compared with 5.4% which is average for EU Member States. Unlike general education, vocational education has been a downward trend. Number of students enrolled in vocational education declined during the period 2006-2011 by about 38 percent, rising to regain some extent during the last school year. This is partly due to demographic factors (number of children attending primary and secondary education declined by about 10 percent during the period from 2001 to 2010), but mainly due to the poor achievement of the vocational education system, leading to a reduction in the attractiveness of this educational leadership among students and their families. Graduates of vocational education during the academic year was 2,844 compared with 4,801 in the previous year, while women graduates constitute a figure twice as small. Even the attractiveness of vocational education is still poor, conceived as a way as second best to tertiary education, and not as a way to enter the labor market. Career education, as a tool to help students and their families to make decisions is still insufficient. Still there are few existing programs post secondary education and vocational training for graduates from secondary schools, which are able to respond to the growing demand of enterprises and that enable individuals to enter and exit from education and training in time various of their careers. Opportunities for lifelong learning and opportunity for persons previously removed from education and low-skilled workers to enhance their competencies for work are still limited in quantity and in quality.

Health

The Health sector in the Programme Area represents an area where significant progress still needs to be achieved. Italian regions are among the least developed ones with regard to national average with characteristically high percentage of hospital migration for recovery. In IPA countries significant efforts are taking place to align health policy with EU standards however ambitious goals are limited by low level of public expenditure. In Albania the underfinancement is associated and with problem of corruption. A particular challenge seems to be improving the quality and accessibility of services in remote areas inside the Programme Area.

Regarding health system in **Puglia Region** some crucial progresses have to be achieved. In fact the Region is still classified among "less developed" ones. Some data can be reported: 660 is the total amount of clinics and general hospitals (ISTAT, 2010); children aged 0-3 served by childhood services join 4,4% (ISTAT, 2012), while existing dedicated structures are currently 9.000 (source: Apulia Region, 2013).

Hospital migration in terms of transfers for recovery reaches 7,3% (ISTAT, 2012); Integrated Domestic Elderly Assistance for people aged over 65 is equal to 2,2% (2012), while existing dedicated hosting structures are currently 1.200 (source: Apulia Region, 2013). Finally, IDEA incidence in Regional Health expenses corresponds to 0,6% (ISTAT, 2011).

The improvement of quality and accessibility of services especially in rural areas, the enforcement of infrastructures and the full implementation of e-Health tools for managing socio-sanitary policies are some of the main goals for 2014-2020 programming period.

In Health sector -referring to 2010 data (ISTAT)- **Molise Region** disposes of 58 clinics and general hospitals. A specific problem of the Region seems to be hospital migration, translated in transfers for recovery. In fact the related percentage in 2012 was 20,8, which represents the highest rate among Italian Adriatic Regions (Abruzzo follows at 12,8%). Additionally, concerning children aged 0-3 served by childhood services, Molise is classified as "transition region" (with positive trend since 2005) sharing socio-sanitary difficulties with the rest of Southern Italy, whose average in this particular category reaches 5%, against 17,9% in Northern Italy (ISTAT, 2011). Integrated Domestic Elderly Assistance for people aged over 65 is equal to 3,9% (ISTAT, 2012). Also for this domain, Molise is indicated as "transition region" and, even if it overtakes Southern Italy percentage (3,4), IDEA trend has worsened from 2005 till now.

The government strategy 'Health Policies in **Montenegro** up to 2020' aims to extend life expectancy, improve the quality of life, reduce health inequities and integrate Montenegro's health system with the European and global health development process. The development of the health sector in Montenegro is broadly in line with the EU health strategy. Overall, the legal basis, national structures and resources for addressing communicable diseases are generally in place and are being strengthened.

The Indicative strategy paper 2014 – 2020 sets as priority the reform of social policies (benefits and services), including health policy, so as to improve its efficiency and coverage, as well as the social and child protection systems.

Total public health expenditure in **Albania** is 2.8 % of GDP, which is the lowest in the region, respectively 4.4% in Montenegro and 7.2% in Italy. Such expenditures are covered by all type of resources excluding the private one, such as investment and operation cost covered by state budget, grant from donors, as well as health insurance scheme. As a consequence the Albanian health system is facing big "diseases", such as wide spread corruption, shortages in public hospitals, high accumulated debt from public entities and unequal distribution of health services among hospitals. In EC progress report of 2013 it is emphasized that "the lack of capacity in healthcare management, low public spending and corruption has slowed down progress in the area of public health. Primary healthcare lacks appropriate funding and human resources. The coverage of insurance-based care is still very low. The public hospital sector remains underdeveloped whereas the private sector is growing without proper regulation".

In recent years Albania government is paying more attention to prevention measures, especially by reinforcing the already consolidated primary health care system, increasing public awareness for causes of non community deceases, for prevention of respiratory and cardiac diseases as the main causes of death in Albania. In this regard a National Plan for implementation of the WHO Agenda 2020 on implementation of universality principle is underway.

However despite problems and shortages in Albanian health system life expectancy at birth in Albanian is one of the highest in the region with 77 years, compared with 75 years in Montenegro and 83 in Italy. Infant mortality rate in Albania is 15 per 1000 live births compared with 7 in Montenegro and 3 in Italy.

SWOT ANALYSIS

	Thematic Objective	Strengths	Weaknesses	Opportunities	Threats
Smart Growth	Research, technological development and innovation	<ul style="list-style-type: none"> Some high skill productive sectors (agriculture, agribusiness, tourism) strong institutional setup for R&D in Italian Regions and tradition in selected economic sectors Existence of plans in support of private sector development and employment policies Expressed commitment for increasing support for research and innovation to academia and business 	<ul style="list-style-type: none"> GDP showing low level of performance and substantial wealth disparities across the Programme Area Low investment in R&D; Insufficient funding available for research and innovation Low proportion of research personnel in the population Low number of patent applications Innovation models more based on diversification than breakthrough innovation; Puglia characterized as an "Imitative innovation Area" Weak network of local organisations providing technology transfer and business services Low level of ICT diffusion Frail link between education and the labour market, especially SMEs 	<ul style="list-style-type: none"> Rising investments in R&D Slight increase of patent applications over the last years R&D specialisations in agribusiness and tourism... A diverse and networked innovation community (by clusters) Improved cooperation of R&D institutions with SMEs (funding available through ERDF mainstream and CBC programmes) 	<ul style="list-style-type: none"> Economy continuously affected by the economic and debt crisis Increasing competition from southern and eastern countries lack of interest of entrepreneurs for R&D and innovation continuous lack of investment of SMEs in innovation in the regions Brain drain to Western Europe Rising unemployment

