TERRITORIAL WIDE AREA COOPERATION IN THE ADRIATIC-IONIAN REGION

Outlook on future Transnational Cooperation in the Region

April 2019

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OECD Trento Centre for Local Development

Territorial wide area cooperation in the Adriatic-Ionian Region

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Acknowledgements

Table of contents

Tables

Figures

Boxes

Acronym List

ADRION	Interreg V-B Adriatic-Ionian Transnational Cooperation Programme 2014 - 2020
Adrion 2.0	The future Transnational Cooperation Programme for the Adriatic-Ionian Region beyond 2020
A-I	The Adriatic and Ionian Region
BRI	"Belt and Road" initiative promoted by China Government
CFE	OECD Centre for Entrepreneurship, SMEs, Regions and Cities
CBC	Cross-Border Cooperation
CA	Certifying Authority
CP	Cooperation programme
CPR	Common Provisions Regulation for ESI Funds
DESI	Digital Economy and Society Index
EC	European Commission
EGTC	European Grouping of Territorial Cooperation
ENI	European neighbourhood instrument
ER	Emilia Romagna Region
ERDF	European regional development fund
ERDF Partner States	Croatia, Greece, Italy, Slovenia
ERVET	Emilia-Romagna Regional Development Agency
ESI / ESIF	European Structural and Investment funds
ETC	European territorial cooperation
EU	European Union
EUSAIR	European Union Strategy for Adriatic and Ionian Region
EUSBSR	European Union Strategy for Baltic Sea Region
FP	Facility Point
GB	EUSAIR Governing Board
GDP	Gross Domestic Product
IA	Indicative action
ICT	Information and Communication Technology
Interreg	Instrument of the European Union supporting cooperation across borders through project funding
IP	Investment priority
IPA II	Instrument for Pre-accession Assistance
IPA Partner States	Albania, Bosnia and Herzegovina, Montenegro, Serbia

ITI	Integrated Territorial Invesment
JS	Joint Secretariat
KET	Key enabling technology
LDR	Less Developed Region
LP	Lead Partner
MA	Managing Authority
MC	Monitoring Committee
MFF	EU Multi-annual Financial Framework
MRS	Macroregional Strategy
MS	Member State
NCP	National Contact Point
NGO	Non-Governmental Organisation
NUTS	Nomenclature of Territorial Units for Statistics (*Nomenclature des Unités Territoriales Statistiques*)
OECD	Organisation for Economic Co-operation and Development
PA	Priority Axis
Partner States	ADRION and EUSAIR partner countries (i.e. Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia, and Slovenia)
PCP	Pre-Commercial Procurement
PPS	Purchasing Power Standard
Project	The OECD project aimed at improving the impact of the territorial wide area cooperation in the Adriatic-Ionian region
RDI	Research, Development and Innovation
R&D	Research and Development
RER	Emilia-Romagna Region
RTD	Research and Technology Development
SEE	South East Europe
SME	Small and Medium-Sized Enterprise
SO	Specific objective
TA	Technical Assistance
TO	Thematic objective
TSG	EUSAIR Thematic Steering Group
WB6	The 6 Western Balkan states: Albania, Bosnia and Herzegovina, Kosovo (*this designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence*), Montenegro, North Macedonia, and Serbia.

Introduction

The OECD Trento Centre for Local Development is undertaking a review to identify the needs and priorities for policy improvement and to foster the exchange of experiences, the capitalization of acquired know-how and the generation of new and fresh thinking in the Adriatic and Ionian Region. Such an exercise is carried on by the OECD in cooperation with the Region Emilia Romagna and ERVET (Emilia Romagna in-house development agency).

The approach adopted by the OECD is based on the assumption that integrated, locally-tailored approaches prove to be more effective in stimulating growth and tackling exclusion issues than one-size-fits-all, top-down and uncoordinated programmes. Effective local policy design and implementation can stimulate investments, build resilient labour markets, and improve entrepreneurial and business ecosystems. It requires a deep understanding of how policies interact and how different levers can be combined for a maximum impact.

The European Union pursues co-operation among EU territories within the framework of regional development and cohesion policy aimed at strengthening economic and social cohesion by correcting imbalances across regions. The policy is funded through the European Structural and Investment Funds (ESI Funds). The European Territorial Cooperation (ETC) is one of the two goals of the 2014-2020 cohesion policy, which provides a framework for the implementation of joint actions and policy exchanges among national, regional and local actors from different Partner States. The overarching objective of ETC is to promote a harmonious economic, social and territorial development of the Union as a whole.

In the framework of the ETC, the Interreg V-B Adriatic-Ionian 2014-2020 Cooperation Programme (ADRION) was launched. It includes 31 regions from four ERDF Partner States and four IPA II Partner States (from the Western Balkans). The overall objective of the ADRION is to act as a policy driver and governance innovator. By leveraging the rich natural, cultural and human resources surrounding the Adriatic and Ionian seas, the ADRION fosters European integration among the Partner States (Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia, Slovenia) and enhances economic, social and territorial cohesion in the Programme area.

The body responsible for the overall management of the ADRION implementation is the Regional Government of Emilia Romagna (North-East Italy), which is appointed as Managing Authority of the Programme (MA). It is in charge of all the duties needed for the effective and efficient implementation of the Programme.

The ADRION is one of the 15 transnational cooperation programmes approved by the European Commission. It involves regions from four EU Member States (Croatia, Greece, Italy and Slovenia) and four non-EU Member States (Albania, Bosnia and Herzegovina, Montenegro and Serbia) and has the following **four priorities**:

- Innovative and smart region;

- Sustainable region;

- Connected region;

- Supporting the governance of the EU Strategy for the Adriatic and Ionian Region (EUSAIR).

The ADRION has been approved by the European Commission (EC) on 20 October 2015. The Cooperation Programme launched its 1st call for proposals and 35 projects have been approved under conditions. A second call for proposals has been released in 2018 and the selection process is undergoing at the date of closure of the present report.

As a part of the European regional development policy context, the EC adopted the European Strategy for the Adriatic and Ionian Region (EUSAIR), a macroregional strategy endorsed by the European Council in 2014. The Strategy was jointly developed by the Commission, together with the Adriatic and Ionian (A-I) Region countries and stakeholders, in order to address common challenges together. The Strategy aims at creating synergies and fostering coordination among all territories in the A-I Region.

The EUSAIR is the third EU macroregional strategy[1]. Like ADRION, it covers four EU Member States (Croatia, Greece, Italy and Slovenia) and four non-EU Member States (Albania, Bosnia and Herzegovina, Montenegro and Serbia) and addresses **four pillars**:

- Blue Growth;

- Connecting the region;

- Environmental quality;

- Sustainable tourism.

Two **cross-cutting aspects** were also identified:

- "Capacity-Building and Communication": capacity-building, including communication, for efficient implementation and for raising public awareness and support.

- "Research, innovation and SMEs development": research and innovation to boost high-skilled employment, growth and competitiveness. Cooperation within transnational networks can bring ideas to markets, and help develop new products and services.

Furthermore, climate change mitigation and adaptation as well as disaster risk management are horizontal principles for all four pillars.

As far as the Strategy steering set-up is concerned, each pillar has two coordinators, a tandem formed by one representative from an EU member state and one from a non-EU member country partner of the Strategy.

The EUSAIR is described in two documents: (1) a Communication from the European Commission to the other EU Institutions (European Commission, 2014a), and (2) an accompanying Action Plan from 2014 (European Commission, 2014b), which complements the Communication. The Action Plan is one of the outputs of the EUSAIR. Its aim is to go from 'words to actions' by identifying the concrete priorities for the macroregion. Once an action or a project is identified and endorsed by the Strategy, it is implemented by the countries and stakeholders concerned, provided that suitable funding sources are identified and made available.

Both the ADRION and the macroregional strategy aim at fostering cooperation, creating synergies and enhancing the economic, social and territorial cohesion of the area. The ADRION supports the governance and the implementation of EUSAIR mainly under the Thematic Objective (TO) No 11. The EUSAIR's coordination mechanism is eligible for institutional and administrative support from the ADRION.

Box 1. Specification and clarification about the Terminology adopted in the Document

In the present Synthesis Report the following concepts are referred and recalled:

- The European Strategy for the Adriatic and Ionian Region (EUSAIR), is the macroregional strategy endorsed by the European Council in 2014.

- The Interreg V-B Adriatic-Ionian 2014-2020 Cooperation Programme (ADRION), is the ETC EU funded Programme (and is the main focus of this study); its co-operation space coincides with the A-I Region.

- The Adriatic and Ionian Region (the A-I Region or the macroregion hereinafter) refers to the geographical space of the EU Member States (Croatia, Greece, part of Italy – 13 Regions - and Slovenia) and four non-EU Member States (Albania, Bosnia and Herzegovina, Montenegro and Serbia) engaged in the EUSAIR.

The ADRION implementation and the progress up to date reveal a twofold challenge to be tackled soon in the future:

- Increasing the alignment and overall consistency between the ADRION and the EUSAIR taking into consideration the targeting of the next ADRION calls for proposals.

- Envisioning the post 2020 Adriatic and Ionian cooperation space, based on the lessons learned through the relevant ETC programmes and on the current policy framework in the region.

The present report addresses the latter of the two challenges. It has been prepared by an OECD expert team based at the OECD Trento Centre for Local Development in close cooperation with the Emilia Romagna Region and ERVET officers in charge of the ADRION.

It is worth noting that the European Commission (DG Regio) requested the OECD CFE Directorate to carry out a study of the multi-level and cross-sector practices supporting the implementation of the EUSAIR at the national level in each of the eight participating countries. The project has been undertaken by an OECD CFE team based in Paris in two phases. The first phase consisted of eight EUSAIR country case studies on multi-level governance practices, while the second phase included an EUSAIR synthesis report and a self-assessment tool, both of which will be available before the end of May 2019 (OECD, 2019b). A close coordination between a team of the OECD Trento Centre working on the ADRION project and the team dealing with the national-level EUSAIR multi-level governance practices ensured continuous and smooth circulation of information between the two complementary projects.

The on-going EU-level debates on European perspectives for the post-2020 septennium set the stage for this report. The European debate is shaped by two documents, the future Multiannual Financial Framework beyond 2020 (a budgetary proposal of the

Commission) and the new EU cohesion policy first draft regulations. Both documents were published in May 2018. Their negotiation at the European level is still open at the date of closure of the present report. The negotiation process brings about uncertainties in the outlook scenario and has direct implications for this OECD ADRION project. The conclusions drawn in the final chapters of this report should be considered under that light.

In such an evolving environment, **the overarching objective of the OECD ADRION project reflects the main interest of the Emilia Romagna Region to receive (policy) recommendations, which would enable the region to develop a political position on the role of the NUTS2 regions in the ETC beyond 2020 (and on the ADRION in particular) within the wider context of the future EU cohesion policy.**

In other words, what innovative and efficient policy solutions can be considered for the Cohesion policy and ETC beyond 2020 with respect to the Macroregional Strategies (MRS) and the direct engagement of Regions as institutional players?

From a methodological perspective, the activities had a dual focus:

   A. Preparing analysis based on selected most relevant evidence that would help to better understand the complex and heterogeneous Adriatic and Ionian macroregion and comparing it to other international transnational cooperation areas.

   B. Triggering a discussion and an idea exchange that would lead to fresh insights on the main policy implications of future transnational and strategy-oriented cooperation throughout the A-I Region; outlining the mission of the future ADRION Cooperation Programme and its governance implications.

The first part of the project undertaken by the OECD expert team involved desk research and analysis of multiple documentary and direct information sources while maintaining contacts with the national and European institutions engaged in elaboration of the new European framework for the future regional development and cohesion policy beyond 2020.

The results of this work are outlined in the first three sections of the present report

   • Chapter 1 sketches the main challenges and prospects of the A-I Region future development.

   • Chapter 2 outlines the progress of the ADRION implementation.

   • Chapter 3 presents the main findings taking into account the new regulatory framework of the EU cohesion policy with a specific reference to the ETC and its expected evolution over the next months.

In the next part of the project, which was planned and agreed with the Region Emilia-Romagna, selected key policy makers and ETC experts were gathered to discuss their different visions and positions concerning the future of the ADRION in the context of the EUSAIR.

For this purpose, the OECD expert team brought together selected highly qualified participants and gathered testimonials in two working sessions, which focused on main challenges to the future of the Adriatic-Ionian cooperation. The goal of the sessions was to have an informed discussion among international and local experts and policy makers on the role of territorial cooperation post-2020 in the A-I Region.

The two workshops took place in Bologna in October 2018[2]. They were organised as panel discussion sessions focusing, respectively, on:

The envisioning of the future territorial wide area cooperation in the A-I Region;

Translating the vision into operation: the main transnational cooperation governance prospects and challenges to taken into account in preparation of the new ADRION 2021-2027.

The résumé of the two workshops is in the annex to this report.

The discussions and the different positions expressed by the participants during these events together with the input received in a number of meetings, interviews and discussions held over the last months serve as the basis for elaborating the second part of this report:

- Chapter 4 presents the EUSAIR current state of play and its future evolution as a strategic reference framework for the next ADRION Programme.

- Chapter 5 overviews future development scenario for the new transnational Cooperation Programme, which is based on the present ADRION but with a possibility of a change in some major features resulting from the evolving regional context and policy and regulatory frameworks of the new European cohesion beyond-2020.

- Chapter 6 offers concluding remarks and recommendations from the OECD, which address the potential role the transnational Cooperation across the A-I Region can play in its future development, cohesion and stability.

Notes

[1] The EU Strategy for the Adriatic and Ionian Region is one of the four EU macro-regional strategies. The other three are the EU Strategy for the Baltic Sea Region (2009), the EU Strategy for the Danube Region (2011) and the EU Strategy for the Alpine Region (2016).

[2] The "Envisioning Future Adriatic-Ionian Regional Cooperation Challenges - Scenario Workshop" took place on October 1st and the "Future Adriatic-Ionian Regional Cooperation at Work - Implementation Outlook Workshop" took place on October 25. Both events were held in Bologna, Italy, at the premises of the Emilia-Romagna Region. See the minutes of the two meetings in the annexes.

1. Outline of main challenges of the Adriatic and Ionian Region

The A-I Region is one of the four European functional wide areas that benefit from a comprehensive strategy in place at the initiative of the European Union. The geography of the A-I Region encompasses territories from eight countries that are a part of the Adriatic and Ionian seas' basins: four EU Member States (Croatia, Greece, Italy, Slovenia), three candidate countries (Albania, Montenegro, Serbia) and one potential candidate country (Bosnia and Herzegovina). In the case of Italy, only 13 regions[1] are included in the area (See Figure 1.1 for details).

This chapter introduces the main challenges of the cooperation area. It concisely presents the relevant social, economic and environmental characteristics, which constitute the context for the discussions in the subsequent chapters.

The information used in drafting the chapter partially comes from a comprehensive study on MRS and cohesion policy[2] (COWI, 2017) commissioned in 2017 by the European Commission. It is complemented by the analyses of various data and official documents undertaken by the OECD project team.

The area around the Adriatic and Ionian seas shows a distinct blue and green pattern, featuring the sea basin, coastal landscapes, green but also urban areas. The sea in the very centre of the territory has historically made collaboration and integration of the region more challenging. It is, nevertheless, a common economic and environmental asset and a natural platform for cooperation. It builds on long-standing trade contacts and some common traits of cultural heritage. The A-I area faces some major challenges determined by its key economic, social and environmental characteristics.

1.1. Economic performance and challenges

Concerning economic performance, the macroregion shows a heterogeneous macroeconomic situation characterised by a high share of Less Developed Regions (LDR), as defined in the ESI Funds framework. The area, see the Figure 1.2 on the trends of GDP per capita in the partner countries, consists of more mature economies and social systems like Italy, Greece and Slovenia, intermediate countries like Croatia, and relatively less advanced candidate and potential candidate countries that are in a process of converging towards the EU's leading economies. These countries at different development stages generally show weak growth and convergence rates and suffer from insufficient rebalancing mechanisms to reduce their territorial disparities.

Figure 1.1. Map of the Adriatic-Ionian Macroregion

Source: EUSAIR (2018b), https://www.adriatic-ionian.eu/media-centre/media-toolkits/.

Figure 1.2. ADRION Partner Countries purchasing power [Adjusted GDP per capita - in PPS EU28]
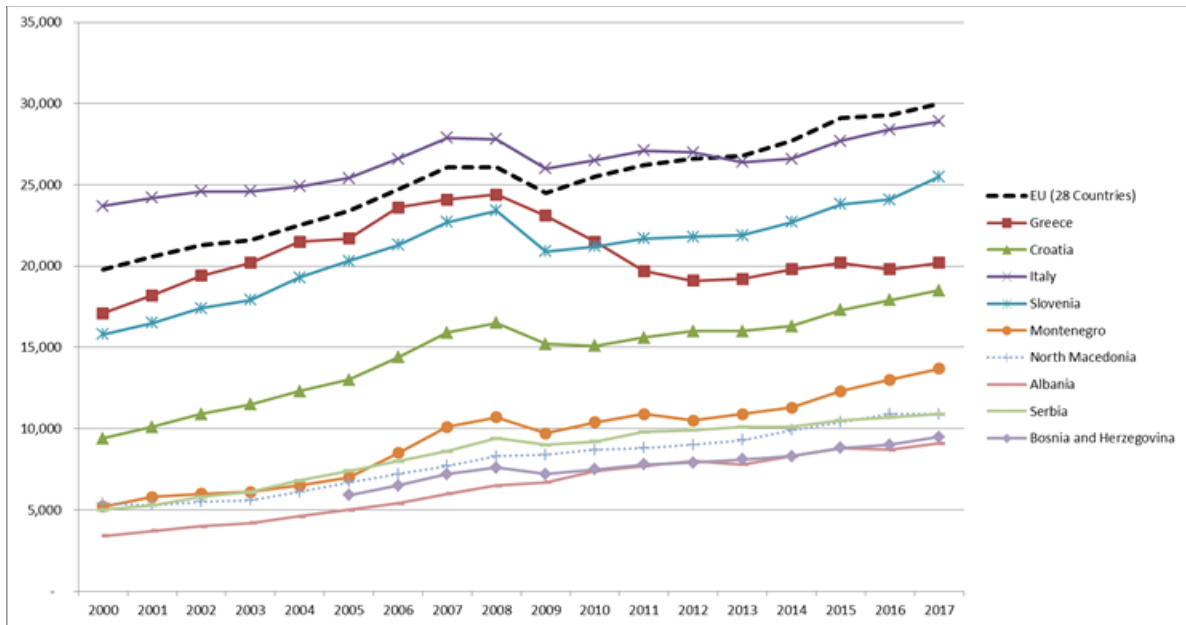
Note: Data on North Macedonia have been included for information purposes; the country is considered for inclusion into the future ADRION.
Source: Authors' own elaboration on EUROSTAT data (2018).