Thematic Objective	Strengths	Weaknesses	Opportunities	Threats
Competitiveness of SMEs	<ul style="list-style-type: none"> • Powerful tertiary sector • Relatively low labour cost for all territory • Strong commitment to EU integration across political spectrum and all levels of the society expressed in IPA countries • Good neighbourly relations and record in cross border cooperation 	<ul style="list-style-type: none"> • Weak competitiveness of the economy; Lagging behind in SME competitiveness performance • Strong influence of traditional business (low and medium technology sectors) • Incremental innovation producing limited added value in SMEs • Low productivity of business • Small market and segmented • A majority of SMEs poorly integrated in international networks • Inadequate and poor SME access to finance and inexistent risk capital, guarantee schemes and venture capital • Business support services (business centres, business incubators, business advisory services, etc.) and innovation and technology centres to help SMEs build up performance and strengthen their competitiveness, are missing 	<ul style="list-style-type: none"> • High business rate creation in some regions • Increasing clustering of SMEs • Potential for “Blue Economy” development • Supportive environment for promotion of entrepreneurial culture and employment generation • Opportunities for cooperation in common interest key specialization sectors such as agriculture/fisheries/food processing, metal and mechanics industry. Tourism and Creative industries and energy efficiency. • The development of creative industries as drivers of economic and social innovation 	<ul style="list-style-type: none"> • Serious recession in the majority of regions • Difficulties of businesses to access finance • Competition from other Mediterranean areas that offer innovative and high-tech tourism and business services

Thematic Objective	Strengths	Weaknesses	Opportunities	Threats
Sustainable Tourism	<ul style="list-style-type: none"> • Appeal of the Programme area which is essential for the tourism • Tourism is one of the most significant branches of Programme Area economy • Existence of valuable and recognized cultural heritage assets (history, architecture, tradition and folklore) • Extremely rich environmental heritage (sea, mountains, forests, wetlands) • Excellent quality natural environment in many parts of the region making it attractive to individuals and investors 	<ul style="list-style-type: none"> • Practically inexistent local tradition of using commercial business advisory services is discouraging the development of consultancy profession • Limited understanding of the importance of intellectual property • Weak administrative capacity, corruption and informal economy are business barriers • Seasonally conditioned development of tourism • Natural resources under strong pressure due to seasonal tourism • Low integration of cultural heritage with the development of the tourism offer and inefficient utilization of culture and leisure facilities • Cultural heritage sites in poor condition in Albania, Montenegro • Lack of differentiated and innovative tourism products and services in Montenegro, Albania 	<ul style="list-style-type: none"> • Further tourism as a result of political instability in competitive tourism destinations • Strong potential for port, marina and nautical tourism development • Cultural/historic tourism and education activities promoting the region as a multi-ethnic and attractive European location; • Improving the existing tourist offer by activating cultural/natural/historical and culinary resources and potentials 	<ul style="list-style-type: none"> • Sustainable tourism model is not well understood and applied, mostly in Albania • Business barriers, lack of knowledge, experience and skills in destination management and marketing • Global climate change might influence tourism

Thematic Objective	Strengths	Weaknesses	Opportunities	Threats	
Sustainable Growth	Low carbon economy and energy sector	<ul style="list-style-type: none"> • Temperate climate with different influences and fertile soils • Good level of transport infrastructure in Italian Regions only; • Accessible coastal region in Montenegro with good quality beaches 	<ul style="list-style-type: none"> • Lack of maritime tourism infrastructure in Albania (marinas) • Static and ineffective national tourism marketing promotion • Lack of harmonised tourism management: rules, standards, certification, and use of common statistics and indicators 	<ul style="list-style-type: none"> • Strong agriculture development potential in coastal and adjacent areas of Albania, Montenegro • Linking coastal with rural tourism and organic farming • Development of specialized tourist programmes focused on new “active” type of holidays • Enhance creativity approaches in promotion of tourism attractiveness 	<ul style="list-style-type: none"> • Significant increase in the cost of low carbon energy
	<ul style="list-style-type: none"> • Favourable conditions for the production of renewable energy (climate, natural resources) • Lead position of Puglia in producing RES / easy to apply to the rest of the region • Increased awareness about the need for a shift towards a low carbon economy 	<ul style="list-style-type: none"> • Green-house gas index much higher than the EU average • Insufficient development of renewable energy • Relatively high degree of energy dependence • Low energy efficiency compared to the EU average • Slow implementation of energy efficiency and renewable energy strategies and action plans 	<ul style="list-style-type: none"> • Development potential for renewable energy not fully exploited (solar and wind power in Montenegro / and hydro power in Albania) • Programme countries committed to reduce GHG emissions • Potential for use of sustainable environmentally friendly and energy efficient services and technologies • Promotion of renewable resources production including demonstration projects • Potential for exchange of experience 		