Figure 1.3. ADRION Italian Regions purchasing power [Adjusted GDP per capita - in PPS EU28]
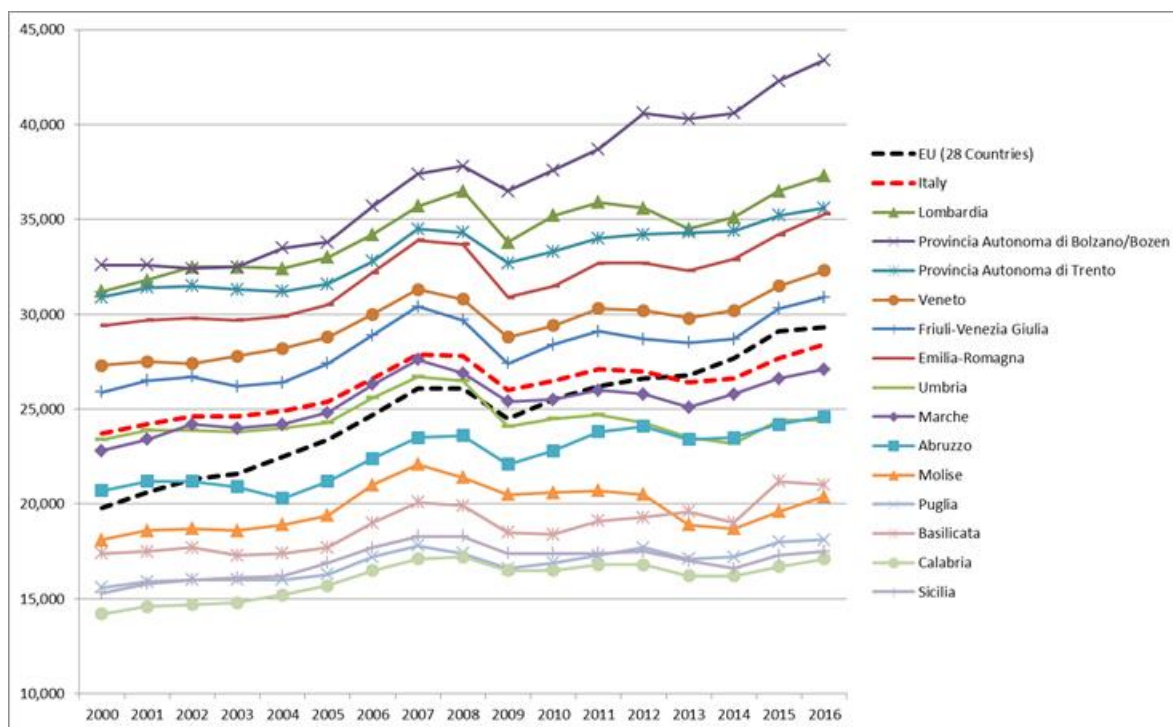
Source: Authors' own elaboration on EUROSTAT data (2018).

The regional disparities within countries can be even more severe than the national ones in some States, as evidenced by the ADRION Italian regions (Figure 1.3). The differences between the Southern and the Northern regions are increasing over time. The best performing regions of the macroregion in terms of competitiveness and social progress are located in Northern Italy, Slovenia (Zahodna Slovenia), and Attiki in Greece. The Croatian regions exhibit average level of competitiveness performance, while the lower performing regions are located in Southern Italy, Greece and in the candidate and potential candidate countries (Serbia, Montenegro, Albania, and Bosnia-Herzegovina). In the latter group of countries, many territories are plagued by long-standing economic and structural problems, which hamper their development and slow down the convergence processes (COWI, 2017).

The area was also severely hit by the economic and financial crisis. While Slovenia and Croatia managed to recover, Italy and Greece still face banking and debt crises that make the recovery process a major challenge for the area.

The discussion below presents several common challenges in the area and highlights the key elements that could inspire the exploitation of untapped potential and resources in addressing the future ADRION action beyond 2020:

- Relatively unbalanced innovation capacity distribution: most A-I regions are moderate innovators with different intensity and diversified characteristics (see Table 1.1 and Figures 1.4 and 1.5). There is a strong need to establish and intensify collaborations among regions across the A-I space with different degrees of innovation. An increased degree of collaboration is expected to promote

knowledge sharing and learning process in the area. A need to reach a critical mass effect at a wider scale is evident despite some examples of excellence (Regional Innovation Scoreboard, 2017). Figure 1.5 shows a remarkable heterogeneity of the research and development expenditures across the countries and within the A-I macroregion. Furthermore, the co-patents and scientific publications co-authored across the A-I Macroregion exhibit a striking west–east divide (see Table 1.2).

Table 1.1. ADRION Regions (NUTS2) according to the Regional Innovation Performance Groups

Country	Region (NUTS2)	"2017" - score relative to EU 2017 (100)	Modest			Moderate			Strong			Leader		
			-	=	+	-	=	+	-	=	+	-	=	+
	Anatoliki Makedonia, Thraki	52.0				O								
	Kentriki Makedonia	65.6					O							
	Dytiki Makedonia	61.3					O							
	Ipeiros	52.9				O								
	Thessalia	57.7				O								
	Ionia Nisia	41.8	O											
Greece	Dytiki Ellada	63.1					O							
	Sterea Ellada	52.4				O								
	Peloponnisos	46.8		O										
	Attiki	74.9						O						
	Voreio Aigaio	53.2				O								
	Notio Aigaio	47.2		O										
	Kriti	69.5					O							
Croatia	Jadranska Hrvatska 51.0	51.5				O								
	Kontinentalna Hrvatska 50.8	53.0				O								
Italy	Lombardia	79.6						O						
	Provincia Autonoma Bolzano/Bozen	69.4					O							
	Provincia Autonoma Trento	78.4						O						
	Veneto	79.4						O						
	Friuli Venezia Giulia	87.8						O						
	Emilia-Romagna	79.9						O						
	Umbria	74.3						O						
	Marche	69.4					O							
	Abruzzo	64.5					O							
	Molise	61.0					O							
	Puglia	58.5				O								
	Basilicata	57.9				O								
	Calabria	57.8				O								
	Sicilia	51.3				O								
Slovenia	Vzhodna Slovenija	86.6						O						
	Zahodna Slovenija	102.0							O					
Serbia	Belgrade	62.3					O							
	Vojvodina	65.7					O							
	Šumadija and Western Serbia	66.2					O							
	Southern and Eastern Serbia	60.5					O							

Source: Authors' own elaboration on European Regional Innovation Scoreboard 2017.

Figure 1.4. ADRION Regions (NUTS2) mapped according to the RIPG
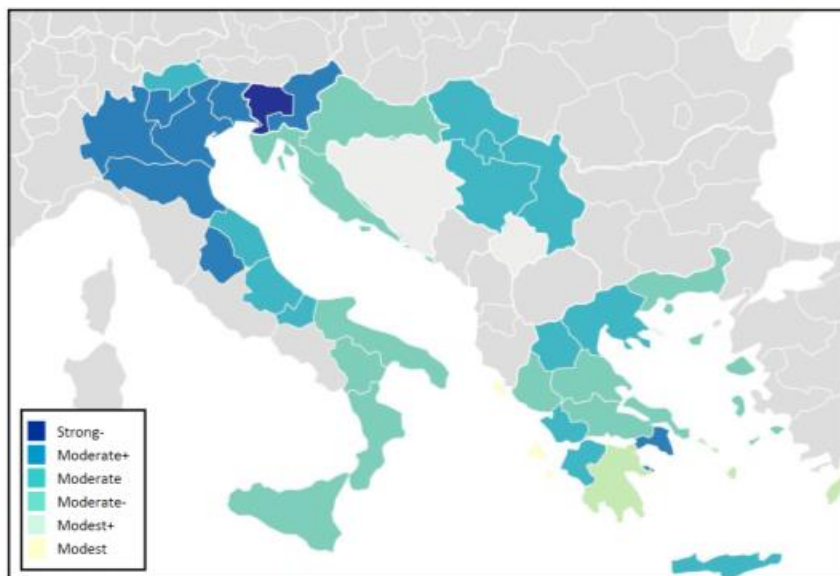
Source: Authors' own elaboration on European Regional Innovation Scoreboard 2017.

Figure 1.5. ADRION R&D expenditure (NUTS 2 – Euro per inhabitant)
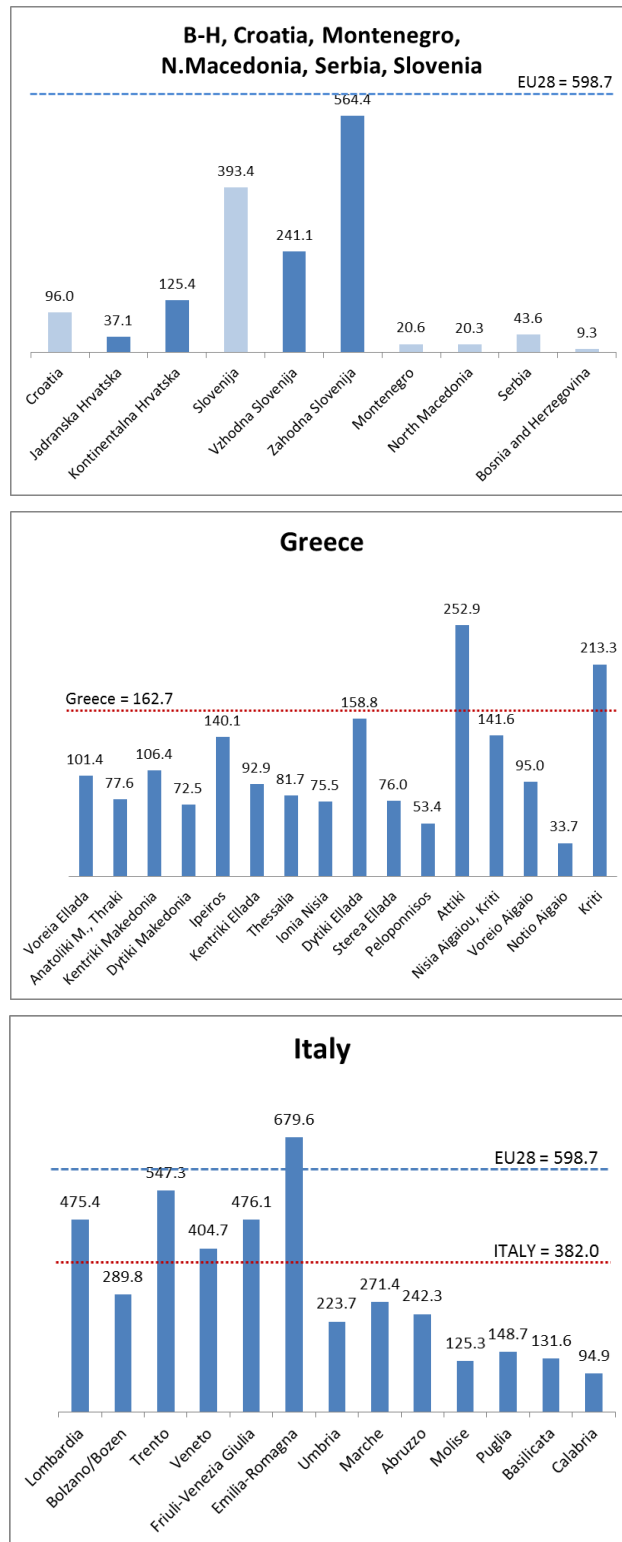
Source: Authors' own elaboration on EUROSTAT. (2016 data; Bosnia and Herzegovina 2012, Greek Regions and Basilicata 2015, Molise, Umbria, 2014).

Table 1.2. ADRION Regions (NUTS2) RTD Collaboration patterns

Country	CO-PATENTS		CO-PUBLICATIONS	
	With other Adriatic countries	With top countries	With other Adriatic countries	With top countries
Albania	15%	0%	33%	27%
BiH	2%	13%	44%	19%
Croatia	4%	13%	14%	27%
Greece	3%	29%	8%	38%
Italy	0%	12%	2%	29%
Montenegro	0%	0%	53%	33%
Serbia	3%	18%	19%	32%
Slovenia	2%	11%	17%	35%
Top countries: France, Germany, UK and the US; China, India and Russia				

Source: Cozza, C., Harirchi, G., & Marković Čunko, A. (2016).

- Low rates of business entry: partly due to the still felt effects of the economic and financial crisis, the vast majority of the regions perform significantly below the EU median in terms of business population growth. The increased concentration and dynamics of SMEs can play a vital role in the macroregion's economic performance.

- Urban-rural discrepancies: while the urban centres of the cooperation area benefit from agglomeration advantages in terms of the number of businesses and research institutions, skilled labour force concentration and lower transport costs, which nurture their growth, the rural regions continue to lag further behind. This dynamics threatens the objective of economic cohesion. The increasing disparities are most evident in Italy, Greece and in the candidate and potential candidate countries and are lower in Slovenia and Croatia.

- Underdeveloped infrastructure: road and rail transport infrastructure needs to be improved, especially in the new Member States and in the potential candidate countries. While regions in the Centre and North of Italy as well as regions in Slovenia and Croatia show sufficiently high levels of accessibility for all transport modes, Serbia has medium accessibility in terms of road and rail transport, while Albania, Montenegro, Greece, and Bosnia and Herzegovina have insufficient accessibility for all transport modes. According to the World Bank Logistic Performance Index or LPI[3] (see Figure 1.6), which considers six dimensions of a country performance in terms of logistics and compares it to 160 countries worldwide, Italy, Slovenia and Greece enjoy the highest overall score, the quality of trade score and transport infrastructure index. These countries are ranked in the top 50 countries worldwide. Other countries in the macroregion are ranked lower. The recent trends in the LPI show that all A-I countries improved their ranking in 2012-2018, except for Croatia, which demonstrated relatively steady performance.

An additional indicator of infrastructure development across the A-I Region is the completion of the TEN-T network (applies to the EU member states only). At the end of 2016[4], Slovenia completed 100% of the total planned TEN-T road core network, Italy 81%, Greece 76% and Croatia 60%. If the TEN-T conventional Rail core Network is considered, Greece reached 80%, Italy 70%, while Slovenia and Croatia are lagging behind with 6% and 5% completion rate, respectively.

All in all, when considering TEN-T and other regional infrastructural backbones (see also the next Paragraph 1.3 where reference to the "Belt and Road" initiative (BRI) is made), the most important point is their integration into and connection to the national and local infrastructure networks. Most of the potential to trigger local development hinges on connectivity.

Figure 1.6. ADRION Countries Logistic Performance Index
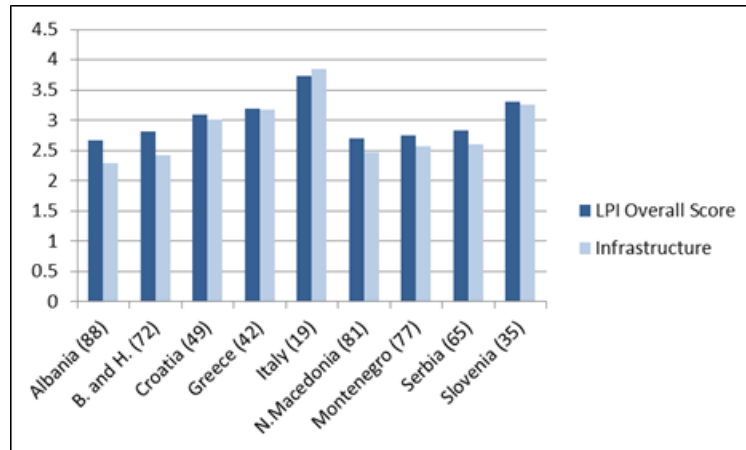
Note: In brackets the 2018 overall country ranking..
Source: World Bank (2018), www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative.

- Good tourism performance: among the key competitive advantages of the macroregion is its strong position in the tourism sector, with the best performers being Italy, Slovenia, Croatia and Montenegro.

- Fisheries is an important economic activity in the region despite the fact that its contribution to the national GDP is relatively small. The importance of fisheries for local economies comes in rising employment and associated economic activities such as manufacturing and boat repair, transport and logistics for fishing and port activities. The aquaculture sector, including cultivation of shellfish, is an increasingly important economic activity. It has a strong economic potential in developing innovative techniques and expanding to include new species, especially through synergies between business and research institutions. It is important to consider under the A-I regional cooperation perspective the improvement of the co-ordination of fishery management approaches across the sea basin and the regulation of the access regimes to fishery resources[5].

- Although there is a significant tradition, experience and know-how, the future of ship building is fully dependent on its ability to modernize, specialize and apply hi-tech innovations.

- A wide range of networks and the A-I Cooperation fora around certain themes have been formed across the region over the last two decades as a result of a wide range of ETC-funded projects. Although most of these networks terminate after the end of the ETC funding and, thus, lack continuity and long-term sustainability, in several prominent cases the EUSAIR process led to establishing of long-lasting networks. Good examples of these are the Forum of the Adriatic and Ionian Chambers of Commerce (2016), the UniAdrion (2018), the association

of universities and research centres of the Adriatic-Ionian area, established in early 2000 with the purpose to create a permanent connection among these institutions. An interesting recent case is the networking A-I NURECC Initiative coordinated by the Conference of Peripheral Maritime Regions (CPMR)[6]. The challenge ahead is to improve the sustainability and selectivity in the networking action and to support the networks that are most effective in enhancing the cohesion, the development and the competitiveness of the A-I Macroregion.

- Digital connectivity and access to reliable information is crucial for the future development of both the economy and the civil society of the A-I Macroregion, the wide area Cooperation and the capacity to deal with the main challenges (see Figure 1.7). The importance of the digital connectivity is increasing against the backdrop of the megatrends, which shape the global development (on megatrends see also the Box 1.1), and the increasing digital divide, which affects future local development prospects. The digital connectivity has been identified as a flagship initiative of the EU agenda for the Western Balkans, since

> Fast and secure digital connectivity is an essential element of the reforms required for creating a market- and an investment-friendly environment in the Western Balkans. Under the initiative of the European Commission, the EU and the Western Balkans partners have started a process to boost connectivity in the region and improve access to the digital economy and society. (European Commission, 2018a)

Figure 1.7. EU Digital Economy and Society Index (DESI Composite)
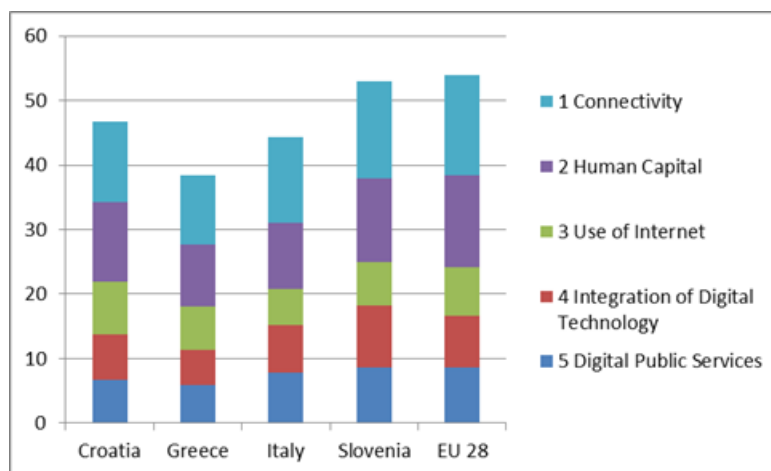
Source: Authors' own elaboration on EC Digital Scoreboard, https://digital-agenda-data.eu/.

The DESI composite index is calculated as the weighted average of the five main DESI dimensions: 1 Connectivity (25%), 2 Human Capital (25%), 3 Use of Internet (15%), 4 Integration of Digital Technology (20%) and 5 Digital Public Services (15%) (European Commission, 2018b).

Box 1.1. Regional disparities are likely to be amplified by some global megatrends

Regional disparities could be further increased by megatrends that will reshape the global policy environment in the coming decades. Technological change, such as the emergence of artificial intelligence, demographic change, such as population ageing, and environmental change, such as global warming, are the most important trends that affect all regions already today and their impact is likely to grow in the future.

While the megatrends are extensively discussed in public debate, their regional dimensions are much less known. Yet, it is rare that a megatrend has uniform effects across all regions of a country, let alone the globe. For example, new technologies, such as autonomous vehicles, will affect cities differently than rural areas. In most OECD countries, some regions will grow in population while others will shrink. All regions need to contribute to carbon emission reductions, but the effects of climate change will vary from region to region. As a consequence, one-size-fits-all policies will not be enough to manage challenges from global megatrends adequately and allow all regions to benefit from them.

One of the dangers from many global megatrends is that they could amplify existing regional disparities by benefitting already well-performing regions, while harming struggling ones. Technological change and rural-urban migration, for example, has contributed to regional inequality in the past. Without more effective responses, including targeted place-base policies, regional disparities could grow well beyond the currently observed levels.

Source: OECD (2019a).

1.2. Social challenges

The A-I Macroregion connects eight countries home to more than 70 million people. The following aspects are among the key social challenges in the area:

- High unemployment: Greece, Italy and the (potential) candidate countries experience high rates of overall unemployment and of youth and long-term unemployment in particular. Although unemployment declined considerably in recent years in Slovenia and Croatia (6.6% and about 11 %, respectively, in 2017 according to EUROSTAT), its level is still very high in Greece (about 21.5%), Bosnia and Herzegovina (21%), in the 3 candidate countries, Serbia (15%, 2016 data), Montenegro (18%), and Albania (above 15%) and in Italy (about 11% in 2017) making this challenge critical for the cooperation area;

- Labour migration flows: labour migration across countries of the cooperation area is an important phenomenon with levels above the EU average. The flow of migrants goes from east to west (Italy and Greece are destination countries) and from the candidate and potential candidate countries to the EU-15 Member States, while the flow of remittances takes the opposite direction;

- Low quality of governance and institutional capacity: the quality of governance, which among others reflects institutional capacity, is well below the EU-average in all countries of the cooperation area. This is true for both Member States and candidate and potential candidate countries, although the latter – with the

exception for Bosnia-Herzegovina – recently show significant improvements (especially in the regulatory quality) as a result of the efforts to meet the governance standard of the EU Member States. Moreover, in respect to governance and institutional aspects, the subnational regional divide is very high, especially in Italy and Slovenia.

According to the Worldwide Governance Indicators (WGI) Project from the World Bank (see Box 1.2) and its data set, the A-I countries and regions usually fall into the 50-75% percentile. Figure 1.8 shows the A-I country rankings on the Government Effectiveness, Regulatory Quality and Voice and Accountability components of the WGI. These elements are particularly beneficial for the cooperation process. In terms of government effectiveness, Slovenia is in the 75%-90% percentile, Bosnia and Herzegovina is in the 25%-50%, while all other countries are in between. The country performance does not change on the Regulatory Quality component, except for Slovenia, which is ranked in the 50%-75% percentile. Italy and Slovenia are ranked in the 75%-90% percentile in the Voice and Accountability component, which is the most frequent rating for the EU countries; Croatia, Montenegro and Albania are in the 50%-75% percentile with the rest of the region falling in the 25%-50% percentile.

Box 1.2. The World Bank Group Worldwide Governance Indicators (WGI) project

The Concept of Governance addressed by the WGI

Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for over 200 countries and territories over the period 1996–2017, for six dimensions of governance:

- Voice and Accountability

- Political Stability and Absence of Violence

- Government Effectiveness

- Regulatory Quality

- Rule of Law

- Control of Corruption

These aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. They are based on over 30 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms.

Source: World Bank (2019).

1.3. Environmental challenges

Mixed environmental performance: despite certain improvements during the 2008-2014 period, the overall environmental indicators related to eco-innovation and energy efficiency are for most of the cooperation countries below the EU average. The Macroregion performs relatively well on biodiversity but has high soil erosion rates due to prevalent climatic and topographical conditions, especially in Italy.

Natural marine and coastal resources in these regions are highly valuable and constitute an important driver for economic development. However, they suffer a strong pressure and conflicts of use due to the urbanization process, agricultural and industrial activities, transport, etc. It is important to stress the increasing pressures due to littoralisation processes, increasing uses of the marine space and resources.

Figure 1.8. Selected A-I Region Governance Indicators (WGI)
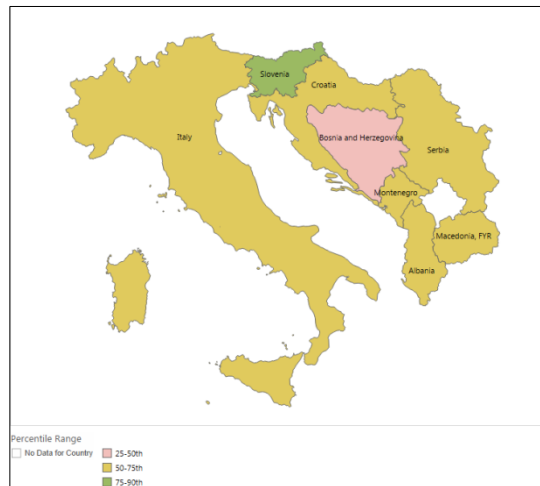
Government Effectiveness, data 2017

Regulatory Quality, data 2017
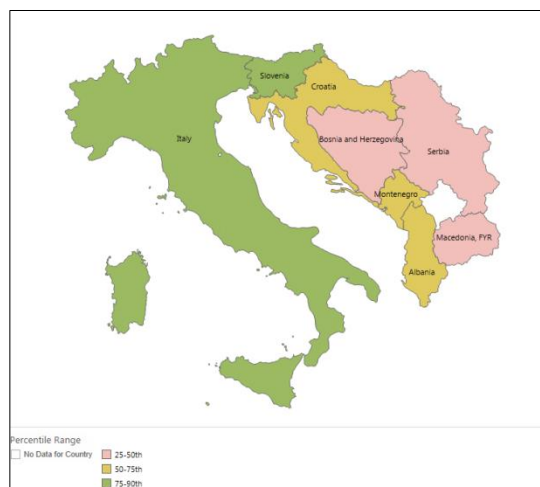
Voice and Accountability, data 2017

Source: Kaufmann, Kraay and Mastruzzi (2010), www.govindicators.org.

The UN Agenda 2030 and the Sustainable Development Goals (SDGs) pose further challenges in terms of engagement of all relevant A-I actors. A stronger co-ordination throughout the A-I Macroregion is crucial given the intrinsic cross-border and transnational nature of the SDGs vis-à-vis the sustainable development main regional issues, which largely exceed a specific environmental perspective. From the territorial cooperation angle, the European Commission states that

> Stronger partnerships are at the heart of the EU's approach to SDG implementation. The EU and its Member States will work more closely with all other relevant actors to promote the implementation of the 2030 Agenda and strengthen their capacity for democratic ownership. Parliaments and political parties as well as regional and local authorities must play their respective roles fully, including their scrutiny role, alongside national governments, and must actively participate in the decision-making process. […] The achievement of most of the SDGs is strongly dependent on the active involvement of local and regional authorities. The EU and its Member States will support transparency, accountability and decentralisation reforms, where appropriate, to empower regional and local authorities for better governance and a better development impact, and to better address inequalities within countries. They will support processes to help people interact effectively with local government at all stages of policy planning and implementation, and will strengthen their cooperation with local and other sub-national authorities, including through decentralised cooperation. (New European Consensus on Development, 2017)

The described weaknesses and strengths generate common challenges and opportunities for the eight cooperation countries, which might be decisive for the future growth of the area. To be effectively addressed and exploited, some of these challenges will require an integrated response strategy, for which the macroregional level is the most appropriate and the most effective scale of intervention. On the one hand, unilateral solutions may be partial or in conflict with each other if they reflect only national or local differences. On the other hand, the described characteristics often do not have substantial relevance beyond the A-I space and external responses may be superficial and not very incisive.

Since the early 2000s, the emerging cooperation ties established within the framework of previous platforms have resulted in diverse collaboration networks spreading across the area and involving regional and local authorities, business organisations, research and academic institutions and non-governmental bodies. Joint projects further strengthened the cooperative networks under different Interreg programmes over the past programming periods 2000 – 2006, 2007 – 2013 and the current 2014 – 2020 programming period.

Table 1.3. Main highlights of the challenges of the A-I Macroregion

Strengths	Weaknesses
- Tourism performance - Fishing - Labour migration flows internal to the macroregion that can facilitate linkages and cooperation - Cultural and natural heritage and biodiversity - Long-term cooperation consolidated practice throughout the A-I Macroregion and sub-regions in that space - Presence of Research, Development and Innovation Centres across the Macroregion - More than 20 years of multilevel territorial cooperation experience, facilitated by the EU	- Unbalanced development and innovation capacity distribution - High internal sub-national divide - Urban-rural discrepancies - Transport and infrastructural weaknesses - Unemployment - Low quality of governance and institutional capacity - Relatively poor energy and environmental performance - Weak regional co-ordination of existing high-level institutions and agencies (RTD, Innovation, High education institutions, business agencies, etc.)
Opportunities	**Threats**
- Blue economy i.e. set of sea-related economic activities including fishing, tourism and shipbuilding, as well as new sectors such as offshore wind energy or marine-based pharmaceuticals and cosmetics - Commercial transports and logistics (also related to the "Belt and Road" initiative, the Chinese strategy for commercial growth aimed at creating a new Silk Road between the Far East and Europe, exploiting Mediterranean routes and hubs) - Entrepreneurship support services to stimulate the start-up and early phases	- Large investments (i.e. large infrastructure construction): - They go beyond the EUSAIR / ADRION space, setting it aside from the main development corridors - They cross the EUSAIR / ADRION space, but do not directly benefit the territories: mere tunnels crossing the South East Europe without generating real prospects for local development - Mismatch between roles and functions of the Macroregional Strategies, which hinders the ability of the Strategies to be the regional development driving forces and the resulting loss of interest for coordinating the development policies - Fragmentation of interventions in a myriad of strategies, initiatives and programmes with consequent overlap and inconsistency among the funded interventions (see Table 1.2).

Source: Authors' own elaboration.

1.4. The role of European Territorial Cooperation in the A-I Macroregion

The Interreg cooperation in the Region dates back to the 1990s. At that time, the Interreg was an EU initiative that anticipated the enlargement during the subsequent decade and tried to lower barriers to the development across the Region caused by the national borders. The initiative complemented other EU instruments of that time, e.g., Phare, Cards, IPA, etc. The Interreg started as an initiative fostering the cross-border cooperation within the EU borders and soon expanded to the neighbouring countries and included the transnational and interregional perspectives. It enabled and supported cooperation among territories (NUTS2 and NUTS3 levels) belonging to wide areas. In total, during the 2014-2020 ETC programming, the resources mobilised and related to the ADRION Macroregion countries and regions reach approximately 1.83 billion Euro, of which 1.62 are direct EU contribution (ERDF and IPA). The Interreg C strand programmes have been excluded, since they are open to the whole EU.

Table 1.4. European Territorial Cooperation Programmes in the A-I Region

Programmes covering partially or entirely the territories belonging to the A-I Macroregion for the EU ESI Funds programming period 2014-2020

	Total CP Budget	Total EU contribution
Cross-Border Cooperation (Interreg A)		
Interreg V A (CBC)		
Italy – Croatia	236 890 849	201 357 220
Italy – Slovenia	92 588 182	77 929 954
Slovenia – Croatia	55 690 913	46 114 196
Greece – Italy	123 176 899	104 700 362
Interreg IPA CBC		
Greece – Albania	54 076 734	45 965 222
Italy – Albania – Montenegro	92 707 558	78 801 422
Croatia – Serbia	40 344 930	34 293 188
IPA CBC		
Albania – Kosovo		8 400 000
Bosnia and Herzegovina – Montenegro		8 400 000
Republic of North Macedonia – Albania		11 900 000
Kosovo - the former Yugoslav Republic of Macedonia		8 400 000
Montenegro – Albania		11 900 000
Montenegro – Kosovo		8 400 000
Serbia – Bosnia and Herzegovina		14 000 000
Serbia – Montenegro		8 400 000
Transnational Cooperation (Interreg B)		
Adriatic-Ionian	117 918 198	99 156 616
Alpine Space	139 751 456	116 635 466
Central Europe	298 987 026	246 581 112
Danube	262 989 839	221 924 597
Mediterranean	275 905 321	233 678 308
Balkan-Mediterranean	39 727 654	33 456 246
Interregional Cooperation (Interreg C)		
Interreg EUROPE	426 309 618	359 326 320
Interact	46 344 229	39 392 594
URBACT	96 324 550	74 301 909
ESPON	18 678 851	41 377 019

Source: European Commission (2015), https://ec.europa.eu/regional_policy/en/policy/cooperation/european-territorial/.

Up to now, five programming periods of Interreg have succeeded each other: Interreg I (1990-1993) - Interreg II (1994-1999) - Interreg III (2000-2006) - Interreg IV (2007-2013) - Interreg V (2014-2020). As a reference indicator of the number of projects the ETC supported across the A-I Macroregion over more than 25 years of operations, the total number of projects is approximately 2 500[7].

1.5. Some current and future dynamics in the A-I Region

Concluding the present Section on the outstanding challenges affecting the A-I Region, some important issues cannot be left out, since they represent quite well the peculiarity of this space and some dynamics that make it a unique case in Europe, at least in the years to come. In designing the new European territorial cooperation in the Region beyond 2020,

the future ADRION or its successor, the major themes related to the macroregional socio-economic landscape to be considered are:

- Two recent events have a potential to reshape the dynamics of the region. First, the Republic of North Macedonia is in a process of becoming a member. Its acceptance will change the balance between the EU member states and the enlargement countries in the macroregion with all six Western Balkan (WB6) countries[8] in the A-I Initiative space[9] becoming the members. Additionally, a resolution of the dispute between Greece and North Macedonia over the name may boost the enlargement process.

- Concerning the WB6 in general, the European Commission recognizes that

> all countries of the Western Balkans have a European perspective, which was first recognised during the Feira European Council in 2000. It was further confirmed by the Thessaloniki European Council in 2003 and more recently by the Sofia European Council in May 2018. This European perspective is integrated into the Stabilisation and Association Process, which is the EU's policy concerning the countries of the Western Balkans. Under this process, all Western Balkans countries have a common future as EU Member States. (European Commission, 2019b)

In practical terms the overall process represents the next European enlargement frontier of the 21st Century.

The Berlin Process is a crucial diplomatic initiative that paved the way for this to happen (see Box 1.4). Recently the EC in the Communication

> A credible enlargement perspective for an enhanced EU engagement with the Western Balkans [considers that] the Western Balkans region has significant economic potential. Growth rates are higher than that of the EU and it is an increasingly interesting market for EU goods and services that is gradually becoming part of European value chains. The level of economic integration with the Union is already very high, due to the Stabilisation and Association Agreements. However, further efforts are needed to increase the competitiveness of the Western Balkan economies, to address high unemployment, especially among the young, to increase prosperity and to create business opportunities not least for local players. Stronger skills-based economies will also help to attenuate the brain drain that exists, turning it into brain circulation." (European Commission, 2018a)

It is evident that the current provisions to reach the next EU membership expansion by 2025 pose high expectations, but also imply challenges and unprecedented opportunities that should make existing European cooperation instruments, and ADRION in particular, extremely relevant. For example, ADRION can be instrumental in establishing sound and functioning territorial governance throughout the macroregion. The EU "enlargement perspective briefly mentions the need for balance between central, regional, and local governments, but it does not elaborate on how this balance is to be achieved and supported". Therefore, "[l]ocal, regional, and national governments should invest in and be supported to develop capacities for envisioning and implementing a functional territorial, economic, and social continuity between the EU and the Western Balkans" (TG-WeB, 2018).

Box 1.3. About the Berlin Process

Launched in 2014 following the Juncker Declaration on enlargement and against the backdrop of the key geopolitical challenges at the EU's doorstep, the Berlin process is an initiative aimed at maintaining the momentum of European integration in the Western Balkans. Initially limited in time (2014-2018) and in scope, it has spread and become a multifaceted process with no foreseeable closure.

It involves a several Member States (Germany, Austria, France, Italy, Croatia, Slovenia and more recently the UK), the six Western Balkan states aspiring to join the EU (i.e. the so-called WB6 group consisting of Albania, Bosnia-Herzegovina, Macedonia, Montenegro, Kosovo, and Serbia), as well as the European Union (mainly through DG NEAR and the Member State holding the Presidency of the Council).

The goal of the Berlin Process is to advance the EU's agenda in three dimensions: economic growth and connectivity, good neighbourly relations and regional cooperation, and civil society development and people-to-people connectivity. Rather than ambitioning to replace the EU's ill-functioning approach towards Western Balkans would-be Member States, the Berlin Process seeks to supplement it and revitalize its dynamic. It was developed outside the enlargement framework in an ad hoc, more flexible mini-lateral format, but was nonetheless closely linked to the EU's overall enlargement strategy, in terms of both substance and objectives, and was recognized very quickly as contributing to its advancement. The Berlin Process introduces a novel practice in the EU's enlargement toolbox. Annual Berlin Process Summits (held in Berlin in 2014, in Vienna in 2015, in Paris in 2016, in Trieste in 2017, and in the UK in 2018) at the highest level, complemented by a long series of meetings at lower levels and a number of regional side-events seem to have warded off the oblivion to which enlargement policy was otherwise consigned. In that sense, the Berlin Process was instrumental in keeping on the radar key issues marring progress made by Western Balkan states on their way towards the European Union: their infrastructure gap and economic vulnerability; the lack of perspective perceived by the WB6 youth; their democratic backsliding into stabilitocratic regimes; the persistence of ethno-nationalism under the surface of reconciliation; the destabilizing potential of bilateral disputes; and the growing engagement of Russia, China and Turkey throughout the region.

Source: Marciacq (2017).

- The A-I Region is directly impacted by the "Belt and Road" initiative promoted by China. It

> is an ambitious effort to improve regional cooperation and connectivity on a trans-continental scale. The initiative aims to strengthen infrastructure, trade, and investment links between China and some 65 other countries that account collectively for over 30 percent of global GDP, 62 percent of the population, and 75 percent of known energy reserves. The BRI consists primarily of the Silk Road Economic Belt, linking China to Central and South Asia and onward to Europe, and the New Maritime Silk Road, linking China to the nations of South East Asia, the Gulf Countries, North Africa, and on to Europe. (World Bank, 2018)

The Adriatic Sea is one of the main axes of the BRI for entering Europe from the Mediterranean. The BRI infrastructure is already under construction () and the

expected impact of the initiative on the macroregional society and economy is potentially huge.

The size and the scope of the BRI imply that together with new opportunities for the A-I Macroregion it is likely to bring risks that should be duly weighted. For instance, disrupting consolidated trading patterns within the EU without a prior accurate impact analysis; a weak integration of the local networks with the newly built region-wide infrastructure posing a threat to the local development potential such infrastructure could trigger; a limited negotiation capacity of local governments across the A-I region compared to the economic strength, planning and investment capacity of China; low willingness and ability to coordinate strategic actions among the WB6 countries and some inconsistencies in the decision making processes among the EU governments.

- Migrants and refugee in-flow across the macroregion:

  it is essential to further step up strategic and operational cooperation with the Western Balkans on migration and border management. This includes ensuring access to international protection, sharing of relevant information (such as risk analyses), enhancing border control, ensuring the effective implementation of readmission and return policies and the fight against irregular migration and migrant smuggling. Strengthening international and regional cooperation (including with EU agencies and the respective liaison officers in the region), and further consolidating border and migration management capacities is also necessary. (European Commission, 2018a)

Notes

[1] The Italian regions included in the A-I Region are: Lombardia, Trentino-Alto Adige/Südtirol, Veneto, Friuli Venezia Giulia, Emilia-Romagna, Marche, Umbria, Abruzzo, Molise, Puglia, Basilicata, Calabria, Sicilia.

[2] The study was carried out in 2017 by a research consortium led by the COWI Consulting Group from Denmark.

[3] The logistics performance (LPI) is the weighted average of the country scores on the six key dimensions: Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs; Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology); Ease of arranging competitively priced shipments; Competence and quality of logistics services (e.g., transport operators, customs brokers); Ability to track and trace consignments; Timeliness of shipments in reaching destination within the scheduled or expected delivery time (World Bank, 2015).

[4] The data is for the length of the TEN-T Road Core Network completed at the end of 2016, compared to the total, including planned sections and sections to be upgraded (European Commission, 2019a).