Thematic Objective	Strengths	Weaknesses	Opportunities	Threats
Climate change and risk prevention	<ul style="list-style-type: none"> Existence of a European framework and national policies for the reduction of CO2 emissions 	<ul style="list-style-type: none"> Programme area strongly confronted to natural risks (drought, fire, floods...) Low wind potential compared with Europe and the respective national context High ozone concentration Low capacity of adaptability to climate change in the Programme area and insufficient measures to tackle this challenge Low interoperability of Civil Protection Mechanisms Soil desertification and developing urbanization affecting mostly rural areas Poor enforcement of the principle "Polluter pays" 	<ul style="list-style-type: none"> Increasing commitment to sustainable development Collaboration on raising awareness of the impact of climate change on the Programme Area Emergence of low-cost effective technologies for risk early warning, communication and interoperability (e.g. remote sensing) 	<ul style="list-style-type: none"> Programme area vulnerable to climate change Increased risk of natural disasters due to the mutually reinforcing effect of hazards (e.g. climate change, drought, forest fires and erosion) High costs involved in repairing the damage caused by natural disasters
Protection and Enhancement of Natural Resources, Protected Areas and Landscapes / (Coastal Pollution)	<ul style="list-style-type: none"> Numerous protected areas (NATURA 2000 and global (UNESCO) importance) in Italian Regions Improved legal framework for environment protection in Albania, Montenegro Unique landscape resources (Adriatic coast, mountainous areas with forests and water 	<ul style="list-style-type: none"> Degradation of fragile areas, notably coastal areas and pollution of maritime areas Challenges, such as air, water quality, biodiversity and pressures on the environment resulting from development in urban, rural and coastal areas Low level of general environmental awareness 	<ul style="list-style-type: none"> Development environmental protection measures (protected areas...) Raising awareness of the merits of environment protection and sustainable development and increased public participation in the related decision making process 	<ul style="list-style-type: none"> Unsustainable economic development and uncontrolled pollution may deteriorate air, water and soil quality Increasingly poorer air quality Increasing scarcity of water resources

Thematic Objective	Strengths	Weaknesses	Opportunities	Threats
	<ul style="list-style-type: none"> resources, lakes, clean rivers, mineral and thermal springs); Diverse and well preserved nature with natural parks and protected areas; Rich biodiversity, including valuable medicinal plants and herbs; 	<ul style="list-style-type: none"> Insufficient capacity to manage the protected areas Illegal construction is a widespread phenomenon Weak capacity to developing spatial planning frameworks, enforce land management regulation and stopping uncontrolled development. Growing households waste production Waste still largely managed in classical ways (dumps) mainly in Albania Waste recycling remains lower than the EU average 	<ul style="list-style-type: none"> Shift from traditional waste processing towards cleaner methods Existence of integrated coastal management plans Expansion of and international recognition of natural parks and marine protected areas; Partnership of public, private and civil sector in implementing environmental protection initiatives and promoting sustainable development programmes and projects 	<ul style="list-style-type: none"> Overexposure / overexploitation of specific sites / resources Increasing urban sprawl Non-systematic exploitation of forests Lack of sufficient resources for current maintenance and preservation of the natural, cultural and historical heritage Increasing cost of recycling and waste re-use methods due to complexity of products
Transport and Energy Infrastructure	<ul style="list-style-type: none"> Good level of road infrastructures especially in the north-south direction in Italian Regions whereas improvements are needed in the IPA countries Substantial network of port cities even if not well equipped to deal with the flow of passengers and goods Strategic geographical connection between Balcans and Italian Peninsula 	<ul style="list-style-type: none"> High difference in terms of satisfactory accessibility, For IPA countries Low resources allocated for the development and maintenance of railway infrastructure Geographical fragmentation and isolation of numerous territories (remote areas) Badly managed urban development, notably in coastal areas relying on individual motorised traffic 	<ul style="list-style-type: none"> Good position of regions as hubs for tourists and trade Development of multimodal transport systems Strong potential for developing combined truck/railway transport and linking it with ferry lines with Italy Reinforcement of existing railway network 	<ul style="list-style-type: none"> Lack of European coordination of the communication system Fragmentation of the transport landscape depending on the EU accession process of the non MS Dominance and continuing attractivity of the road-bound transport

Thematic Objective	Strengths	Weaknesses	Opportunities	Threats	
	<ul style="list-style-type: none"> Well-developed energy production and supply network in Montenegro 	<ul style="list-style-type: none"> Poor level of railway infrastructure in IPA countries; lower density of the railway network than the EU average in Italian Regions Low multimodal accessibility Insufficient development of coastal maritime traffic Limited public investment budget unable to meet huge infrastructure development needs Weak technical and financial capacity for port, marina and nautical tourism development and public private partnership transactions in this sector Complex Customs procedures in border crossings Inadequate public utility management for IPA countries 	<ul style="list-style-type: none"> ICT tools for sustainable and efficient “real-time” multimodal transport 	<ul style="list-style-type: none"> Low competitiveness of transport operation (ports, airports, railways) Infrastructure investments potentially adversely affecting the environment 	
Inclusive Growth	Labour Market	<ul style="list-style-type: none"> High number of self-employed High level mobility of students Active employment policies implemented A dominant tertiary sector in the Programme area Low labour cost 	<ul style="list-style-type: none"> Low employment level High unemployment levels of the active population High youth and women’s unemployment High long term unemployment rate Low income and standard of living among the majority of the population in IPA countries 	<ul style="list-style-type: none"> Tourism-related services a prominent factor in securing employment and are one of the main sources of income for the local population Simplified labour mobility within and between Programme countries 	<ul style="list-style-type: none"> Consequences of continuous economic crisis on unemployment increase Drain of human resources, notably young people towards other EU countries

Thematic Objective	Strengths	Weaknesses	Opportunities	Threats
		<ul style="list-style-type: none"> • Low mobility of the labour force in IPA countries • Periodic seasonal labour 	<ul style="list-style-type: none"> • Opportunities offered by Blue Growth and tourism for local employment • Improving the skills profile of the workforce to respond to special sectors and innovation against challenges of the economic crisis. 	<ul style="list-style-type: none"> • Ageing of the population and depopulation of some rural settlements • Increased social exclusion for some groups (persons with disabilities, minorities, women and youth) • Unemployment caused by collapse or restructuring of larger industries • Insufficient investment into human capital and workforce mobility
Education and Health	<ul style="list-style-type: none"> • Higher education culturally praised • Good choice of professional training • Sufficient number of universities 	<ul style="list-style-type: none"> • High level of early school leavers compared to the EU average • Higher education institutes ranking rather low globally • High incompleteness rates of tertiary education in heavily specialized in tourism regions (Puglia) 	<ul style="list-style-type: none"> • Progressive decrease in the rate of early school leavers • Increasing recognition of the importance of skills assessment systems 	<ul style="list-style-type: none"> • Brain drain • Poor disposition of SMEs to invest in vocational and dual training