[5] For further details on this issue see FAO-AdriaMed (2019).

[6] The Adriatic Ionian Network of Universities, Regions, Chambers of Commerce and Cities (AI-NURECC Initiative) is an initiative involving the key stakeholders of the Adriatic Ionian Regions and coordinated by CPRM (2018).

[7] The figure refers to the total number of Interreg projects' lead partners belonging to one of the A-I Macroregion's partner countries, as drawn from the KEEP database (www.keep.eu), which covers the 2000-2006, 2007-2013 and 2014-2020 periods. Therefore, the resulting number is an underestimated proxy of the real figure.

[8] Albania, Bosnia and Herzegovina, North Macedonia, Kosovo (*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence*), Montenegro and Serbia.

[9] "ACCEPT the request put forward by the Government of the former Yugoslav Republic of Macedonia to become the ninth Participating Country of the Adriatic and Ionian Initiative and INVITE the Council of the European Union and the European Commission to undertake all necessary steps to include the former Yugoslav Republic of Macedonia in the EU Strategy for the Adriatic and Ionian Region." Excerpt from the EUSAIR Catania Declaration (EUSAIR, 2018a).

2. Main findings from the implementation of the ADRION Cooperation Programme 2014-2020

2.1. Short synthesis of the ADRION Programme

In the context of the European Cohesion Policy, the main funding mechanism in place for the 2014-2020 period is through the ESI Funds. The ETC is one of the two goals of this Policy. ETC provides a framework for the implementation of joint actions and policy exchanges among national, regional and local actors from different partner states. The overarching objective of ETC is to promote a harmonious economic, social and territorial development of the European Union as a whole.

The ADRION is a part of the ETC; it covers eight countries, four of which (Croatia, Greece, Italy and Slovenia) are members of the European Union, while the other four (Albania, Bosnia and Herzegovina, Montenegro and Serbia) are non-EU countries eligible for EC IPAII funding (Instrument for Pre-Accession Assistance) as a part of the *acquis communitaire* process[1]. Like other ETC programmes, the ADRION grants subsidies to beneficiaries through periodic calls for project proposals. According to its basic guiding concept, the Programme should act as a policy driver and governance innovator, fostering European integration and enhancing growth and economic performance of all the partner states.

The Programme addresses four Priority Axes (PA):

- Innovative and Smart Region;

- Sustainable Region;

- Connected Region;

- Supporting the Governance of EUSAIR.

The ADRION draws on previous and ongoing efforts to connect European regions and to establish the basis for sustainable and harmonious growth in the area.

As a result of these efforts, the territorial context of the Programme has been subject to macroregional strategic frameworks, which serve as a reference. Over time, these frameworks have evolved. Currently the most relevant are:

- The European Strategy for the Adriatic and Ionian Region (EUSAIR, see further details in Chapter 3). EUSAIR is the EU macroregional strategy for the Adriatic-Ionian region and lays out an overarching vision for the harmonious development of the region, as well as a strategic framework within which all programmes should operate.

- The South East Europe Strategy (SEE 2020), developed by the Regional Cooperation Council under the auspices of the EU. SEE 2020 targets the Western Balkans to achieve a higher degree of convergence with the EU 2020 goals.

As the territories of the EUSAIR and ADRION coincide entirely, ***the two are expected to operate in synergy***. As a result, the fourth priority axis of the Programme is dedicated to supporting the governance of the EUSAIR and to facilitating the smooth alignment of the two.

The overall Programme budget amounts to EUR 117 918 198, of which EUR 99 156 616 are EU public resources (ESI + IPA Funds). The remaining part consists of national resources. Funds are allocated as follows:

- EUR 83 467 729 European Regional Development Fund (ERDF).

- EUR 15 688 887 Instrument for Pre-Accession Assistance (IPA II).

- EUR 18 761 582 national contributions.

The graph below shows the European financial support for the Programme with respect to each pillar.

Table 2.1. ADRION EU funding (Overall budget)

	ADRION Budget (EU funding)		
Priority axes	ERDF	IPA	Total
Priority Axis 1	16 693 547	2 998 111	19 691 658
Priority Axis 2	38 395 155	7 077 221	45 472 376
Priority Axis 3	15 024 191	2 684 333	17 708 524
Priority Axis 4	8 346 773	1 429 222	9 775 995
Priority Axis 5	5 008 063	1 500 000	6 508 063
TOTAL	83 467 729	15 688 887	
Total EU funds			99 156 616

Source: ADRION official documents (Programme Manual).

The body responsible for the overall management of the ADRION implementation is the Regional Government of Emilia Romagna (North-East Italy), appointed as Managing Authority of the Programme (MA) and in charge of all the duties needed for the effective and efficient implementation of the Programme.

2.2. Highlights on the current stage of implementation

In implementing the Programme, at the date of this report drafting, two calls for project proposals have been launched:

- The first call was open from 01.02 to 25.03.2016 to proposals under the first three priorities of the Programme. 378 project proposals were received.

  After the selection process, 35 were approved for funding in May 2017:

  o 14 projects - Priority axis 1;

  o 11 projects - Priority axis 2;

  o 10 projects - Priority axis 3.

  The implementation of the approved projects started in the first semester of 2018 after signing a subsidy contract between the ADRION Managing Authority (MA) and the projects' Lead Partners (LP).

The first call has been thoroughly analysed in an Analysis Report and edited at the end of the previous phase of the OECD ADRION project. (OECD, 2017).

- The second call for proposals was open to projects that addressed two specific objectives of the Programme Priority Axis 2 (Sustainable Region):

  o Specific Objective 2.1: Promote the sustainable valorisation and preservation of natural and cultural assets as growth assets in the Adriatic-Ionian area;

  o Specific Objective 2.2: Enhance the capacity in transnationally tackling environmental vulnerability, fragmentation and the safeguarding of ecosystem services in the Adriatic-Ionian area.

The decision to launch the 2nd Call for Proposals focusing on the Axis 2 has been taken after the underperformance of this axis in the 1st Call for Proposals.

Figure 2.1. ADRION First Call

Source: ADRION (2016), http://www.adrioninterreg.eu/index.php/call-for-proposals/first-call-for-proposals.
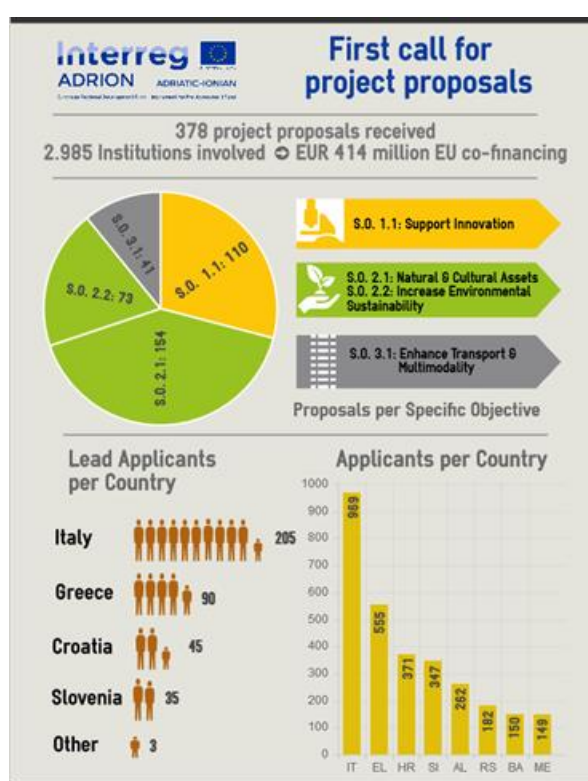
The Call was open from 26.03 to 26.06.2018. In total, 186 applications were received; 67% (125) of which under the S.O. 2.1 and 33% (61) under the S.O. 2.2.

The selection process is currently in progress. The budget for the call is 34.3 MEUR (29.2 ERDF and 5.1 IPA II fund). The process envisages two stages: the eligibility checks and the full quality assessment. At the time of the closure of this report, the project proposals are undergoing quality assessment.

- The preparatory activities for the third call for proposals for Programme Priority Axis 1 and 3 are on-going at the date of closure of the this report (last update

April 2019). According to the decision taken by the ADRION Monitoring Committee, the call is planned to be launched in May 2019.

The four topics of the call have been designed to ensure an improved level of coordination and consistency with the Pillars of the EUSAIR. Some additional activities were included reflecting the CP's different priorities. As an example, social innovation is included as a topic, which is presently out of the scope of the four-pillar strategy.

2.3. Main elements of the Programme vis-a-vis the EUSAIR

Even though the ADRION shows through its implementation a substantial alignment with the EUSAIR, such alignment was a matter of discussion between the ADRION Monitoring Committee and the EUSAIR Governing Board and a subject of analysis under the previous stage of the OECD project on ADRION (OECD, 2017). A better guidance for both applicants and project assessors was offered therein. The OECD experts recommended to base an improved co-ordination between the ADRION and the EUSAIR on the full recognition of respective ownership in the management of each.

A substantial improvement in that respect, reflecting the recommendations proposed by the OECD, has been pursued and achieved under the second call and the preparation of the third one by the ADRION MA. The topics selected for the third call were defined in strict coordination with the EUSAIR pillars.

In general terms, the improved co-ordination and alignment between the ADRION and the EUSAIR is an enabling condition for the enhancement of the mutual capability to commonly pursue sustainable economic development and social prosperity in the Adriatic-Ionian region, in line with the current and future challenges.

Looking ahead to the next post-2020 programming that will initiate in 2019, a critical concern of the 2014-2020 programming would not be present. The current ADRION was not based on the strategic framework of the EUSAIR, since the Strategy was formulated and approved at a later stage. Therefore the alignment between the two was pursued "ex-post", with the Programme already structured.

With the Strategy set out, the current crucial issue in approaching the next ADRION elaboration process is twofold[2]:

- What is the preferable strategic function the new Programme shall perform vis-à-vis the EUSAIR, considering the broad scope of the Strategy and the limited resources and the specific transnational cooperation role of the Programme?

- How to establish an early and efficient co-ordination between the EUSAIR and the new ADRION drafting team in order to ensure that the Programme maximises its overall utility, keeps a clear and well-defined role and does not become just the primary source of funding for the Strategy that struggles and often fails in attracting other substantial resources for its implementation?

As the EUSAIR experiences difficulties with funding, ADRION is often perceived as the easiest mechanism of securing finding. However, there is some indication that this can change.

- There is an increasing awareness on the side of the EUSAIR (at least among some countries) that the dependence on the ADRION should be reduced. The ADRION

funds projects within selected themes, while the level of funding is insufficient to cover many EUSAIR projects at the optimum level.

- The coordination between the CP and the Strategy improved substantially between the first and the last (currently in works) ADRION calls for proposals. This resulted in a smooth and consistent identification of topics for the calls. The recent monitoring committee sessions confirmed the pursuit of a more effective mutual legitimacy and functionality between the ADRION and the EUSAIR in the CP implementation experience. Thus, such approach can be chosen for the future ADRION beyond 2020.

2.4. Main recommendations from the ADRION Analytical Report

Some of the concluding notes and recommendations of the Analytical Report are relevant for a definition of a convincing future role for the ADRION beyond 2020.

Improved co-ordination and alignment between the ADRION and the EUSAIR to enhance mutual capability to act together in the areas of mutual interest, such as sustainable economic development and social prosperity in the Adriatic-Ionian region. This is particularly important in the light of the recently emerging challenges. The most relevant existing documents addressing the issues of co-ordination and alignment are the EUSAIR Dubrovnik, Ioannina and Catania official declarations. (EUSAIR, 2016, 2017, 2018a)

Consider social innovation in the region. Many socio-economic changes (including migration and refugee flows across the A-I Macroregion), including those falling within the scope of the Interreg projects and the ADRION, call for a bottom-up social innovation support. This implies highlighting the social component of changes versus the technological and business innovation elements that are generally more visible.

Project quality. This is one of the most important aims of the programmes and the macroregional strategies. Good projects and good results eventually lead to good programmes, which have a greater impact on the regional development. Macroregional strategies and Interreg programmes can jointly develop solid criteria to ensure high quality of the projects. Improved identification and selection mechanisms can be considered for implementation as new Programme is developed.

Project partnership. Setting up a sound partnership for a project is not just a matter of size, but is most often an accurate mix where the typology of the key partners is consistent with the structure and contents of the project. Better matching between the project tasks and the role, the capacity and the experience of the partners in charge should, therefore, be pursued. Moreover, in the specific case of an ETC programme such as the ADRION, it is not only the excellence of the partnership that counts but also its representativeness and its capacity to multiply the effects. The partners must demonstrate that they can tackle a relevant transnational issue and ensure that the generated benefits are disseminated across the macroregion and capitalised upon.

Solid and enabling transnational networking. The requirements of suitable "transnational cooperation networks" should be clearly addressed since a very high number of transnational cooperation networks were proposed by the projects submitted to ADRION. The Programme should possibly favour enhancement and integration of (existing) networks rather than establishing the new ones. Besides, in order to reduce potential fragmentation of networking measures towards a more strategic approach, a

prior identification or mapping of planned networks might be useful as well as verifying whether it is possible to aggregate or at least better co-ordinate them.

Notes

[1] We refer to the countries that are undertaking the process of joining the EU. Before entering into the EU as full members, the interested countries acquire the status of "Potential Candidate" and "Candidate Country" and through a negotiation process, they adopt a body of common rights and obligations that is binding to all EU member states. The non-EU ADRION partner countries are currently in this status.

[2] The issues where thoroughly discussed during the two focus groups the OECD organised in Bologna, see annexes.

3. An evolutionary outline of the European Territorial Cooperation framework beyond 2020

On 2 May 2018, the European Commission published its proposals for the Multiannual Financial Framework (MFF) 2021-27 with the title "A Modern Budget for a Union that Protects, Empowers and Defends". A draft Council Regulation composes the set of proposals on future expenditure, a "spending review" to support and provide justification to the Commission's choices, a draft Interinstitutional Agreement, and a series of proposals for reforming the system of Own Resources. The budget was presented as aspiring but specific (given the circumstances associated with Brexit) and future-oriented in responding to and addressing the pressures of fast developments in innovation, the economy, the environment and geopolitical context, while still retaining a commitment to solidarity.

On 29 May 2018, the EC adopted several regulation proposals aimed at reshaping the cohesion policy after 2020. One of these concerned the next generation of ETC (Interreg) programmes.

As a background, the current regulatory framework governing ETC consists of three regulations:

- The Common Provisions Regulation, or CPR, laying down common rules for the implementation of the five European structural and investment (ESI) funds, including the ERDF, the source fund for ETC activities.

- The ERDF regulation, determining the specific objectives and the scope of ERDF support.

- The ETC regulation, offering specific provisions for Interreg programmes.

Additionally, there are several delegated acts, implementing acts, guidance notes and communications that complement the provisions defined in the documents described above.

The proposed new ETC regulation introduces significant novelties into the Interreg cooperation compared to the current programming period.

The three traditional cooperation strands (cross-border cooperation - involving border regions or regions adjacent to them; transnational cooperation - covering specific larger areas, such as the ADRION; and interregional cooperation - working at pan-European level) are to be reshaped. The cross-border cooperation component ("component 1" in the Commission's proposal) would concentrate on land borders, while cross-border cooperation on maritime borders would be integrated into the enlarged transnational cooperation and maritime cooperation component ("component 2"). The interregional cooperation component ("component 4") would be limited to two programmes (there are presently four), one – named Interact – to enable all kinds of experience, innovative approaches and capacity building in relation to the implementation of programmes and to

promote European groupings of territorial cooperation (EGTCs), and one – ESPON – to improve the analysis of the development trends.

The proposed regulation on ETC also provides for the creation of two new cooperation components, one dedicated to outermost region cooperation, among themselves and with their neighbouring countries and territories ("component 3"), and one on "innovative interregional investments", a new tool managed directly by the European Commission, aimed at helping actors involved in smart specialisation strategies to cluster together ("component 5").

Additionally, at the time of writing, the EC is developing position papers for the various Interreg programmes. For the CBC strand, they will be linked to the "country papers" being prepared and expected to be issued later in 2019. For the transnational programmes, the EC is preparing input papers for each programme area (including the ADRION) that should be issued in the first quarter of 2019. These input papers will be used for informing the dialogue with the Member States on the programme areas that will be then kicked-off in the second quarter of 2019.

3.1. Thematic concentration

Currently, Interreg cooperation is based on 11 thematic objectives (defining priority sectors and areas of intervention) laid out in the ERDF Regulation, which are closely aligned with the goals of the Europe 2020 strategy for smart, sustainable and inclusive growth. To maximise the impact, at least 80% of the funds for each cooperation programme should concentrate on up to four thematic objectives among the 11 existing ones. This process labelled "thematic concentration".

The regulations allow an ERDF co-financing (i.e. intervention) rate of up to 85%.

The Commission proposals set Interreg as contributor to five new objectives (labelled as "policy" objectives instead of "thematic"). These are a **Smarter Europe**, through innovation, digitisation, economic transformation and support to small and medium-sized businesses, a **Greener, carbon free Europe**, implementing the Paris Agreement and investing in energy transition, renewables and the fight against climate change, a more **Connected Europe**, with strategic transport and digital networks, a **more Social Europe**, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare and a **Europe closer to citizens**, by supporting locally-led development strategies and sustainable urban development across the EU.

Besides contributing to these five policies, ETC programmes would serve two Interreg-specific objectives, one to support strengthening the institutional capacity and enhancing legal and administrative cooperation ("A better Interreg governance") and the other to address specific external cooperation issues such as safety, security, border crossing management and migration ("A safer and more secure Europe").

On thematic concentration, the proposed regulation 2021 – 2027 provides that at least 60% of the funds for each Interreg programme running under the cross-border, transnational/maritime and outermost region cooperation components should be allocated on up to three of the five ERDF policy objectives, and additional 15% of the budget should focus on one of the two Interreg-specific objectives. Programmes operating under the transnational and maritime cooperation strand that support a macroregional strategy or sea-basin strategy should concentrate between 70 % (maritime component) and 100 %

(transnational component) of their resources on the objectives of that strategy. Those about the interregional cooperation component should allocate 100 % of their financial envelope on the Interreg-specific objective of "a better Interreg governance".

The proposal for the 2021-2027 period also envisions a reduction in co-financing rate to 70% maximum.

3.2. Novelties

Territorial cooperation between the Member States and economic, financial and technical cooperation with the non EU-countries are covered by different parts of the Treaty on the Functioning of the European Union. As a consequence, while cooperation between the Member States is part of the EU Regional Policy (under the responsibility of DG REGIO), cooperation between the Member States and non EU member states is part of the European Neighbourhood Policy And Enlargement Negotiations (scope of action of DG NEAR). The management of the Interreg programme has been a challenge because of only partial integration of rules and approaches of distinct policies and financial instruments. The insufficient integration often created confusion among beneficiaries on the correct rule to apply and consequent risk of financial errors for the Managing Authorities. To overcome this, the Commission proposal is to transfer a part of future external funding instruments (IPA III, NDICI, OCTP) to Interreg programmes. These would then be implemented mostly under ETC/Interreg rules. By integrating cooperation with countries other than the EU Member States, the ETC regulation would thus provide a comprehensive framework for cooperation at internal and external borders.

Additionally, the European Commission proposes certain simplification measures for the cohesion policy, mostly framed by the CPR, that have a significant impact on Interreg and the ADRION as well. The MA designation process, that for the current period has required significant efforts - especially for the newly set up MAs that had to prepare in advance all the documents required for the different phases of the programme cycle - will not be repeated, so that existing arrangements can be rolled over with simpler rules for designating new bodies. A risk-based sampling method for administrative verifications will replace a practice of verifying 100% of payment claims. Additionally, there will be fewer layers of control that involve Certifying Authorities (CA). They will be replaced by an accounting function, which will not duplicate controls. Concerning Audit, the introduction of a common audit sample for ETC programmes should reduce the number of audits covering territorial cooperation programmes. The latter were considered a major burden in the current programming period. A removal of expenditure limits for spending outside the programme area with the aim of a better involvement of project stakeholders located in the non-EU countries and a simplified review for ETC programmes are other major aspects of simplification.

The proposed regulation on ETC introduces provisions for small project funds, which have been implemented throughout the Interreg history but have never been covered by specific rules. The text proposes to identify an EGTC (or a cross-border legal body) as a beneficiary selecting many operations and to make use of simplified cost options and of lump sums obligatory below a certain threshold, in order to simplify the management of small project financing. Whilst the current regulatory framework envisages regular reporting to the Commission (through annual implementation reports, management declaration, annual summaries, etc.), the EC proposal adds for the first time a common set of result indicators for Interreg programmes, which would allow real-time reporting on the Open Data Platform and comparisons across programmes and Member States.

Box 3.1. Positions of decision makers and stakeholders

The **European Parliament** has called repeatedly for reinforced territorial cooperation in view of the programming period 2021 – 2027. It started with a Resolution dated September 2016 in which the Parliament highlighted the potential of Interreg to go beyond regional policy, calling on the Commission and the Member States to consider preserving ETC as an important instrument, allocating it a more distinct role within cohesion policy post-2020 and significantly increasing its budget. The Parliament finally published their opinion in December 2018 pointing out the complementary nature of ETC and MRS in addressing common challenges in larger functional areas, as well as the positive role that MRS can play in helping to address common challenges faced by macroregions. Parliament stressed, however, the need for better coordination, synergy and complementarity between cross-border and transnational strands in improving cooperation and integration over wider strategic territories. It insisted once again on the need to endow ETC with a more substantial budget; to simplify the programmes and to give them the flexibility to better address local and regional challenges. Maritime cross-border cooperation should be moved back to Component 1 (cross-border cooperation) while Component 5 (Interregional innovative investments) should be moved to the ERDF regulation.

The **Council** acknowledged the European added value of European territorial cooperation (a point already highlighted in its conclusions from November 2016 on results and new elements of cohesion policy and the European structural and investment funds) in its conclusions of March 2018 on streamlining the delivery system and implementation of cohesion policy and the European structural and investment funds post-2020. It underlined that cross-border, transnational and interregional territorial cooperation, including across maritime borders and with third countries, should remain a part of cohesion policy post-2020, while stressing the need to facilitate the implementation of ETC programmes in order to increase their effects. On innovation, the Council welcomed the Commission 2017 communication on smart specialisation, including the pilot actions to test new approaches for interregional innovation projects.

The proposals of the Commission are currently being examined simultaneously by the Council and the European Parliament. At the Council, the Bulgarian Presidency organised presentations and first exchanges of views during the month of June 2018. From July onwards, the Austrian Presidency has led an in-depth examination of the legal proposals trying to prioritise the discussion on those parts of the regulatory framework necessary to kick off the programming exercise. In its document "Legislative Package for Cohesion Policy Post-2020 - Policy debate" the Presidency of the Council suggests to adjust the 'architecture' proposed in the Interreg Regulation in a way that it stays as close as possible to the one of the 2014 – 2020 period.

Strand	Current	EU Commission	EU Parliament
(A) CBC	EUR 6 626 000 000 74.0%	EUR 4 440 000 000 52.7%	EUR 7 500 000 000 67.2%
(B) TNC	EUR 1 821 000 000 20.4%	EUR 2 649 900 000 (with maritime coop.) 31.4%	EUR 1 973 600 880 17.7%
(C) Interregional	n/a	EUR 270 100 000 3.2%	EUR 357 309 120 3.2%

(D) Outermost regions	EUR 500 000 000 (4 programmes) 5.6%	EUR 100 000 000 (2 programmes) 1.2%	EUR 365 000 000 (4 programmes) 3.3%
(-) Interregional innovative Investments	n/a	EUR 970 000 000 11.5%	EUR 970 000 000 8.7%
TOTAL	€8 947 000 000	€8 430 000 000	€11 165 910 000

Source: Interact (2017).

3.3. Main findings on the evolutionary outline of the European Territorial Cooperation framework beyond 2020

The Commission's proposals for the MFF has envisaged less change than it might have been expected in 2017 and earlier. The announced modernisation does not involve "radical redesign" – an option set out in the 2017 White Paper on the Future of Europe – and therefore is perceived more as an evolution rather than a revolution.

The future mission for the Cohesion Policy beyond 2020 appears to be not as visionary and ambitious as the challenges in place would require. Past reforms of the policy were generally framed within a set of strategic objectives – facilitating enlargement or delivering EU policy objectives (Lisbon Strategy, Europe 2020) – that are absent from the Commission's proposals for 2021-27. The five repackaged policy objectives lack an overarching EU strategic framework, potentially weakening the political commitment to and visibility of EU Cohesion Policy in delivering EU goals at both EU and national levels. At one time, it appeared that the UN Sustainable Development Goals (European Commission, 2016b, Council of the European Union, 2017) might provide a framework for the MFF or Cohesion Policy specifically, but this was rejected by the Commission. The set out objectives are functional and administrative (e.g. modernisation, flexibility, simplification) rather than strategic. This likely reflects the way current proposals have emerged – with stronger control from the centre of the Commission and a much more constrained role for the Commissioner for Regional Policy and DG Regio. The reshaping of the objectives appears more formal than substantial and the scope of activities that could be potentially co-financed is remaining largely the same as in the previous period. Noteworthy, the territorial dimension has received greater visibility through a new dedicated Policy Objective: "a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives" (PO5). While this increased visibility of the territorial dimension is likely to be welcomed by Member States and stakeholders, it could be argued that the territorial dimension should be a horizontal and cross-cutting objective.

Although the added value of European territorial cooperation and its essential contribution to EU integration has never been neglected, funding is an issue where the different parties and stakeholders show significant differences in their respective positions. They all find that the resources available to Interreg do not match the scale of the challenges it has to address.

Further problems identified in an Interact note (Interact, 2017) include complex and resource-intensive coordination and administration of multi-country programmes and projects; insufficient political backing; weak complementarity with other structural and investment fund programmes; and insufficient use of Interreg project results. The same paper highlights that excessive bureaucracy is also a major hurdle. Practitioners

pinpointed several priority areas for the simplification of ETC, including the exemption from application of State aid rules given the limited financial dimension of an average Interreg project; the quantity, structure and applicability of regulations and guidelines; management verifications and audits; and also administrative requirements, both at a programme and a project level. At a project level, simplification was also deemed a priority in the award and application procedure, financial implementation phase, reporting and follow-up.

A slow launch of programmes during the 2014 – 2020 period had a negative impact on implementation brining in critical political implications for debates on the performance of the EU Cohesion policy in the context of the EU spending review. In order to speed up absorption, the Commission has proposed to return to the N+2 rule, meaning that committed funding can be lost to the programme if it is not spent within two years as opposed to the three-year rule used in 2014 – 2020. Some Member States have already expressed their critical position on N+2, arguing that it will lead to a recurrence of problems when preparing and managing large, high-value projects and will motivate a less strategic approach to project selection focusing more on financial absorptions rather than the achievement of objectives while potentially having no positive effect on budget discipline. Other Member States[1] believe that implementation could speed up if N+2 is reintroduced and accompanied by a genuinely simplified designation and programming process. Indeed, a commonly held view is that the reason for slow absorption is not only slow designation but also risk aversion due to concerns about net financial correction risks during annual closure processes.

Box 3.2. The ESIF decommitment rule: explaining N+2

Art. 136 (1) "The Commission shall decommit any part of the amount in an operational programme that has not been used for payment of the initial and annual pre-financing and interim payments by 31 December of the third financial year following the year of budget commitment under the operational programme or for which a payment application drawn up in accordance with Article 131 has not been submitted in accordance with Article 135."

The decommitment mechanism is a tool to activate programmes' spending, to avoid situation when the EU funds are "blocked" at the programmes' accounts and are not being used for a long time, and to encourage long-term programmes' spending planning. In the programming period 2014-2020, it is based on the so-called N+3 rule: the annual allocation to the programme must be spent within 3 years following the year of its commitment. A challenge with a decommitment mechanism lies in a programmes' obligation to achieve certain financial targets by the defined deadlines (submitting sufficient payment applications for reimbursement to the European Commission). If it is not the case, a certain amount of the EU funds allocated to the programme is lost, and is no longer available to the programme. In turn, it impacts programmes' financial planning, cash flows and forecasts.

Source: Interact (2017).

A reduction in pre-financing levels is also proposed to speed up absorption, which would in the future constitute 0.5% of programme resources to be paid each year except for 2027, the final year of the new funding period. The Technical Assistance (TA) resources will be reimbursed by the Commission to the programme on a proportional rate based on the level of expenditure of the projects and not on real costs. This substantially increases

the risk that less pre-financing will lead to liquidity challenges in less-developed countries with fiscal constraints.

Lastly, EU co-financing rates would be reduced. The Commission argues that high EU co-financing rates are no longer necessary and lower rates promote "ownership" and increase the overall cohesion policy budget. This is particularly challenging for the Member States that currently grant the national co-financing to their beneficiaries of the Interreg approved projects automatically. Lower EU-co-financing would mean an increase in costs for a State budget or the necessity to revise the paradigm and consider alternative forms of co-financing.

Note

[1] Joint statement by the German government and the German Länder on EU Cohesion Policy beyond 2020 (June 2017).

4. The Adriatic and Ionian Region and EUSAIR: The state of play

A macroregional strategy can be defined as a framework of action, endorsed by the European Council, which is aimed at mobilising regional actors and institutions around common challenges faced by a specific macroregion, such as the need for integrated infrastructure or combatting the deterioration of common natural assets. The rationale behind the macroregional strategy is embedded in the European Cohesion Policy and is grounded in a belief that cooperation and integration should work simultaneously at different levels. For the project of European integration it is paramount that not only states to co-operate with each other but also regions work closely with each other in order to accomplish results aligned with the needs and specificities of distinct geographical areas (macroregions). This highlights the importance of co-ordination between the principle of subsidiarity and overarching strategic visions in European governance.

Good governance is crucial for macroregional strategies to be effective. Such governance has to operate on different levels, involving cooperation between cities, regions, civil society, universities and businesses. In order to deliver the best results, strategies have to be result-oriented. Setting clear targets, indicators and parameters is essential for the evaluation and the effective monitoring of all the operations, and the likelihood that the outcome is aligned with the initial targets.

Actors and institutions should work in synergy on the following three levels of governance:

- **Political leadership and ownership**: Who gives strategic direction? Who takes the major decisions? How to ensure identification with, and communication and accountability of the strategies?

- **Co-ordination**: Who is responsible for overall administrative co-ordination at participating country (or region) level?

- **Implementation**: Who should lead day-to-day implementation, who needs to be associated and how should it be supported? How can full involvement of the non-EU countries participating in the strategies be ensured?

The European institutions, the Council and the Commission in particular, identified, adopted and currently support 4 MRS: the Baltic (from 2009), the Danube (2010), the Adriatic-Ionian (2014) and the Alpine (2015).

The EUSAIR, which was approved after the Baltic and the Danube MRSs, benefits from the experience gained from the work carried out on its two predecessors. The EUSAIR was envisioned by the European Council which, during its session of 13-14 December 2012, urged the European Commission to present a new strategic plan for the Adriatic and Ionian region before the end of 2014. On 17 June 2014, the Communication on the EU Strategy for the Adriatic-Ionian Region (EUSAIR) was presented, together with an Action Plan. Subsequently, on 29 September 2014, EUSAIR was adopted by the Council of the European Union and the strategy moved to its implementation phase, being defined

by two key documents: the communication from the European Commission to the other EU Institutions (European Commission, 2014a) and the Action Plan (European Commission, 2014b).

The Adriatic-Ionian Region comprises the same eight countries of the ADRION along the sea basin. The EUSAIR's aim is to provide local, regional, national and European stakeholders with a framework of reference for the implementation of a wide range of operations which could unlock this potential and boost the economy of the region.

The communication from the European Commission identifies both challenges and opportunities concerning the strategy. The after effects of wars and conflicts that impacted the region in the past decades are still present to this day in some countries, and some parts of the region are characterised by a very different background compared to others.

The Strategy has been built around four pillars, which are the key opportunities for the growth of the region:

- Blue Growth;

- Connecting the Region (transport and energy);

- Environmental Quality;

- Sustainable Tourism.

Furthermore, two cross-cutting aspects were also identified:

- "Capacity-Building and Communication": capacity-building, including communication, for efficient implementation and for raising public awareness and support.

- "Research, innovation and SMEs development": research and innovation to boost high-skilled employment, growth and competitiveness. Cooperation within transnational networks can bring ideas to markets, and help develop new products and services.

Finally, climate change mitigation and adaptation as well as disaster risk management are horizontal principles across all four pillars.

Figure 4.1. EUSAIR Pillars and Priorities

Source: EUSAIR (2018b), https://www.adriatic-ionian.eu/media-centre/media-toolkits.

The two main bodies of EUSAIR are the Governing Board and the Thematic Steering Groups.

The Governing Board (GB[1]) provides co-ordination to the Thematic Steering Groups (TSG) and manages the implementation of the overall strategy. Four Thematic Steering Groups, one for each pillar, are co-ordinated by two relevant representatives, one from EU member and one from non-member country.

According to the general principles stated by the European Commission for all MRSs, the Strategy, instead of counting on additional dedicated funds from the European budget, should act as a vehicle to improve the coordinated use of existing funds – either EU or from other sources – in order to pursue the common macroregional objectives as they are agreed between the partner countries and defined in the EUSAIR pillars.

4.1. Main findings looking at EUSAIR for envisioning the role of ADRION

The current state of progress in the implementation of the EUSAIR varies. It depends on a combination of multiple concurrent factors. Some of them are highlighted as they can be seen as particularly relevant from the ADRION angle:

- The Pillars and the objective complexity underlying the relevant key issues is causing a different pace of the Strategy advancement.

- A substantial heterogeneity in the willingness to approach the strategic matters of the Pillars under a macroregional focus, whereas the partner countries might perceive a certain level of competition or are reluctant to share the strategic decisions on matters falling under their prime national responsibility.

- The strength of leadership and the degree of empowerment varies among TSG members. The variability affects their capacity to address the mainstream sectoral policies at domestic level and to foster their alignment to the EUSAIR where relevant.

- A still prevailing sectoral focus in the overall management and co-ordination of the Strategy; the TSG leaders in their course of work deal with colleagues from line ministries and institutions. This results in an insufficiently cross-cutting and integrated approach to the key EUSAIR themes.

- Although the EC has repeatedly called for a dialogue between the Strategy and the Managing Authorities of the relevant ESI funded programmes, there is still resistance and uncertainty around the mechanism that should steer this dialogue and involve TSGs in the implementation process of the programmes; as far as ADRION is concerned, however, its implementation has improved significantly.

- In general terms, the multilevel governance of the Strategy also raises a number of issues that have been the specific subject of the work undertaken by the other OECD project on EUSAIR, already described in the Introduction chapter (OECD, 1019b).

Regarding the last point above

> in analytical terms of political geography this is a case of *nested scales*, of interaction between different geopolitical scales, between the broader one of the Berlin Process and the more circumscribed EUSAIR, vis-à-vis the more general framework of the next EU enlargement. It is also a question of multi-level governance: at each scale corresponds to a level of government. The level of EUSAIR must be connected to that of the Berlin Process and then to that of the European Union. At the same time, there is a question of governance also within EUSAIR. Every macroregionalization process has highlighted the need to articulate good relations between the different actors involved to make the instrument work to ensure a significant impact concerning territorial cohesion. (CESPI, 2015[2])

The rest of the chapter offers a perspective from the EUSAIR to set the context for the future ADRION action. It is based on the elaboration during the discussions held at two workshops organised by the OECD in Bologna in October 2018.

The A-I Region is generally considered peripheral and lagging behind when compared to other "Central and Northern" European areas. This status is supported in the analysis of economic trends. However, an analysis of the other key geopolitical factors (e.g. migration, security, future accession of new MS, Chinese and Turkish investments, etc.) reveals the importance of this area for the future of the whole European Union. This calls the EUSAIR to play a major role in fostering the overall development of the Region, in dealing with the challenges and in untapping the potential of the A-I Region.

Before the introduction of the EUSAIR, the development processes in the Region have never been fully supported by assistance measures at an appropriate scale. A region-wide action under the framework of the EUSAIR as an umbrella strategy is now called upon to contribute promoting even disruptive innovation especially facilitating access to basic data infrastructures. If the aim were just to provide widespread and general subsidies throughout the A-I Region, it would make no sense to devote efforts to conceive a future ETC programme. Instead, a well-designed program could play a primary role as a

selective enabler of viable conditions for change capitalising on the existing opportunities.

There is the need to emphasise the concept of "value" when identifying products and processes, because the term value stresses the impact to the users (companies or people). In this sense, especially in relation to areas where new physical infrastructures are in place, there is the need for them to be taken as a value, to be made accessible to a large part of society (and this is a consideration that can be horizontally applied to any theme or sector). The ADRION in its enabling function could help determining that added "value" at A-I regional scale, if strategically integrated to the EUSAIR. Inspiring can be the concept of developing "flagship" projects as it is being developed under the EUSBSR, where such a value materialized when an initiative is recognized as a "flagship".

> Projects, processes or networks looking to obtain the flagship label need to have a high macroregional impact, contribute to the objectives and targets of EUSBSR, and be related to the implementation of one or more actions of a PA or a HA. Flagships should also have a clear macroregional dimension, i.e. include partners from more than one Member State in the region and clearly link to the objectives, indicators and targets of EUSBSR. They should be mature in their implementation, have a realistic timeframe, a clear financial and activity plan, an established partnership and be monitored and evaluated. (EUSBSR, 2018)

From a strategic perspective, the ADRION approach should be fully consistent with the EUSAIR goals (see EU new ESI Regulations proposals). From a budgetary perspective, it is widely recognised that ADRION's funds are too limited to be effective in addressing all the key challenges of the area. Therefore, a selective approach should be preferable for the Programme, whereas further funds would be necessary, especially at the respective national and regional scales for fully deploying the Strategy.

Notes

[1] The GB is co-chaired by the country currently chairing the Adriatic and Ionian Initiative – a former similar initiative that has been re-adapted for the new strategy – and by the European Commission (Directorate-General for Regional and Urban Policy, DG REGIO, DG MARE and DG NEAR; other Directorates-General (DGs) may participate as appropriate). Its other members are drawn from national administrations (National Co-ordinators, Pillar Co-ordinators) and representatives from European Union institutions (European Parliament, Committee of the Regions, European Economic and Social Committee), from the ADRION Programme Managing Authority and the EUSAIR Facility Point.

[2] Translation from Italian is of the Authors.

5. Prospecting a viable future development for the transnational cooperation in the Adriatic and Ionian Region

Following the previous sections of the Report, here we discuss a possible future development for the new transnational cooperation Programme. Since a future version of the ADRION can have quite different major features, we refer to this new Transnational Cooperation Programme as "**Adrion 2.0**".

5.1. Wide-area strategic development

This section describes the specific strategic role and function of Adrion 2.0 in the context of the EUSAIR strategic platform. While the EUSAIR defines a comprehensive stategic framework for the development of the A-I Region in the long term, the main challenge for the future Adrion 2.0 in fully deploying its potential is to visualise a specific and clearly defined mission and function in the broader development scenario of the A-I Region. The challenge is exacerbated by the limited amount of resources, which will be made available for the 2021-2027 programming period.