Summary of the Main challenges and Needs of the IT-AL-MN Area

Main challenges

Smart growth

- Sustainably exploit the opportunities derived by the Blue and Green Growth approaches related to the comparative advantages of the area
- Development of innovation communities and chains in relation to the innovation status of each region (from “low tech” to “market leader especially in the context of new innovation areas and approaches;
- Exploitation of the baseline provided by the RIS3 developed in the MS and identification of smart specialisation topics and synergies with the IPA countries
- Increase of cross- border economic interactions, joint projects and clusters particularly in the common interest key specialization areas of agriculture/fisheries/food processing, tourism and creative industries, metal and mechanics industry; It is suggested that schemes aim directly at SMEs preferably with an innovate and extrovert character
- Increased exploitation of synergies with other relevant programmes; This may be a standard “module” of the programme funded projects, i.e. the identification of additional means to fund innovative actions
- Promote cooperation for the development of creative industries as catalysts for economic and social innovation

Main needs

- Improved regulatory framework for doing business; identifying and tackling inefficiencies of the regulatory framework can enhance entrepreneurship
- Access to finance and business support services focused directly to SMEs
- Enhancing human capital for entrepreneurship focusing on the region’s common challenges, i.e. tourism, maritime, agrofood, creative industries etc.
- Increased adoption of innovation and technologies by SMEs- It is suggested that more innovative instruments and approaches should be sought for capacity building of SMEs instead of the traditional ones that are best tackled at a national/ regional level
- Increased cooperation between research and industry; It is suggested that focus should be put on the exploitation of cross-border cooperation and linkages and clustering of RIS3 pre-selected areas of competitive advantage for the programme regions
- Increased business investment in R&I; It is suggested that focus should be put on the identification of hurdles to increased business investment in R&I and the adoption of measures to tackle the problem.
- Commercialisation/Utilisation of research (innovation); It is suggested that professional services directly aiming SMEs are deployed along with capacity building for IPA innovation support mechanisms based on careful examination of reasons that hinder SME participation
- Development of smart specialisation strategies and examination of synergies among the various countries and regions; It is suggested that

Main challenges

Main needs

activities focus on the identification of smart specialisation synergies among the various countries and regions and the transfer of RIS3 practices to the IPA countries

- More emphasis on new innovation areas and approaches (Eco Innovation; Public Procurement for Innovation; Creative Industry; Service Industry and Social Innovation, Procurement and Social Innovation); The promotion of these new innovation areas and approaches can be beneficial both for ERDF and IPA countries. In particular social innovation and creative industry allow room for nurturing non- technological “soft” innovation which is relevant to many of the less developed regions in the programme area.
- Innovation management support (IP advise, tech- transfer, prototyping, demonstrators, etc.); can be especially beneficial for IPA countries; capacity building can be directed to the local innovation support mechanisms.
- there is a need to promote critical mass of SMEs throughout the setting up of new clusters especially in blue economy sectors

Sustainable growth

- Large regional disparities in economic development levels
 - Insufficient development of renewable energy
 - Relatively high degree of energy dependence
 - Low energy efficiency compared to the EU average
 - Degradation of fragile areas, notably coastal areas
 - Lack of capacities in management of cultural and tourism activities
 - Challenges in relation to areas, such as water quality, biodiversity and pressures on the environment resulting from development in urban, rural and coastal areas
 - Overcome geographical fragmentation and isolation of some territories (remote areas)
 - Increase multimodal accessibility
- Cooperation in development of crossborder tourist routes
 - Promote cross border cultural and creative activities
 - Need to turn towards a postfossil and low carbon economy allowing the Italian regions to further focus on the decoupling of their economies, while assisting the IPA countries to master the transition of their economies in that direction
 - Need to diversify the RES potential and to enhance local approaches. Promote energy efficiency in the public sector
 - Need to conciliate energy production with aims of protecting nature, landscape and biodiversity, with touristic and local interests

Main challenges

- Increasing awareness on sustainable growth agenda, e.g. on the non-technical framework conditions for RES or the sustainable valorisation of the heritage;
- CB cooperation can offer an added value in tackling jointly specific natural risks
- Supporting to diversify and to specialize territorial and accommodation offer
- Better integration among tourism development planning and environmental management system
- Fragmented tourist markets

Main needs

- There is a need to improve sustainable tourist fruition of natural and cultural heritage by appropriate territorial communication, brand reputation and identity divulgation strategies as well ITC
- Need to manage the high environmental vulnerability, increased land and resources consumption
- Need for effective and sustainable use of natural resources, particularly forests,
- Need for improveingwater management
- Need to address fragmentation of habitats and landscapes
- Need to integrate Ecosystem Services, Blue and Green Growth principles in regional development planning and establish sustainable valorisation of natural and cultural assets as growth assets
- Need to elaborate common standards for the smart and sustainable management of cultural activities and heritage
- Need to improve capacities of cultural and tourism operators and local public authorities management skills
- Need to agree and implement on common standard and procedures to overcome discontinuities across borders, optimise existing services and create multi-modal systems by existing infrastructures
- Accessibility of the area shall be improved by mean of coordination of existing regional transport systems
- Need to share methodologies for collecting data and common indicators for tourism and transport;

Inclusive growth

- Low employment levels / High unemployment levels of the active population
- High youth and women's unemployment / increasing difficulties for the socioeconomic inclusion of young people, in particular in time of crisis
- Long-term structural unemployment
- Brain drain and skilled labour

- There is a need to increase employment in all sectors of the society by creating new a long lasting jobs
- Need to connect education and labour market
- Specific skills are required to match needs of the regions / Need to align vocational education and training programmes in the Programme area with territorial needs (match skills)

Main challenges

- Seasonal labour
- A large percentage of the population at risk of poverty and social exclusion (Puglia 49,6%)
- High drop-out rates in touristic regions (Puglia)

Main needs

- There is a need to improve the quality and accessibility of services especially in rural areas, the enforcement of social infrastructures and the full implementation of e-Health tools for managing socio-sanitary policies

1.1.2 Justification for the choice of thematic priorities

Justification for the choice of thematic priorities, based on an analysis of the needs within the programme area as a whole and the strategy chosen in response to such needs, addressing, where appropriate, missing links in cross-border infrastructure, taking into account the results of the ex-ante evaluation