A fully fledged and shared common vision is still under construction for the EUSAIR. It implies further evolution and work, guided by the Strategy, on building and consolidating a 'community'. The sense of a common macroregion is still a challenge: it seems meaningful to think in terms of 'our region' rather than concerning the sum of national States and local instances. Today, more than ever, local issues have gone global and global issues have become local. In the A–I Region, it is important to increase transnational cooperation, which is a key element of globalized economies, keeping in mind that identification of actions with a clear cross-border added value is more challenging for the maritime programmes than for the 'land' ones.

The elaboration of an overall dynamic and long-term vision for the future of the A-I Region is an essential step to orient present and future decision-making and to mobilize joint actions at the transnational level throughout the cooperation area.

The context analysis and the experience of the present programming period suggest that the new strategic mission on which Adrion 2.0 could focus and play a triggering role is the "**AIR Smart Land**"[1] concept. It is proposed and formulated as an innovative approach that could steer building the new Adrion 2.0, as consistent part and conducive concept under the wider EUSAIR umbrella strategy.

The rationale behind the identification of this common strategic idea is to focus and work around the possibilities and conditions that might in the future stimulate development in the A-I Region and make it a "smart land," i.e., a land that is smart, efficient and attractive.

More precisely, as a part of the EUSAIR strategic frame, the idea of "smart" is inspired by and based on two main strategic assets: the presence of diffused knowledge and the availability of qualified competences. These two are the key elements because they

contribute to a better quality of life, responsiveness and sustainability of enterprises as well as quality of jobs. A territory is "smart" if it is able to use available assets appropriately and stimulate their full exploitation by translating them into economic, social, cultural and environmental priorities that can influence the present and future competition dynamics of the area.

The concept of land, referring to territories, also includes the maritime territory. The sea represents the key functional asset of the cooperation area and is linked to various policy fields, from environmental issues to climate change, from tourism to fisheries and logistics, from transport and mobility to new sectors such as offshore wind energy or marine-based pharmaceuticals and cosmetics.

The Smart Land approach, as applied to the Adriatic-Ionian trnsnational cooperation and fostered by the Adrion 2.0, would enable finding innovative solutions and services in response to the social, economic and environmental needs with the aim of bettering the quality of life through the exploitation of territorial assets and opportunities and the application of the appropriate technologies. The Smart Land idea also implies embracing an expanded territorial perspective. Connectivity to the outside is equally important as internal connections: adopting an outward-looking perspective allows for considering the opportunities located in other regions and stimulates the development of new smart alliances and forms of cooperation. Moreover, a Smart Land is made of smart, functional networks centred on the area and made of both urban cities and peripheral decentralised areas, through which new opportunities spread throughout the cooperation area. The AIR Smart Land concept thus is conceived for Adrion 2.0 as:

- A transversal concept that can be functional to the different pillars that make up the EUSAIR Strategy, where Adrion 2.0 can play its specific role.

- An inclusive idea, a mission for Adrion 2.0 to be able to cover the different needs of the plurality of territories that make up the cooperation area.

- A concept in line with the ongoing macroeconomic and social trends and changes that will frame the cooperation and competition dynamics of the involved socio-economic area in the years to come.

- A concept able to exploit the current technological opportunities/KETs/ICT applications.

- A concept able to mobilise and attract the relevant territorial stakeholders around the strategy-making process.

In this way, the Smart Land idea emerges as a suitable frame to inspire the development of concrete joint actions that can stimulate a structural change in the EUSAIR area regarding territorial capital, human capital, more competencies and talents.

Box 5.1. Smart city | Smart land

The term "smart city" was coined at the end of the 20th century. It is rooted in the implementation of user-friendly information and communication technologies developed by major industries for urban spaces. Its meaning has since been expanded to relate to the future of cities and their development. Smart cities are forward-looking, progressive and resource-efficient while providing at the same time a high quality of life.

They promote social and technological innovations and link existing infrastructures. They incorporate new energy, traffic, and transport concepts that go easy on the environment. Their focus is on new forms of governance and public participation. Intelligent decisions need to be taken at the strategic level if cities want to become smart. It takes more than individual projects but careful decisions on long-term implementations. Considering cities as entire systems can help them achieve their ultimate goal of becoming smart. Smart cities forcefully tackle the current global challenges, such as climate change and scarcity of resources. Their claim is also to secure their economic competitiveness and quality of life for urban populations continuously on the rise

In July 2012 the European Commission established the European Innovation Partnership for Smart Cities and Communities (EIP-SCC) to promote the development and utilization of smart urban technologies. The main emphasis is on networking cities and promoting cooperation to find joint solutions to a range of challenges, such as increasing energy efficiency and others. Investments in the public sector and industry are clustered to support the implementation of lighthouse projects in the fields of energy, traffic, and transport, as well as ICT.

Source: City of Vienna (n.d.), www.wien.gv.at/stadtentwicklung/studien/pdf/b008403j.pdf.

5.2. Any wide-area needs a 'catalyser'

Co-operation means integration and complementarity. But cooperation is neither obvious nor easy to reach since it involves a common capacity to carry out joint tasks. Co-operation also means strengthening dialogue and avoiding conflicts, sharing a common vision of the future and joint work on scenarios.

Adrion 2.0 as a transnational cooperation programme could act as a catalyst of this complex process, playing a role of meta-actor in supporting the development of competitive ecosystems in some major fields, such as innovation ecosystems or infrastructural-logistic ecosystems. Both represent the main challenge for territorial competition in the changing world.

To effectively define the AIR Smart Land idea, an effective community approach is needed. Developing integrated strategic responses to the macroregional needs and challenges entails an involvement of different types of stakeholders acting at the different territorial levels. The multiplicity and heterogeneity of involved interests and actors may require experimentation with new forms of collaboration and participation that might vary according to the addressed issue.

The Smart Land is a concept that assumes a focus on processes. The development of Adrion 2.0 should not be conceived as a technocratic exercise but should result from a bottom-up process based on an inclusive but selective methodology. As a consequence, the existence of an appropriate governance model becomes fundamental for the Adrion

2.0 allowing it to be consistent with the wider governance of the EUSAIR and to be specifically and effectively tailored for the mission of the CP. The ideal governance structure is inclusive, allowing for the engagement of a wide range of stakeholders; dynamic, fostering experimentations and the development of innovation projects; and focused, preventing the capture by specific interest groups or lobbies. In practice, the huge challenge lies in guaranteeing the needed degree of openness, participation, and ownership of the process by stimulating active participation of all relevant public and private stakeholders while at the same time guaranteeing its effectiveness in selecting and making decisions on policy priorities and actions.

The governance model can take different organizational forms such as networks, partnerships, associations and others. Two forms are particularly suitable for the Adrion 2.0 proposed mission and role:

- Networks: network-based projects can be effective in setting common lines/pillars of intervention by at the same time allowing the adoption of context-specific solutions that respond to the concrete needs of each territory. Networks are effective in facilitating knowledge sharing and transfer, allow for the diversification of participants' risks and the minimization of transaction costs, and facilitate information exchanges and the efficacy of voice mechanisms, thus ultimately enabling collective learning processes at each of the involved territorial levels. Also, networks can and should not be spatially limited to regional or national institutional borders but capable of guaranteeing a constant inflow and outflow of knowledge through internal and external connectivity.

- Quadruple Helix (4H) partnership: the Quadruple Helix refers to a four-tiered organizational structure for governing research and innovation resource allocation patterns. It entails the involvement of four types of actors in policy-making: institutional bodies, research sphere, business sector, and citizens. The model emphasizes the role of both private and public actors in nurturing the innovation process, and the need for a high degree of openness to be able to capture the knowledge that is also located outside the regional physical space according to an ecosystem approach promoting the creation of a-spatial network-based policies.

5.3. Networking strategy and thematic networks

The main objective of networks is to strengthen exchange of views, knowledge and best practices among relevant stakeholders and to develop a community of young practitioners contributing to the spread of innovation culture in all territories.

The starting point is to consider the functional networks already existing in the area as well as other practical examples of smart-centered cooperation initiatives developed in other contexts/frameworks.

The participating regions are directly involved in the future EU enlargement and integration process, which is indispensable for Europe. The Western Balkans are and will remain a privileged point of attention for the European enlargement[2] and foreign neighborhood policy. Europe and the Western Balkans have a high mission to carry out in which openness, acceptance of differences, and integration are the key ingredients for ensuring lasting peace, development, democracy and quality of life.

On both sides of the Adriatic and Ionian seas, a common base of knowledge has been in place for centuries. It has been shortly (in historical perspective) interrupted by recent

geopolitical contingencies. The common base allows countries and regions in the region to recognize each other, to share cultures and traditions, to understand the language of the neighbor, to rediscover elements of 'contagion' and common hybridization, which developed over a long time, to identify complementariness in the differentiation.

The different territorial actors within the A-I Region implemented a new Euroregion[3]. The field is now open to the consolidation phase and the strategic and operational strengthening of the new entity.

In this scenario, under the EUSAIR and in designing the new Adrion 2.0, the next level in the operative planning should start with those competitive advantages stemming from the common history of cooperation and from the learning paths shaped by the experience of the previous years. The region enjoys a richness of cooperation experience involving a large number of players; a wealth of networks and a high number of initiatives that have intersected and even superimposed over the years.

There is a large multitude of coordinating bodies and networks operating in the area for a long period: from the networks of Chambers of Commerce, to that of Universities, from some combinations of municipalities, to magazines that share contents common to the two shores of the Adriatic Sea. The participation of different regions in a variety of territorial networks that intersect around the Adriatic and Ionian is equally significant.[4]

The challenge and a necessary change is a departure from the consolidated praxis of cross-border cooperation currently prevailing in the region to a real wide-area cooperation. The development of the new transnational Programme Adrion 2.0 should go from the general to the particular: the *vision*, the mission, the priorities, the planning, the selectivity, the continuous monitoring and the learning from experience.

In the following boxes, we describe two existing co-operation networks in the region that are consistent with the concept of AIR Smart Land.

Box 5.2. Cooperation projects of the Adriatic Ionian space (2007-2013)

PACiNNO (co-funded through the IPA Adriatic Cross-Border Cooperation Program 2007-2013) is a collaboration platform that connects into a single regional innovation system researchers and academic institutions, policymakers, and innovative companies of eight countries belonging to the Adriatic region (Albania, Bosnia-Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia, and Slovenia). The goal of PACiNNO is to establish a platform for cooperation in research and innovation covering the whole Adriatic region. PACiNNO targets research institutions, policymakers and business entities, through three key areas of action: research of innovation on micro, meso and macro level, training of human resources and knowledge and technology transfer. The project helped develop new bridges between the research and scientific activities, carried out at academic institutions, and the economic system, with specific reference to the technological needs of SMEs. Overall, the project's research and practical activities have involved more than 1 100 SMEs, 200 start-up companies, 40 academic researchers and 250 young entrepreneurs. Social innovation and social entrepreneurship have received particular attention in PACiNNO research activities. More generally, PACiNNO is aimed at overcoming the main obstacles and barriers to the economic development of the Adriatic countries. To do so, it fosters the competitiveness of their minor firms (both in the high-tech fields and in the traditional industries), and promotes the creation of innovative start-ups, increasing the innovation capacity of the Adriatic Region and enabling the transfer of

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best practices across particular countries of the Region.

Source: PACiNNO (2019), http://hilab.di.ionio.gr/pacinno/.

The **SMART INNO** Consortium. The project (co-funded through the IPA Adriatic Cross-Border Cooperation Program 2007-2013) falls within the Priority 1 "The theme of innovation" that aims at fostering cooperation between stakeholders and policymakers to increase RDI capacity and creating mechanisms oriented to SMEs to support their RDI capacity to improve their competitiveness. The main goal of the SMART INNO project is to develop a smart networking system for monitoring and fostering research and innovation capacity in SMEs across the Adriatic Region. The SMART INNO Consortium is composed of 18 partners coming from eight Adriatic Countries (Italy, Albania, Bosnia-Herzegovina, Croatia, Greece, Montenegro, Serbia, and Slovenia). The Consortium includes relevant actors from different fields: regional authorities, chambers of commerce, innovation, and technology transfer centres, regional development agencies, an University with scientific innovation capacities, an SME specialized in cluster organization and an NGO focusing on EU regional cooperation. The project addresses identified deficiencies and shortcomings of the area (e.g., low access to financing, lack of synergies among SMEs and R&D producers, policymakers and investors). It contributes to widening the geographic scope of action (bridging 17 regions from eight countries) using a holistic approach for bridging demand and supply, providing smart coaching and match-making, and increasing access to alternative funding of innovative regional ventures. The SMART INNO project offers enhanced opportunities for the following target groups:

- SMEs at local and international level that can benefit first from the overall objective of the project and from the instruments that will be developed;

- Business Sectors can benefit from the technology transfer and new networks established;

- Business Angels and Start-Up incubators can become a part of a network that would facilitate access to innovative SMEs and young entrepreneurs;

- Banks and investors can participate in workshops/events and webinars for fostering collaboration among all stakeholders involved in the SMART INNO project;

- Local, regional and national institutions responsible for innovation issues as well as national, local and regional public policymakers and decision-making process can benefit from shared knowledge and other opportunities.

Source: SMART INNO (2019), www.smartinno.eu.

5.4. Strategic cooperation platforms

In a complex and diversified Europe, integration (of the Western Balkans into the EU already underway) needs to be a mutual process between aspiring countries and the welcoming community.

The A-I Region has to become a point of *junction* of regional *future conducts*. The metaphor of the network has spread so fast and with such pervasiveness that the strategic implications for the participants are often underestimated. From this point of view, the Adrion 2.0 is not an exception. Whenever institutional actors of the second level

(regions), such as a single entity (a university, a scientific park, a port authority, etc.) or private enterprises join a network, following a stability vision and not a temporary pure opportunism, they do understand the need to compare and coordinate future strategies. For example, if a region is a part of a network with other regional partners to govern the decisive issue of fishing in the Adriatic or in the Ionian Sea, it should be clear that it is giving up a piece of its sovereignty by jointly deciding on the issue of fishing.

The regions are no longer unrelated, totally autonomous in conceiving and implementing their strategies and their policies. Instead, the regions confront on particular issues (and may even clash if their interests diverge), negotiate, reach a common determination and then amend strategies and policies to correspond to the common determination. In the absence of this awareness and will, the building of the transnational cooperation programme is an inefficient rhetorical exercise, with no implications for the future territorial integration issue.

An emergence of a shared leadership, the compactness of the partners in advancing projects, requests, involvements, also within their national levels, are all elements that allow capitalising on the value of networking. This brings forth the need to identify the tools and instruments for future cooperation. As the area needs a strategic cooperation platform, Adrion 2.0 can serve as a laboratory to test and to build a toolkit, under the EUSAIR wider and encompassing vision.

When dealing with enabling networks, a very different application can be considered. Particularly interesting are the networks among people, strengthening multidimensional connections and interchanges. A concept of an "ecosystem" becomes relevant, which supports inclusive networks, but also individual interchanges, provided that a clear strategy is in place to facilitate the networking. Such networks/ecosystems is characterised by the following features:

- Multidisciplinary (from Emilia Romagna point of view, multidisciplinary networks are to be preferably supported through Adrion 2.0 instead of single theme networks, since the latter have already acquired their own strength);

- An ecosystem focused on the development of new and fresh thinking;

- The need for a plural involvement of the actors of the networks (i.e. public actors, universities, RTD centres, hospitals, and private actors, like businesses and citizens);

- A clear coordination of the network to help the exploitation of the expected added value from networking;

- A clearly defined scope of action for the ecosystem (can be defined ex-ante and eventually refined in-progress).

The "community" perspective[5] – complementing the "ecosystem" vision – should also be considered as an inclusive concept to work out the internal heterogeneity between the A-I partner countries but also within each of them.

The experience already gathered on thematic platforms established under the S3 framework (Vanguard Initiative), has proved to be effective when working with heterogeneous networks. We can learn from that experience to adopt and adapt the best ideas for Adrion 2.0 with the goal of enabling networks. Similarly, a mapping exercise can be considered as a tool to establish networks by analyzing interrelations and mutual knowledge to foster connections and common projects.

For the success of the ecosystem paradigm, an "ecosystem steering" body, neutral and credible, is needed to work on building proper capacities.

Another important issue, especially for the strategic cooperation platforms is big-data. Data are at the heart of territorial platforms, a central asset for the present (and, even more so, the future) knowledge-based economy. It is crucial to harness its potential. The following elements are central to it:

- Data interpretation capacity;

- A common language;

- A proper, nonconventional hardware enabling the computing power needed to handle big data;

- Supporting networks, such as ICT and broadband.

All in all, the utmost prerequisite is to identify a specific purpose and an objective to target macroregional action. The open challenges are:

- The limited available resources (e.g., Adrion 2.0 budget);

- The need to think strategically and define a clear strategy for data use;

- The need to consider the common added value.

5.5. New instruments and new mechanisms

It is important to improve the functional consistency between the EUSAIR and the Transnational EU programmes and the ADRION in particular. The former defines the broad framework for the development of the A-I Region and its strategic pillars, while the latter plays a specific and recognised role in such a framework. The actors at the national levels should be convinced of the added economic and societal value of transnational cooperation, but the concrete policy impact of MRS is taking place at the local and regional level. This calls for the recognition of the specific role and empowerment of these lower levels.

The MRSs are based on the guiding principles of no new EU funds, no additional EU formal structures, no new EU legislation while relying on smart, coordinated governance approach and synergy effects: better implementation of existing legislation, optimal use of existing financial sources and better use of existing institutions.

To carry out a new, more strategically oriented role as described in the previous paragraphs of this chapter, Adrion 2.0 should concentrate on strengthening networks among all actors formed around common strategic goals and topics relevant for the programme. This activity should be carried out under the wider and comprehensive strategic framework of the EUSAIR where priority should be given to projects in line with the AIR Smart Land concept. The identification of actors working in the common cooperation area is a core prerequisite to support their specific needs and to exploit the potential for synergies.

A specific meta-goal for the next transnational CP should be related to the development of a competitive innovation ecosystem across the macroregion and spreading an innovation culture among the partner regions. Here innovation means a process broader than pure technological progress and includes governance structures and rules of networking activities, from innovation in the domain of technology transfer to the

renewal of human capital ecosystems, from a new environmental attention to big data management to face natural and social challenges.

While local eco-systems proved to be of pivotal importance in fostering innovative approach in the A-I Region, the existing eco-systems need to be united into a strong, effective network. Different "innovation platforms" are rising throughout Europe and are all platforms supporting regions to generate a pipeline of innovative investment projects following a bottom-up approach which is different from the standard calls for proposals.

One interesting example of these instruments is the Smart Specialisation Platform for Industrial Modernisation, an approach to support establishment of an enabling network. Summing up, this approach is characterized by:

- Direct support of the programme bodies in the definition of the overall objectives of the partnership (phase 0 – elaboration of the scoping note).

- A pre-selection of the relevant partnerships.

- A step by step support to the partnerships in the design and elaboration of projects to be implemented at local scale.

Procedures different from the "standard" calls for proposals can be a part of the new Adrion 2.0. It could be useful to attract the attention to the existing tools that, if implemented, could increase the transnational value and impact of the investments made in the A-I area.

One of these tools is Pre-Commercial Procurement (PCP). It is an innovative approach to public procurement of research and development (R&D). In PCP, public procurers buy R&D from several competing suppliers in parallel to compare alternative solution approaches and to identify the best value for money solutions that the market can deliver to address their needs. R&D is split into phases (solution design, prototyping, original development and validation/testing of a limited set of first products) with the number of competing R&D providers being reduced after each R&D phase.

In the European Commission perspective, PCP enables public procurers and suppliers to:

- Develop innovative breakthrough solutions for the societal challenges of the future (e.g., in healthcare and well-being, security, clean and efficient energy, climate change).

- Facilitate the access of new innovative players (e.g., start-ups, SMEs) to the public procurement market.

- Share the risks and benefits of designing, prototyping, and testing new products and services between procurers and suppliers.

- Create optimum conditions for wider commercialization and take-up of R&D results.

- Reduce market fragmentation and costs for procurers and create wider markets for companies.

- Create highly qualified R&D jobs in Europe.

- Act as a "seal of approval" for innovative companies confirming the market potential of new emerging technological developments, thereby attracting new investors.

It is important to underline that (1) the ESI Funds are financially supporting individual procurers to prepare and undertake PCPs ; (2) the EC offers technical and legal assistance to individual procurers to implement PCPs.

The implementation of a PCP in a transnational context may be organized as follows:

- The donor (i.e., the ETC programme) launches a tender for selecting a group of public buyers (i.e., hospitals located in the transnational area) facing similar problems (i.e., need of new technologies to treat specific diseases related to the ageing of the population).

- The public buyers, technically supported by the donor (i.e., the ETC programme) and the EC, launch pre-commercial procurement for choosing competing suppliers to select, phase by phase, the best value for money solutions that the market can deliver to address their needs.

The implementation of PCP, a transnational cooperation programme brings the advantage of ensuring the financing of actions:

- With a clear trans-national added value (as the need is common to all public buyers, the solution developed through the PCP will be available to all public buyers).

- With a tangible impact regarding increasing the R&D capacity of the area (i.e., new patents, technologies created).

Notes

[1] AIR refers to the Adriatic-Ionian Region.

[2] See details on the EU enlargement process towards the Western Balkans at the end of the Chapter 1.

[3] See the Adriatic-Ionian Initiative and the Adriatic-Ionian Euregion as reference of this long cooperation track record. URL www.aii-ps.org/ and www.adriaticionianeuroregion.eu/.

[4] See also Chapter 1, Paragraph 1.1.1 "Economic performance and challenges", on networks across the A-I Region.

[5] According to Emilia Romagna experience on regional technological development (RTD) and innovation, community approach.

6. Concluding remarks and recommendations

The position of Emilia Romagna Region on the future of EU Cohesion Policy (Emilia-Romagna Region, 2018), confirmed to the OECD experts, is to assume and to keep a proactive role in the future ESI Funds and in the ETC and the ADRION in particular. The recommendations expressed in the present Section are taking into account that position (see further details in the Box 6.1).

Box 6.1. The Position of the Emilia Romagna on the future of the ADRION Cooperation Programme

The general orientation of ER on this is based on the "linkages theory", the cohesion as a means to foster linkages between more advanced and laggard regions in Italy, since that is of interest for the more advanced regions as well. This as a basic alternative to the compensatory approach.

The Emilia Romagna position considers:

- Fostering the new cohesion policy to connect EU's more dynamic regions with laggard ones, otherwise, all the European competitiveness might be affected.

- RER proposed to adopt the Vanguard Initiative method; the future ETC among its five components considers, in particular, the Global Value Chains and this can be seen as a result of it.

- The ADRION possibly is going to absorb the past maritime CBC of the A-I region as this is a realistic scenario.

- Improved coordination of the vision for the ADRION and MED, since they are both impacting the same sea basin.

- Collaboration between the ADRION MA and the EUSAIR to pave the way for future more consistent actions.

- Quality and scale of the current ADRION projects need to be improved through capacity building.

- A careful reflection is needed on the ways to step up to the next level in each of the EUSAIR pillars (see as a reference the "digital divide" approach adopted by Italy, ensuring an integrated and coordinated play between public and private, even though with difficulties to turn it into practice).

- What can the ADRION bring and offer to the EUSAIR for the future?

- Migration is a critical issue for the A-I space but in most cases it has been neglected in the ADRION and the EUSAIR discussions and actions.

The EUSAIR is perceived as lagging behind, though improving over time, in comparison

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> to the other MR strategies, in particular the Baltic and the Danube ones. It is therefore mandatory to undertake efforts to catch up, that should be a priority. In such a context, there is a need to keep a pragmatic and concrete project approach, not being too ambitious given the context, but still well focused.
>
> *Source*: Position expressed by the ADRION Managing Authority during the second "Future Adriatic-Ionian Regional Cooperation at Work - Implementation Outlook Workshop". 25 October 2018, Bologna, Italia, see annexes.

A set of introductory considerations on the main factors that define the context for the future transnational ADRION (Adrion 2.0) are presented below. Some issues must be clearly recognised in order to properly understand the proposed recommendations, since they can be differently repceived, depending on the decisions expected at the European level regarding the future cohesion policy and the perspectives they disclose for the ETC beyond 2020.

These recommendations may serve as a basis for formulation of a position and negotiating on the decisions that are to be taken during the forthcoming months on the future ETC, at least as far as the A-I Region is concerned.

- The ETC draft regulation, according to the current proposal of the European Commission, does not envisage anymore the maritime dimension of the CBC implemented by stand-alone programmes. Although this orientation appears less probable after the positions expressed by the EU Parliament and the Council on the EC proposal, still, one of the scenarios could be to widen the scope and to transfer corresponding provisions into the budget of the relevant transnational programmes passing them some CB-like operations. Quite evident that this issue is relevant for the A-I case.

- Considering the transnational cooperation programmes a further possible evolution is envisaged, as already highlighted in Section 3 of the document, such that Adrion 2.0, according to the draft Regulations, can be considered at the same time as a sea basin programme and as a transnational programme connected to a MRS. This implies that from 70% (in case of maritime component) to 100% (transnational component) of its budget must be spent on the objectives of the EUSAIR.

- Regarding the greater cooperation in innovation investments across regions, the EC emphasizes, under Component 5 of future ETC, that

  > Smart specialisation strategies have been used to drive a more effective innovation policy and push interregional cooperation in new value chains across borders. Linking research and innovation actors with industrial stakeholders helps to exploit complementarities in the development of products and process design. […] Stronger strategic inter-regional cooperation and sustainable linkages between regional ecosystems along smart specialisation priority areas can increase competitiveness and resilience. (European Commission, 2017)

Considering the first point above a very sound open question relates to how to better embedd the EUSAIR into the EU framework post-2020. One major point relates to the enlargement of the ADRION to include (or not) the three cross-border maritime programmes (Italy–Croatia, Greece-Italy and Italy–Albania–Montenegro). The two

scenarios for the future budget are: a small budget similar to the current one or an expanded budget, which is almost four times greater.

Problematic aspects arise from both alternatives. In the first case with a 'small budget' around 100 million Euro it should be more difficult to choose a small basket of strategic actions, increasing the selectivity. In the second case, it is easy to think that the EUSAIR actions will try to be mostly financed on the Adrion 2.0 Programme, giving up higher and more challenging fundraising activities.

The recommendations here presented (16 different issues) are grouped under four different main headings in order to offer a coordinated perspective of the main issues posed by developing the future Adrion 2.0:

- Alignment between the EUSAIR and the ADRION (§ 6.1);

- Towards a new programming rationale: the process of conceiving the new ADRION (§ 6.2);

- Selection of powerful projects and operations (§ 6.3);

- Preparing the next enlargement (§ 6.4).

Table 6.1. A synoptic frame for the 16 recommendations

Four main blocks	Sixteen recommendations
Pursuing a closer alignment between the EUSAIR and Adrion 2.0	R1 – Towards a new governance structure R2 – The challenge of adding even market funds R3 – The role of the European Commission
Towards a new programming rationale: The process of conceiving the new Adrion 2.0	R4 – An enhanced coordination effort R5 – A proper timing for programming Adrion 2.0 R6 – Two emerging scenarios R7 – Rethinking the role of Adrion 2.0 R8 – A new participative programming process R9 – Strengthening transnational cooperation R10 – Building trust and strengthening European identity R11 – Contributing to the EUSAIR strategy
Selection of powerful projects and operations	R12 – Supporting a call for expressions of interests R13 – Supporting different projects' lines
Preparing the next enlargement	R14 – Pushing the Programme further R15 – Adopting an integrated perspective R16 – Being inclusive and looking ahead

Source: Authors' own elaboration.

6.1. Pursuing a closer alignment between the EUSAIR and the ADRION

The recommendations consider three main aspects under this headline: related to the co-ordinated governance between the EUSAIR and Adrion 2.0 and the role of the key actors; related to funding mechanisms and instruments, and related to the role of the EU Commission.

R1 - Towards a new governance structure

The meta-goals of the two instruments are the same; the financial resources should be distinguished (as argued in the next point), but the human resources and the governance mechanisms have to be coordinated and integrated at a higher level. CP representatives,

for example, may represent the respective EUSAIR member within the Strategy steering structures and working groups. The OECD recognises the need for a stronger political momentum and cooperation between and within A-I Region countries and regions.

An improvement in the consistency of action between the ADRION and the EUSAIR has been already made visible over the progress in implementing the CP from the first to the third call. The mutual functionality, reflecting the respective roles, shall be further enhanced in the future as it corresponds to the orientation emerging from the last decisions taken by the MC; a sound governance setting should support and enable such integration.

The governance system of Interreg transnational cooperation enables multi-level participation and shared responsibility. It provides a unique platform for working at all levels of governance overcoming the lack of flexibility of national instruments: public administrations, national, regional and local authorities, civil society and NGOs, academia, the private sector and enterprises can exchange ideas and learn from each other. It enables the public sector to cooperate across national borders and across sectors to share the responsibility of delivering the policy objectives that are jointly agreed upon, involving a broader partnership of representatives important for that particular territory. This is even more valuable in a geographical context of EU member states, candidates and potential candidates but such governance must reach the next level of effectiveness through stronger empowerment of the key actors in all thematic sectors tackled.

R2 - The challenge of adding even market funds

While it is obvious that the EUSAIR and Adrion 2.0 will be working on the same strategic objectives, as well as the same territories, the CP should support the governance of the Strategy but not necessarily its projects. In particular, in the case of a small budget assigned to Adrion 2.0, projects financed with the Programme should be strategically conducive to the priority goals of the Strategy, but projects developed within the EUSAIR should be able to do a wider fundraising exercise, putting together other European programmes – ESIF national programmes, Horizon 2020, COSME, IPA II available at country level, other CTE programmes, both CBC and TN ones, EU Digital Agenda, etc. – as well as national funds. Moreover, an up and running Strategy should be able to attract and channel also private funds. The fundraising capacity is a clear indicator of the quality of the projects developed under the Strategy.

The A-I Region is perceived as strategic not only by the EU but also by a significant number of other worldwide relevant donors (USAID, World Bank, etc.) and investors (e.g. within the new BRI[1]). The awareness of the geopolitical importance of – and the widespread interest in – the area should be enhanced by the EUSAIR and Adrion 2.0 key actors and exploited as an opportunity for promoting the assets of the territories involved by seeking participation and linkages to enlarged networks going even beyond the EU level.

The division of the financial resources – available within the CP or to be raised on the market (public and private) for the Strategy – is one of the major indicators of the justification of the existence of the two instruments[2]. Otherwise, it would be better to superimpose the Strategy on the Programme simplifying the existing governing structure. Indeed, the Programme and the Strategy must improve their alignment as much as possible, but this should also be done for clearly defining the two diverse and complementing domains and functions.

Experimenting with new funding mechanisms. For reserving funds for the EUSAIR, an idea to be considered is to introduce a some form of Integrated Territorial Invesment (ITI) pooling resources. Different sources are available, such as the EC funded programmes across the Macroregion; under such a perspective each of them could be asked to bring just a small percentage of its budget to the macroregional ITI (that would also mean a minimum share of resources; eee the EUSBSR case in the next Box 6.2).

Box 6.2. The ITI explored under the EUSBSR

Use funding sources for coordination through a Macroregional Integrated Territorial Investment – brave and daring

The idea of a Macroregional Integrated Territorial Investment (M-ITI) is based on ESIF Integrated Territorial Investments (ITIs), introduced in the CPR. ITIs are a flexible tool to implement territorial strategies in a more integrated way. They allow the Member States to implement operational programmes in a cross-cutting way, drawing funding from different priority axes of different operational programmes. In this case, the Managing Authorities will need to be convinced to contribute to an M-ITI.

For the programmes participating in an M-ITI, the Managing Authorities would dedicate a small part of their programme budget to the M-ITI. Bringing together the different contributions in one M-ITI budget, the strategy would be able to administrate a single budget, which is fed by different ESIF programmes. In return, the M-ITI will report to the programmes.

In other words, ITIs allow a single pot of resources from ESIF or others to implement common agreed actions with the management support of a single instrument, assigned by the Managing Authority and the involved players. This needs three elements:

- **A territory and a strategy**. This means that the ITI is developed to functionally address the development needs of the area, building on synergies. There is no constraint on the strategy area, it can go beyond administrative borders, cover networks of cities or different geographical levels.

- **A package of actions**. ITI actions should contribute to the operational programme thematic objectives and priorities and combine funding from different objectives and priorities. They can deliver support through grants, or financial instruments.

- **Governance for the ITI**. Although the Managing Authority has overall responsibility for the ITI, it may assign intermediate bodies to carry out tasks.

Source: EUSBSR (2018),

R3 - The role of the European Commission

Monitoring and evaluation of the Programme and the Strategy should be deeply reformed, moving away from the idea to measure output to be delivered by a certain deadline toward a more process-oriented evaluation to assess long-term cooperation. The Commission has to reduce administrative burden – too much internal reporting, too many levels of control – while offering more flexibility. Hopefully, programmes supporting the EUSAIR should be allowed a higher share of technical assistance for ensuring MRS governance support.

6.2. Towards a new programming rationale: the process of conceiving the new Adrion 2.0

R4 - An enhanced coordination effort

The coordination efforts need to be enhanced in comparison to the programming period 2014 – 2020. The envisaged reduction of overall resources, as well as a lower ERDF co-financing rate, call for synergies between all Interreg programmes supporting development in the A-I Region (both ERDF and IPA CBC, land and maritime borders). In this sense, the OECD team suggests the EUSAIR to be a supportive platform ensuring proper coordination between all the new ESIF 2021-2027 Programming Task Forces that will be set up shortly across the Region, avoiding overlaps in terms of policy objectives selection and enhancing complementarities in terms of operations of strategic importance included. This appears even more appropriate under the set of strategic goals for the European cohesion policy.

R5 - A proper timing for programming Adrion 2.0

When to start the new programming exercise for Adrion 2.0 is an open question. There is a high risk that the approval of the cohesion policy regulatory framework will be significantly delayed due to the elections of the European Parliament and, later, the new European Commission. Therefore, the recommendation is to start reflections on the future CP strategy as soon as possible, as a delaying strategy seems currently prevailing among the ADRION partners, which is inefficient and makes the future implementation of the next CP more challenging.

R6 - Two emerging scenarios

Two possible scenarios for Adrion 2.0 emerged from the envisioning workshop exercise[3] that should be better defined and proposed for a larger debate, to be triggered as soon as the process for the future Programme starts:

- The A-I Region and its high level of natural and cultural heritage must be mainly preserved in their variety and sensitiveness, also through the targeted use of technology and the action should support this orientation;

- The A-I Region moves towards a more intensive and innovative use of technology for productive purposes, even taking the challenge of a disruptive approach against the consolidated territorial cooperation praxis while paying high degree of attention to undertaking a new sustainable development pathway.

Emilia Romagna region declaration of intents reported in the introduction to this Section (see Box 6.1) is possibly leaning to the latter scenario that seems to better correspond to the global competition challenges. Ragardless of the preferred case, however – the agreement is a matter of the eight partner countries and the Monitoring Committee – it is advisable to capitalise on the role of the ADRION MA and to maintain the same MA. The recommendation is to act according to a partnership inclusive approach and to lead the overall process by building key alliances with the most relevant institutional actors of the area. In this sense, the involvement of the right partners and stakeholders should be properly conceived and planned.

R7 - Rethinking the role of Adrion 2.0

The role of Adrion 2.0 – given its limited financial capacity, according to the most likely current scenario – as a platform for supporting a limited number of well-selected strategic

enabling networks may be considered a viable and sustainable approach providing strategic legitimacy to the CP, serving the EUSAIR as well as paving the way for the next EU enlargement (e.g. strengthening the existing network of Universities and Chambers of Commerce, working on existing RTD and innovation excellence centres[4], networking of high-level healthcare infrastructures, etc.). An option to set up point-to-point networks connecting similar bodies can lead to an ADRION's role as a catalyst of a "network of peer networks". Here the recommendation is to consider supporting strategic/structuring networks as a privileged option in a projects' and operations' early identification exercise (see the next heading on Projects and Operations), thus preventing the scattered generation of a large number of often weak networks as witnessed in the current ADRION.

R8 - A new participative programming process

The OECD emphasises that the programming process should be truly participative and involve a large number of key stakeholders of the area, exceeding the mere formal accomplishment of the European Code of Conduct on Partnership (European Commission, 2014c), but making it a driving force enabling a change of course for the next Adrion 2.0 Programming exercise. Funds from the TA of this programming period could be used to finance specific activities aimed at:

- Collecting inputs from the stakeholders of the area.

- Supporting the drafting of the future programme strategy.

- Identifying possible tools/instruments to enhance the effectiveness of the cooperation (i.e. ITI, financial instruments, new governance solutions).

R9 - Strengthening transnational cooperation

A need for transnational cooperation derive from specific geographic features (seas, rivers, mountains) as well as from social, environmental or economic connections that make some territories functionally linked within a wider area[5]. Transnational cooperation addresses common issues across multiple borders, and by taking the territorial specificities and challenges into account, enhances investments made at the regional and national level in order to render them more effective and tailored to the needs of the stakeholders. The future Adrion 2.0 can pursue developing a stronger identity, with more effective communication, based on a mission – see the concept of enabling AIR Smart Land[6] - able to select those needs and challenges that better support the added value of being tackled at this transnational scale and translate them into strategic operations focused in a restricted number of relevant policy objectives aligned to the EUSAIR. A good example of this may be the support Adrion 2.0 can bring to undertake the evaluation of the impacts at local level of the large infrastructure investments across the A-I Region and then to identify actions aimed at mitigating the negative effects they can have.

R10 - Building trust and strengthening European identity

Transnational cooperation mixes and merges knowledge and experience of experts and specialists, helps building trust between individuals and institutions and strengthens European identity. This enhances the mutual understanding and supports the development of a community for a future-oriented territorial development while improving the coordination and efficiency of the regional funding instruments. The OECD recommends Adrion 2.0 to provide financial assistance for the development of new ideas as well as for the more effective and efficient design of work processes also investing in human resources and educating skills to preserve and enhance social capital: new solutions tested

and improved in pilot actions and projects able to be transferred to other stakeholders or regions. Key stakeholders are learning about innovative approaches, methods and technologies which purposefully extend their scopes for action and form an important basis for the further development of the A-I Region, benefitting from Adrion 2.0 as an effective strategic networking platform on sound selected themes.

R11 - Contributing to the EUSAIR strategy

The EUSAIR strategy already exists, so the Adrion 2.0 would not be expected to develop its own development strategy but instead to contribute to implementing of the existing one through concrete actions and well-selected projects. For instance, the "Transport Masterplan" is aimed at setting a sector strategic framework within the EUSAIR strategy useful for the next actions to be undertaken by Adrion 2.0, where appropriate and feasible. Moreover, considering the Article 6 of the Catania Declaration (EUSAIR, 2018a)[7] - A "road map" has been defined to identify the EUSAIR priorities to be adopted as a reference term for the future CTE programmes (ADRION in particular) but also for the ESIF mainstream and for national funds. At this stage, keeping a close co-ordination between the ADRION MA and the EUSAIR for improved synergy in designing the new Programme must be a priority.