Table 1: A synthetic overview of the justification for the selection of thematic priorities

Selected thematic PRIORITIES	Justification for selection
<p>Thematic Priority (G) enhancing competitiveness, the business environment and the development of small and medium-sized enterprises, trade and investment through, inter alia, promotion and support to entrepreneurship, in particular small and medium-sized enterprises, and development of local cross-border markets and internationalisation;</p>	<ul style="list-style-type: none"> • Need to Improve the regulatory framework for doing business; identifying and tackling inefficiencies of the regulatory framework can enhance entrepreneurship • Need to promote critical mass of SMEs throughout the setting up of new clusters especially in blue economy sectors • Increased cooperation between research and industry by the exploitation of cross-border cooperation and linkages and clustering of RIS3 pre-selected areas of competitive advantage for the programme regions • Enhancing human capital for entrepreneurship focusing on the region’s common challenges, i.e. tourism, maritime, agrofood, creative industries etc.

	<ul style="list-style-type: none"> • Need to exploit new innovation areas and approaches In particular social and open innovation (living labs) and creative industry allow room for nurturing non-technological “soft” innovation which is relevant to many of the less developed regions in the programme area.
<p>Thematic Priority - (d) encouraging tourism and cultural and natural heritage;</p>	<ul style="list-style-type: none"> • Need to elaborate common standards for the smart and sustainable management of cultural activities and heritage • Need to promote sustainable tourist fruition of natural and cultural heritage by appropriate territorial communication, brand reputation and identity divulgation strategies as well ITC Need to improve capacities of cultural and tourism operators and local public authorities management skills • Cooperation in development of crossborder tourist routes • Promote cross border cultural and creative activities
<p>Thematic Priority b) protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management through, inter alia: joint actions for environmental protection; promoting sustainable use of natural resources, resource efficiency, renewable energy sources and the shift towards a safe and sustainable low-carbon economy; promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems and emergency preparedness;</p>	<ul style="list-style-type: none"> • Need to manage the high environmental vulnerability and increased land and resources consumption • Need to improve the coastal, and marine good management • Need to elaborate common early warning sytem for the risk prevention and management • Need to share commons tools to measure environmental impact of tourism activities (water, soli, waste) • Need for improving water management • Need to improve the regulatory framework for the energy efficiency in the public sector

	<ul style="list-style-type: none"> • Need to develop smart grids models and models for RES and RUE
<p>Thematic Priority (c) promoting sustainable transport and improving public infrastructures by, inter alia, reducing isolation through improved access to transport, information and communication networks and services and investing in cross-border water, waste and energy systems and facilities;</p>	<ul style="list-style-type: none"> • Need to agree and implement on common standard and procedures to optimise existing services and create multi-modal systems by existing infrastructures • Accessibility of the area shall be improved by mean of coordination of existing regional transport systems • Need to share methodologies for collecting data and common indicators for tourism and transport • Need to improve flight and maritime connections in the programme aera

<p>(f) promoting local and regional governance and enhancing the planning and administrative capacity of local and regional authorities;</p> <p>(h) strengthening research, technological development, innovation and information and communication technologies through, inter alia, promoting the sharing of human resources and facilities for research and technology development.</p>	<p>Both the thematic priorities have been considered as cross-cutting priorities and some specific assessment criteria will be defined as selection criteria of the operations</p>
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SECTION 2. PRIORITY AXES

Section 2.1. Description of the priority axes (other than technical assistance)

(Reference: point (b) of Article 8(2) of Regulation (EU) No 1299/2013)

2.1.1 Priority axis 1

<i>ID of the priority axis</i>	PA 1
<i>Title of the priority axis</i>	SMEs' competitiveness and cooperation practices

2.1.2 Fund, calculation basis for Union support and justification of the calculation basis choice

<i>Fund</i>	<2.1.6 type='S' input='S'>
<i>Calculation basis (total eligible expenditure or public eligible expenditure)</i>	<2.1.7 type='S' input='S'>
<i>Justification of the calculation basis choice</i>	<2A.8 type='S' input='M'>

2.1.3. The specific objectives of the thematic priority and expected results

(Reference: points (b)(i) and (ii) of Article 8(2) of Regulation (EU) No 1299/2013)

<i>ID</i>	1.1
<i>Specific objectives</i>	SO 1.1: Enhance the framework conditions for the development of SME's cross-border market.

2.1.4. Guiding principles for the selection of operations

(Reference: point (b)(iii) of Article 8(2) of Regulation (EU) No 1299/2013)

The following guiding principles will be observed when selecting project applications:

Strategic coherence: coherence and contribution of each project application to the relevant Programme's specific objective, while addressing in a coherent way the achievement of the Programme's specific results envisaged. Furthermore, the CBC added value of the operation, its territorial dimension and the relevance of the partnership will also be assessed in this context.

Operational quality: design of the project application in relation to clarity and coherence of the operational objectives, activities and means, feasibility, efficiency, communication of the project and its specific results, potential for uptake and embedment into operative procedures of the partners involved. The output and result-oriented approach that places much emphasis on the development of concrete, relevant and visible outputs and results will be a must.

Compliance to the horizontal principles: coherence and contribution of each project application to the Programme's horizontal principles (sustainable development and climate change, equality etc) and the demonstration of their integration and advancement within the project proposal intervention logic.

The detailed assessment criteria will be adopted by the Monitoring Committee and will be made available

to potential applicants in the calls for proposals' documentation, which will be prepared and disseminated by the Managing Authority and the Joint Secretariat.

2.1.5. Actions to be supported under the thematic priority (by thematic priority)

(Reference: point (b)(iii) of Article 8(2) of Regulation (EU) No 1299/2013)

<p><i>Thematic Priority</i></p>	<p>1. Enhancing competitiveness, the business environment and the development of small and medium-sized enterprises, trade and investment through, inter alia, promotion and support to entrepreneurship, in particular small and medium-sized enterprises, and development of local cross-border markets and internationalization</p> <p>SO 1.1: : Enhance the framework conditions for the development of SME's cross-border market.</p>
<p><u>Actions:</u></p> <p>Setting up networking actions of Intemediary Organizations (such as Chambers of Commerce, Districts, Trade Unions, internationalization agencies) promoting cooperation/cross border business practices and pilot initiatives to support SMEs internationalization in the area (participation in fairs, business scouting, BtoB, technology brokerage, capacity building)</p> <ul style="list-style-type: none"> ✓ Developing and testing innovative approaches for integrating different businesses sectors of special interest to the Programme area ✓ Improving access to research results and technology transfer for SMEs in some key areas such as sustainable agriculture, food processing , energy and blue economy ✓ Developing and testing capacity building schemes benefiting the SMEs competitiveness <p><u>Results:</u></p> <ul style="list-style-type: none"> ✓ Enhanced quality of the innovation services delivered to the SMes ✓ Increased business relationships/business financial volumes among Smes of the area <p><u>Indicative beneficiaries:</u> Public bodies, Chambers of Commerce, Districts, Trade Unions, internationalization agencies, technology transfer institutions, centres of R&D excellence, innovation agencies, business incubators, cluster management bodies, International organizations.</p> <p><u>Target groups:</u></p> <ul style="list-style-type: none"> ✓ SMEs ✓ Stakeholders concerned by incubators strategy: regional, local, urban and other public authorities, economic and social partners. ✓ Research and innovation actors ✓ Financial institutions 	

2.2.1 Priority axis 2

<i>ID of the priority axis</i>	PA 2
<i>Title of the priority axis</i>	2. Good governance of natural and cultural heritage for the exploitation of cross border sustainable tourism and territorial attractiveness

2.2.2 Fund, calculation basis for Union support and justification of the calculation basis choice

<i>Fund</i>	<2.1.6 type='S' input='S'>
<i>Calculation basis (total eligible expenditure or public eligible expenditure)</i>	<2.1.7 type='S' input='S'>
<i>Justification of the calculation basis choice</i>	<2A.8 type='S' input='M'>

2.2.3. The specific objectives of the thematic priority and expected results

(Reference: points (b)(i) and (ii) of Article 8(2) of Regulation (EU) No 1299/2013)

<i>ID</i>	2.1 -2.2
<i>Specific objectives</i>	SO 2.1: Boost attractiveness of specific natural and cultural assets to improve a smart and sustainable economic development SO 2.2: Exploitation of creativity potential for increasing local development and the area tourist attractiveness.

2.2.4. Guiding principles for the selection of operations

(Reference: point (b)(iii) of Article 8(2) of Regulation (EU) No 1299/2013)

The following guiding principles will be observed when selecting project applications:

Strategic coherence: coherence and contribution of each project application to the relevant Programme's specific objective, while addressing in a coherent way the achievement of the Programme's specific results envisaged. Furthermore, the CBC added value of the operation, its territorial dimension and the relevance of the partnership will also be assessed in this context.

Operational quality: design of the project application in relation to clarity and coherence of the operational objectives, activities and means, feasibility, efficiency, communication of the project and its specific results, potential for uptake and embedment into operative procedures of the partners involved. The output and result-oriented approach that places much emphasis on the development of concrete, relevant and visible outputs and results will be a must.

Compliance to the Cross-cutting thematic Priorities: a specific section of the quality assessment grid will check the coherence of the project proposals with the following thematic Priorities.

- Promoting local and regional governance and enhancing the planning and administrative capacity of local and regional authorities
- Strengthening research, technological development, innovation and information and communication technologies

The details will be provided in the terms of references of the calls for proposals

Compliance to the horizontal principles: coherence and contribution of each project application to the Programme’s horizontal principles (sustainable development and climate change, equality etc) and the demonstration of their integration and advancement within the project proposal intervention logic.

The detailed assessment criteria will be adopted by the Monitoring Committee and will be made available to potential applicants in the calls for proposals’ documentation, which will be prepared and disseminated by the Managing Authority and the Joint Secretariat.

2.2.5. Actions to be supported under the thematic priority (by thematic priority)

(Reference: point (b)(iii) of Article 8(2) of Regulation (EU) No 1299/2013)

<i>Thematic Priority</i>	<p>2. Encouraging sustainable tourism and cultural and natural heritage</p> <p>SO 2.1: Boost attractiveness of specific natural and cultural assets to improve a smart and sustainable economic development</p>
<p><u>Actions:</u></p> <ul style="list-style-type: none"> ✓ Developing and testing common ITC promotional tools in tourism ✓ Developing services and products for specific tourist categories (disabled people, young / old tourist, etc.) and sectors (enogastronomic tourism, sport, religious, etc.) ✓ Developing new cross border tourist routes and exploiting the already existing ones ✓ Developing common standards for the smart and sustainable management of cultural activities and heritage <p><u>Results :</u></p> <ul style="list-style-type: none"> ✓ Tourist volume for specific cross border natural and cultural assets boosted and realized with innovative and sustainable tools ✓ Enhanced infrastructures and services (material and immaterial) for specific cross border natural and cultural assets. <p><u>Indicative beneficiaries:</u> Public and private stakeholders dealing with tourist, natural and cultural sectors.</p> <p><u>Target groups:</u></p> <ul style="list-style-type: none"> ✓ Cultural, tourist and natural operators ✓ Tourists and citizens / end users 	
<i>Thematic Priority</i>	<p>2. Encouraging tourism and natural and cultural heritage</p> <p>SO 2.2: Exploitation of creativity potential for increasing local development and the area tourist attractiveness</p>
<p><u>Actions:</u></p> <ul style="list-style-type: none"> ✓ Setting up cross border cooperation platforms on creativity in the context of the public – private partnership. ✓ Promoting cross border creative and cultural market oriented activities ✓ Setting up and testing innovative tools for improving the entrepreneurial, marketing, networking and management skills of the private operators 	

- ✓ Implementing exchanges and transfer of good practices on the policy framework conditions needed for setting up creative platforms

Results :

- ✓ South Adriatic creativity cooperation platforms created in the context of the public – private partnership.
- ✓ Cultural and creative activities, initiatives and events connected with the touristic attractiveness increased

Indicative beneficiaries: local, regional and national public authorities and related agencies, regional development agencies, regional associations, education and training centers as well as universities and research institutes, tourism operator associations.

Target groups:

- ✓ Cultural, tourist and natural operators
- ✓ Tourists and citizens / end users

2.3.1 Priority axis 3

<i>ID of the priority axis</i>	<i>PA 3</i>
<i>Title of the priority axis</i>	<i>3. Environment protection, risk management and low carbon strategy</i>

2.3.2 Fund, calculation basis for Union support and justification of the calculation basis choice

<i>Fund</i>	<2.1.6 type='S' input='S'>
<i>Calculation basis (total eligible expenditure or public eligible expenditure)</i>	<2.1.7 type='S' input='S'>
<i>Justification of the calculation basis choice</i>	<2A.8 type='S' input='M'>

2.3.3. The specific objectives of the thematic priority and expected results

(Reference: points (b)(i) and (ii) of Article 8(2) of Regulation (EU) No 1299/2013)

<i>ID</i>	<i>3.1 - 3.2 – 3.3</i>
<i>Specific objectives</i>	SO 3.1 : Enhance coordination for environmental protection and risk prevention management SO 3.2 Boost implementation of innovative practices and tools to reduce carbon emission and to promote energy efficiency in public sector

	SO 3.3 Increase implementation of systems and plans contributing to improve water management
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2.3.4. Guiding principles for the selection of operations

(Reference: point (b)(iii) of Article 8(2) of Regulation (EU) No 1299/2013)

The following guiding principles will be observed when selecting project applications:

Strategic coherence: coherence and contribution of each project application to the relevant Programme’s specific objective, while addressing in a coherent way the achievement of the Programme’s specific results envisaged. Furthermore, the CBC added value of the operation, its territorial dimension and the relevance of the partnership will also be assessed in this context.

Operational quality: design of the project application in relation to clarity and coherence of the operational objectives, activities and means, feasibility, efficiency, communication of the project and its specific results, potential for uptake and embedment into operative procedures of the partners involved. The output and result-oriented approach that places much emphasis on the development of concrete, relevant and visible outputs and results will be a must.

Compliance to the Cross-cutting thematic Priorities: a specific section of the quality assessment grid will check the coherence of the project proposals with the following thematic Priorities.

- Promoting local and regional governance and enhancing the planning and administrative capacity of local and regional authorities
- Strengthening research, technological development, innovation and information and communication technologies

The details will be provided in the terms of references of the calls for proposals

Compliance to the horizontal principles: coherence and contribution of each project application to the Programme’s horizontal principles (sustainable development and climate change, equality etc) and the demonstration of their integration and advancement within the project proposal intervention logic.

The detailed assessment criteria will be adopted by the Monitoring Committee and will be made available to potential applicants in the calls for proposals’ documentation, which will be prepared and disseminated

by the Managing Authority and the Joint Secretariat.

2.3.5. Actions to be supported under the thematic priority (by thematic priority)

(Reference: point (b)(iii) of Article 8(2) of Regulation (EU) No 1299/2013)

<i>Thematic Priority</i>	<p>3. protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management through, inter alia: joint actions for environmental protection; promoting sustainable use of natural resources, resource efficiency, renewable energy sources and the shift towards a safe and sustainable low-carbon economy; promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems and emergency preparedness</p> <p>SO 3.1 Encourage common actions for environmental management and risk protection</p>
<p><u>Actions:</u></p> <p>✓ Developing and Implementing cross-border actions for coastal and marine good management and risk protection</p>	

- ✓ Implementing common actions for inland good management and risk protection
- ✓ Setting up cross-border early warning system for risk management
- ✓ Developing and testing innovative training schemes addressing the management skills of the risk management operators (monitoring, operational etc)

Results:

- ✓ Joint innovative coastal and marine good management and risk prevention practices implemented
- ✓ Joint innovative inland environmental good management and risk prevention practices implemented

Indicative beneficiaries: International organizations, research institutes, national, regional and local Authorities; public stakeholders dealing with environmental management and risk protection

Target groups:

Decision makers, environment department, economic development departments of local, regional and national authorities, Tourist operators, Environmental agencies, Protected areas management organisations, Citizens / consumers

<i>Thematic Priority</i>	<p>3. protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management through, inter alia: joint actions for environmental protection; promoting sustainable use of natural resources, resource efficiency, renewable energy sources and the shift towards a safe and sustainable low-carbon economy; promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems and emergency preparedness</p> <p>SO 3.2 Boost implementation of innovative practices and tools to reduce carbon emission and to promote energy efficiency in public sector</p>
<p><u>Actions:</u></p> <ul style="list-style-type: none"> ✓ Formulation and adoption of innovative common regulative framework ✓ Developing and adopting common standards for the energy management in public structures (testing international energy management standards, introducing training schemes for energy managers) ✓ Good practice exchange on developing and implementing local action plan for sustainable energy ✓ Promoting and sharing feasibility studies on development of smart grids models and models for RES and RUE such as clean energies from the sea -offshore wind power and marine and hydrokinetic energies- and from the sun -photovoltaic, solar thermal electricity, solar heating. <p><u>Results</u></p> <ul style="list-style-type: none"> ✓ Innovative common regulative tools and standards adopted ✓ Pilot initiatives implemented ✓ Nes international standard adopted 	

Indicative beneficiaries: International organizations, , research institutes, environmental national and regional authorities; regional development agencies;, universities and research institutes, representatives of private sector,, other public stakeholders
Target groups: energy providers and distributions networks, environmental national and regional authorities, eco-innovative SMEs, local communities.

<i>Thematic Priority</i>	<p>3. protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management through, inter alia: joint actions for environmental protection; promoting sustainable use of natural resources, resource efficiency, renewable energy sources and the shift towards a safe and sustainable low-carbon economy; promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems and emergency preparedness</p> <p>SO 3.3 Increase implementation of systems and plans contributing to improve water management</p>
<p><u>Actions:</u></p> <ul style="list-style-type: none"> ✓ Enhancing regional and national systems and plans to support/stimulate investments in water management ✓ Promoting exchange of experience and pilot initiatives on water management measures ✓ Developing common standards for the water management systems <p><u>Results</u></p> <ul style="list-style-type: none"> ✓ Water management systems and plans developed/promoted ✓ Experiences exchanged and pilot initiatives implemented <p><u>Indicative beneficiaries:</u> International organizations, research institutes, environmental national and regional authorities; regional development agencies;, universities and research institutes, representatives of private sector,, other public stakeholders <u>Target groups:</u> water providers and distributions networks, environmental national and regional authorities, eco-innovative SMEs, Local communities.</p>	

2.4.1 Priority axis 4

<i>ID of the priority axis</i>	<i>PA 4</i>
<i>Title of the priority axis</i>	<i>4 Cross border sustainable networks and accessibility</i>

2.4.2 Fund, calculation basis for Union support and justification of the calculation basis choice

<i>Fund</i>	<2.1.6 type='S' input='S'>
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Calculation basis (total eligible expenditure or public eligible expenditure)	<2.1.7 type='S' input='S'>
Justification of the calculation basis choice	<2A.8 type='S' input='M'>

2.4.3. The specific objectives of the thematic priority and expected results

(Reference: points (b)(i) and (ii) of Article 8(2) of Regulation (EU) No 1299/2013)

Thematic Priority	4. Promoting sustainable transport and improving public infrastructures by, inter alia, reducing isolation through improved access to transport, information and communication networks and services and investing in cross-border water, waste and energy systems and facilities
Specific objectives	SO 4.1 Increase coordination among relevant stakeholders to promote connections in the area

2.4.4. Guiding principles for the selection of operations

(Reference: point (b)(iii) of Article 8(2) of Regulation (EU) No 1299/2013)

The following guiding principles will be observed when selecting project applications:

Strategic coherence: coherence and contribution of each project application to the relevant Programme's specific objective, while addressing in a coherent way the achievement of the Programme's specific results envisaged. Furthermore, the CBC added value of the operation, its territorial dimension and the relevance of the partnership will also be assessed in this context.

Operational quality: design of the project application in relation to clarity and coherence of the operational objectives, activities and means, feasibility, efficiency, communication of the project and its specific results, potential for uptake and embedment into operative procedures of the partners involved. The output and result-oriented approach that places much emphasis on the development of concrete, relevant and visible outputs and results will be a must.

Compliance to the Cross-cutting thematic Priorities: a specific section of the quality assessment grid will check the coherence of the project proposals with the following thematic Priorities.

- Promoting local and regional governance and enhancing the planning and administrative capacity of local and regional authorities
- Strengthening research, technological development, innovation and information and communication technologies

The details will be provided in the terms of references of the calls for proposals

Compliance to the horizontal principles: coherence and contribution of each project application to the Programme's horizontal principles (sustainable development and climate change, equality etc) and the demonstration of their integration and advancement within the project proposal intervention logic.

The detailed assessment criteria will be adopted by the Monitoring Committee and will be made available to potential applicants in the calls for proposals' documentation, which will be prepared and disseminated by the Managing Authority and the Joint Secretariat.

2.4.5. Actions to be supported under the thematic priority (by thematic priority)

(Reference: point (b)(iii) of Article 8(2) of Regulation (EU) No 1299/2013)

<i>Thematic Priority</i>	4. Increasing cross border accessibility, promoting sustainable transport service and facilities and improving public infrastructures SO 4.1 Increase coordination among relevant stakeholders to promote connections in the area
<p><u>Actions:</u></p> <ul style="list-style-type: none">✓ Establishing a cooperation platform among relevant stakeholders to improve flight and maritime connections inside the programme area and to optimize the existing ones✓ Implementing small scale investments in advanced services and physical infrastructures✓ Enhancing network of relevant cross border customs stakeholders in order to improve custom procedures for passengers and goods traffic✓ Fostering connection between the main cross border transport infrastructures and the EU trans-European corridors✓ Improving the public sector operators management skills in terms of sustainable transports systems <p><u>Results:</u></p> <ul style="list-style-type: none">✓ Cross border direct transport connections inside the area improved✓ Optimization of existing connections✓ Small scale infrastructures and services realized✓ Cross border customs procedures harmonized✓ Studies/agreements/pilot actions about main transport infrastructures connected to EU trans-European corridors <p><u>Indicative beneficiaries:</u> International organizations, transport regional and national development agencies; research and training organizations, railway undertakings, port authorities, national/regional agency for energy policies, research institutes, national, regional and local Authorities of transport and infrastructure;</p> <p><u>Target groups:</u> multi- modal operators, shipping operators, shippers, maritime transport industry, ports, customs, energy providers, local communities.</p>	

2.1.6 Common and programme specific indicators to be defined for all the PA

(Reference: point (b)(ii) and (b)(iv) of Article 8(2) of Regulation (EU) No 1299/2013 and Article 2(2) of IPA II Implementing Regulation)

2.1.6.1 Priority axis result indicators (programme specific)

Table 3: Programme specific result indicators

ID	Indicator	Measurement unit	Baseline value	Baseline year	Target value (2023) ⁷	Source of data	Frequency of reporting
<2A.1.4 type='S' maxlength='5' input='M'>	<2A.1.5 type='S' maxlength='255' input='M'>	<2A.1.6 type='S' input='M'>	Quantitative <2A.1.8 type='N' input='M'> Qualitative <2A.1.8 type='S' maxlength='100' input='M'>	<2A.1.9 type='N' input='M'>	Quantitative <2A.1.10 type='N' input='M'> Qualitative <2A.1.10 type='S' maxlength='100' input='M'>	<2A.1.11 type='S' maxlength='200' input='M'>	<2A.1.12 type='S' maxlength='100' input='M'>

⁷Target values may be qualitative or quantitative.

2.1.6.2. Priority axis output indicators (common or programme specific)

Table 4: Common and programme specific output indicators

ID	Indicator (<i>name of indicator</i>)	Measurement unit	Target value (2023)	Source of data	Frequency of reporting
<2A.2.5.1 type='S' input='S'>	<2A.2.5.2 type='S' input='S'>	<2A.2.5.3 type='S' input='S'>	<2A.2.5.6 type='N' input='M'>	<2A.2.5.7 type='S' maxlength='200' input='M'>	<2A.2.5.8 type='S' maxlength='100' input='M'>