6.3. Selection of powerful projects and operations

R12 - Supporting a call for expressions of interests

As supported by the Interreg Ex Post Evaluation 2007-2013 findings (European Commission, 2016a), bottom-up calls for proposals made it difficult to pursue a coherent strategy to promote the development and socio-economic and territorial integration of the regions concerned when deciding which projects to support. It appears therefore appropriate to introduce a different approach that enhances the provisions of the proposed Interreg regulation that embeds in the CP own strategy a description of the operations of strategic importance. The recommendation here is for Adrion 2.0 to go further and to open at the early stage of the new programming process – possibly already in the first semester of 2019 – a call for expressions of interest for networks and partnerships able to substantially contribute to the identification of the key assets in selected sectors as the targets for investment of a dedicated amount of Programme financial resources.

R13 - Supporting different projects' lines

Pursuing more ambitious and solid projects – some of them already identified in the same CP – doesn't necessarily prevent from designing mechanisms adaptable and flexible enough to fit into the needs of different stakeholders and adequate to the challenges to be faced. The syllogism supposing that strategic projects are big projects with an extensive partnership is often denied by the practice. Therefore, we recommend to consider a range of possibilities open in the Programme: reserving part of the overall budget (e.g. 20-30% of the total) for "traditional" co-operation projects selected through open calls, whereas the rest may be devoted to high impact structural projects (e.g. the enabling networks); defining mechanisms that allow starting with ambitious but perhaps risky projects as small pilot with the possibility to scale them up whether they prove to be successful; adopting a more consistent labelling mechanism between the EUSAIR and the CP (see the cases discussed in the OECD ADRION Analysis Report, OECD 2017[8]); including the possibility to recognise ex-post, jointly with the Strategy, some operations that had an outstanding impact on the cooperation across the macroregion, granting them a

corresponding status and stimulating their improved capitalization (see as a reference the flagship initiatives in the EUSBSR, 2018).

6.4. Preparing the next enlargement

R14 - Pushing the Programme further

The Republic of North Macedonia is going to be included in the new Adrion 2.0 cooperation space. This point is highly relevant since it brings the opportunity to consider the new transnational cooperation encompassing all Western Balkans. Additionally, the "Prespa agreement" solving the long dispute over the name of the Balkan country, which was recently ratified by the Parliaments of Skopje and Athens, can bring in new energies for a renovated cooperation. We recommend to take an advantage of this opportunity to bring the new CP to a next level in terms of mission, role and impact. Being aware that this implies overcoming "path dependencies that are commonly seen as a factor constraining change and a number of veto players that would not necessarily welcome a review of the approach they are accustomed to" (Marciacq, 2017).

R15 - Adopting an integrated perspective

Not to be left behind the "Berlin Process[9]" on the integration and convergence of the WB6 Countries, a further strategic level is to be considered. Currently, in fact, a weak coordination of the "Berlin Process" with the Strategy is an example of a more general problem of the mismatch between strategies – plans – programmes across the A-I Region. The OECD recommends the new Adrion 2.0 to support the EUSAIR as a common strategic framework benefitting from the Commission's support.

R16 - Being inclusive and looking ahead

By 2025, the next EU enlargement is envisioned. "The future of the European Union concerns all Europeans, whether they live within or outside the EU; therefore, reflections on the future of Europe need to go beyond the EU and its current composition. The situation of non-members and potential EU candidates needs to be addressed, and a perspective has to be provided to them in the future concept of the EU". Adrion 2.0 Programme shall play a key role by being inclusive, as the only transnational instrument that can support cooperation between the countries of the Western Balkans.

Notes

[1] See Chapter 1 for details (§ 1.3 Some current and future dynamics in the A-I Macroregion).

[2] Either the Strategy gets its funds, becoming able to implement its proper priority actions, or the ADRION is explicitly considered as a funding instrument for EUSAIR. But the latter would raise the issue why not to merge the two under one single steering and management framework, not being this apparently envisaged in the next future.

[3] On 1 October 2018 the "Envisioning Future Adriatic-Ionian Regional Cooperation Challenges - Scenario Workshop" was held in Bologna, Italia. The workshop was the first of two focus groups the OECD organised in Bologna. See Minutes of the Meeting in Annex A.

[4] See the Annex to the European Commission (2018) where calls for "Further integrate the Western Balkans into existing EU knowledge networks and support research and innovation capacity building for an effective participation in the EU's Framework Programmes".

[5] See Chapter 1.

[6] See Paragraph 5.1 on the proposed concept of Adrion 2.0 mission as enabler of AIR Smart Land.

[7] "6. CALL on the national and regional authorities responsible for the ESI and IPA funds in our countries to closely coordinate among them across the Region, since the very early stages of 2021-2027 strategic planning, so as to jointly agree on the macro-regional priorities to be included in the ESIF Partnership Agreements and IPA Strategy Papers and, subsequently, in the ensuing, relevant programming documents. In that respect, URGE the ESIF and IPA programme authorities and the EUSAIR key implementers to jointly work to identify at the earliest convenience pilot macro-regional actions and projects which require, for their implementation, a coordinated planning and programming of national/regional ESI and IPA funds across the Region." Excerpt from the EUSAIR Catania Declaration.

[8] See Section 5.2, pag. 71, OECD (2017).

[9] For more details see Chapter 1 of the Report.

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Annex A. Synthesis of the "Envisioning Future Adriatic-Ionian Regional Cooperation Challenges - Scenario Workshop" 1 October 1 2018, Bologna, Italia.

OECD Project

"Improving the Impact of Territorial Wide Area Cooperation in the Adriatic-Ionian Region"

Contract EC/SRM: 0500070419

Workshop 01/10/2018 — Summary of discussion

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Main elements of consideration:

General context and role of EUSAIR: the vision

The development of Emilia Romagna Region is part of a wider development process as considering to have growth in restricted areas is nowadays simply not possible. Whilst in the past the national state was the optimal and probably ultimate level for any kind of policy making, this is not the case anymore. In an open economy everybody's local, even State authorities can in fact be considered influenced by other players therefore kind of local. This is changing quite a lot policy making. Now, the goal of policy making is either to create infrastructures for interconnecting the area of jurisdiction to the general context or – viceversa – to affect the general context by supporting the change of local behaviours[1].

EUSAIR area is generally considered as marginal compared to other "Central and Northern" European areas. This is confirmed by the analysis of economic trends. However, the analysis of other key geopolitical factors (e.g. migration, security, future accession of new MS, Chinese and Turkish investments, etc.) reveals the importance of this area for the future of the whole European Union. This major trend is only partially reflected in the EUSAIR strategy. Nevertheless, EUSAIR shall contribute to avoid the marginalisation of Europe as such and South East Europe shall not be seen as the margin of a marginalised continent.

As development processes have never been supported by plain assistance measures, also EUSAIR (and its financial supporting instruments) shall contribute to promote disruptive innovation especially for offering access to basic data infrastructures: if the aim is just providing widespread subsidies then there is no meaning for future programme.

There is a need to consider the term "value" - even more than "smart" - when identifying products and processes, because the term value puts the emphasis on the impact to the users (company or people). In this sense, especially in relation to areas where physical infrastructures are in place, there is a need that they have to be taken as a value, meaning that they are accessible to a large part of society (and this is a consideration that can be horizontally applied to any theme or sector).

Significant emphasis should be given also to the quality of the Public Administration as current experiences show that the area needs significant capacity building actions to strengthen the quality of PA.

EUSAIR and the other strategies

Experiences from other strategies: it's important to take inspirations from the others but we need to understand that each context is different as comparison and copying might not lead to the same results. In this sense, Baltic Sea Region as a whole is much more homogeneous in terms of socio-economic characteristics than Adriatic Ionian.

Strategy and Programme, mind and body

There shall be a cut-off distinction and make it clear what is the meaning of a strategy and meaning of an INTERREG Programme, they both need to make up their minds. We should consider a strategy as a platform for policy coordination while INTERREG is a single contributor for supporting that.

From a strategic perspective, the ADRION strategy should be fully consistent with the EUSAIR goals (see EU regulations). From a budgetary perspective, ADRION's funds are too limited to be effective in addressing the key challenges of the area. Further funds would be necessary, especially at the respective national and regional scales.

Governance issue: if strategies and programmes do marry, why we do need both? The idea could be to introduce a sort of I.T.I. pooling resources from different sources drawn from the various, if not all, EC funded Programmes in the macro-area; under such a perspective each of them would be asked to bring just a small percentage of its budget to the macroregional I.T.I. (that would mean also minimum share of resources).

Conclusions and recommendations

Start reflections on the future ADRION programme strategy now. The process should be participative and involve a large number of key stakeholders of the area. Funds from the technical assistance of this programming period could be used to finance specific activities aimed at:

- Collecting inputs from the stakeholders of the area;

- Supporting the drafting of the future programme strategy;

- Identifying possible tools/instruments to enhance the effectiveness of the cooperation (i.e. I.T.I., financial instruments).

The two scenarios emerged from the seminar that could be better defined and proposed for a larger debate:

- The Adriatic and Ionian area and its high level of natural and cultural heritage will remain preserved, also thanks to a targeted use of technology;

- The Adriatic and Ionian area is pushed towards a more intensive and innovative use of technology for productive purposes, even in a disruptive logic.

Emilia Romagna region could capitalise the role of MA and take the lead in the overall process by building a series of key alliances with other institutional actors of the area: in this sense, the involvement of the right partners and stakeholders should be properly conceived and planned.

Trento, 8th October 2018 – Ver. 02|IC - PR

Note

[1] In this sense, it becomes even more urgent to strengthen the participatory approach throughout different instruments (see Emilia Romagna examples also in the sectors of automotive, agrifood processing, big data and artificial intelligence, the "Pacts for Labour").

Annex B. Synthesis of the "Future Adriatic-Ionian Regional Cooperation at Work - Implementation Outlook Workshop". 25 October 2018, Bologna, Italia

OECD Project

**"Improving the Impact of Territorial Wide Area Cooperation
in the Adriatic-Ionian Region"**

Contract EC/SRM: 0500070419

Workshop 25/10/2018 — Summary of discussion

Participants:

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Alessandro Daraio – Public Policy and Investment Evaluation Unit

Barbara Di Piazza – Head of ADRION Programme Joint Secretariat

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Lodovico Gherardi – Management of European Territorial cooperation Programmes (ETC) and ADRION programme

Stefania Leoni – MED Programme National Contact Point

Ugo Poli - *Thematic Expert*, Migrations and Refugees, Central Europe Initiative (CEI), Project Manager

Paolo Rosso – *OECD Project Team,* Policy Analyst OECD

Agnese Tassinari – ADRION Managing Authority

Main elements of consideration:

Introduction

This workshop is a second event after the first meeting held on October 1, which was devoted primarily to a scenario discussion concerning main challenges of the Adriatic-Ionian macroregion in particular focusing on the future ADRION scope and functions.

The main objective of the 25 October discussion was **how to design a governance for the future programme** in order to strengthen its function of facilitator and catayizer of enabling networks across the macroregion, focusing a sample of themes selected among the strategic ones for the future of the macroregion development.

Such an objective was complemented by other topics considered in the discussion, primarily concerning the future role of Emilia Romagna Region as managing authority for the post-2020 ADRION and the contribution to the formulation of its position concerning the new perspective of the transnational European cooperation beyond 2020. The current state of the discussion at European level envisages for the TN programmes a twofold option either as maritime basin programme and/or "macroregional" programmes, according to the draft new Regulation proposals, which determines a variable scenario for future ADRION.

More details to introduce the meeting are outlined in the PPT annexed to the present résumé.

The discussion has been conceived as a trilateral talk among 3 sectoral experts active in the A-I macro region, the officers and experts in charge of the ADRION management and the experts of the OECD team.

The starting point triggering the discussion was the possibility for ADRION to set up and support enabling networks for a strengthened cooperation across the region, taking the perspective of the 3 selected themes as relevant - though not at all exhausting - case studies.

The conversation developed in two main parts: the introduction and the discussion of the position of the thematic experts on the functionality of the ADRION in the future as stemming from the current 14-20 experience; the dialogue among the participants on the role and operating conditions for the future ADRION in the context of the EUSAIR.

The experts' view

Key question: How the ADRION TN programme is and might be useful for the thematic area of interest represented by the experts?

Transport network perspective

(considering that Mr. Coppola is the coordinator of the EUSAIR Pillar 2 thematic Steering group for the Transports strand)

The general purpose of the EUSAIR is to support projects and know-how integration for contributing to the stabilization process of the A-I region.

A transport masterplan is in the making to provide a common strategic platform for the involvement and active participation of key stakeholders of the strategy helping to identify projects of macroregional perspective and integration.

ADRION so far, in its financial scope, supported some priority projects labelled by the MRS (out of 43 total labelled ones).

A critical issue in such an exercise was that neither specific criteria to award these projects nor resources for fostering effective project proposals elaboration were made available by ADRION, whereas we see there a potential role for the ADRION Facility Point.

Concerning future perspectives, an improvement in the alignment between the ADRION and the EUSAIR would be useful as well as facilitating the establishment or strengthening of enabling networks, as a means to facilitate the integration of a variety of skills and experience.

Innovation, technology transfer and knowledge - big data visual angle

(Ms. Bologna from ASTER is an expert on RTD thematic networks, with limited experience of ETC)

What tools and instruments for the future cooperation?

Focus on the networks from RTD point of view: light networks are the most suitable and experienced for RTD and innovation (networks of RTD facilities and centres, etc.)

For ER region pulling efforts to reach highest world-class calculation capability is particularly interesting in the A-I Macroregion, given the potential already in place in the Region (see also the next point 3 hereinafter).

When dealing with enabling networks, other networking can be considered: networks among people, strengthening multidimensional connections and interchanges. This leads to the concept of "ecosystem": supporting inclusive networks, but also people and individuals interchanges, provided that a clear strategy is in place so to be supportive of the networking.

From ER point of view, multidisciplinary networks are to be preferably supported through ADRION instead of single theme networks (since the latter have already their own strength).

What the characteristics for such networks/ecosystems?

- Multidisciplinary

- An ecosystem clearly focused on the development of new and fresh thinking.

- Need of a plural involvement of the actors of the networks (i.e.: public actors - universities, RTD centres, hospitals - private – businesses, citizens)

- A clear coordination of the network is primarily needed to ensure acquiring the expected added value from networking

- The scope of action of the ecosystem must be clearly defined, either ex-ante or in-progress.

One further perspective to be considered, either replacing or complementing the "ecosystem" vision, is the "community" perspective, as an inclusive concept to work out the internal hetereogeneity between the A-I partner countries but also within each of them. According to ER experience on RTD and innovation, the effective engagement of various and diverse subjects can be achieved through a community approach. Cheesing an "open innovation" perspective might be the case for future ADRION?

The experience of thematic platforms established under the S3 framework (Vanguard Initiative), that proved to be effective when working with heterogeneous networks, can be

a case to be further investigated to grab some good ideas for ADRION and the concept of enabling networks. Similarly, a mapping exercise can be also considered as a tool to establish networks by analysing interrelations and mutual knowledge so to foster connections to conceive common projects.

As far as the ecosystem paradigm is concerned is yet to be highlighted that an "Ecosystem steering", neutral and credible, if not already existing in some previous networks is needed, possibly working on building proper capacities.

On big-data

Value as a payoff of our exercise (on the existing broad dataset)

Data are the future energy, the "lifeblood", a central value for the future knowledge-based economy.

The standing point, for the time being, is how to exploit such a potential?

A huge variety of data is currently available bringing a great potential, but to harness it we need

- Data interpretation capacity

- Common language

- HW, not conventional ones to handle such a bulk of data

- Networks, considering them in a narrow hard sense: ICT and broadband

All in all, eventually the utmost prerequisite is to identify a specific purpose and objective to target our action.

What the nowadays open challenges?

To take into account what feasible considering the limited resources available (e.g. ADRION budget)

The need to think strategically and define a clear strategy for data use

Some conclusions?

- Consider developing bottom-up strategic Projects so to design and structure the new programme as a result of a few well selected key priority projects.

- Pay attention to the modality to make the process evolving: starting from capacity building, building an ecosystem on some key themes; the idea is to identify the ecosystem prior to the designing of the strategy, in order to achieve a prior agreement among the ADRION (and/or EUSAIR)) partners

- Build consistent peer-to-peer ecosystems at macroregional scale by working on the enabling factors (ex.: overcoming the E-W digital divide). A good example to formulate shared objectives might be given by the Sevilla JRC S3 platform.

- In order to reach higher levels of effectiveness at the system level and to increase a shared ownership for the enabling networks, we recommend working with the key actors since the beginning.

Migration and refugees perspective

(Mr. Poli is CEI Project Manager and Focal Point for Migrations within the Central Europe Initiative – CEI)

CEI Secretariat gained experience on migrants and refugees since 2015, when the migrant crisis peaked in Western Balkans and Central-Southern Europe.

Reference is the MIGRALONA project as well as the active role of NALAS (Network of associations of local authorities of South East Europe - http://www.nalas.eu/) among other networks in the Western Balkans.

Further reference is the targeted analysis on migrants undertaken under the ESPON Programme.

The critical point is that de-facto quite often the migrant issues and their management is just devolved to the local level without an effective guidance from the national government level.

Crucial is the social inclusion related issues when dealing with the migrants and refugees.

A wide variety of methodologies, approaches and experiences have been developed, worth to be considered from a networking perspective and case study exchange.

A possible alternative approach should be possible (see the new Social Europe, the Europe closer to citizens) and considered under the future post-2020 programming, considering the empowerment of communities and civil society associations under the decentralised and widespread reception of migrants and refugees.

To be considered under such a critical framework the future perspectives beyond 2020, where a good case to be considered as an example is the new role the draft regulations envisage for the FSE+, opening a new enabling scenario to establish stronger synergies between the ETC and the ESIF mainstream. Such perspective opens promising scenarios – if properly considered – for a more consistent networking, where the ETC can steer further complementing funding from the other ESIF. Synergy among the funds seems eventually at reach, at least theoretically, improving the key issue on how to improve the governance of migrants policy throughout the A-I region.

In fact, the typical themes and approach of ESIF could be re-addressed by keeping the "moving people" perspective as a cross-cutting issue.

Even before the post-2020 ESIF entry into force the possibility to put forward actions - as a pilot – to be made operational, already acting under the current scheme (as the EC has often stressed without major results indeed).

To be noted two final points:

- EUSAIR is not as effective in its operational (in its governing bodies and implementation) as the EUSDR is. A good example of this is prior information and communication initiatives undertaken in view of next programming, so to pursue the active engagement of the civil society.

- Macedonia is about to get full access to the A-I space: that would open new scenarios for the cooperation in the macroregion worth to be carefully considered.

Conclusions and recommendations

In the next text, without presuming to be able to achieve a consistent synthesis, main points and remarks that arose from the second part of the meeting are listed hereinafter.

RER as ADRION MA might have taken a more conservative attitude towards future ADRION.

The preference instead has been given to a more proactive role on the future SIEF as well as the ETC and ADRION in particular. The overall position of ER on that issue is based on the "linkages theory", the cohesion as a means to foster linkages between more advanced and laggard regions in Italy, since that is an interest for the more advanced regions as well. This as a basic alternative to the compensatory approach. Currently, the ER position considers:

- Fostering the new cohesion policy in order to connect EU more dynamic regions with laggard ones, otherwise, all the European competitiveness might be affected.

- RER proposed to adopt the Vanguard Initiative method; the future ETC among its 5 components considers, in particular, the GVC and this can be seen as a result of it.

- ADRION is going to absorb the past maritime CBC of the A-I region, this is a scenario.

- Coordination of the vision for ADRION and MED, since they are both insisting on the same sea basin.

- Collaboration between the ADRION MA and the EUSAIR so to pave the way to a future more consistent action.

- Quality and scale of the current ADRION projects: need to improve the quality of the projects, capacity building needs.

- How to step up to a next level in each of the EUSAIR pillars? A reflection is needed to that. (See as positive reference the "digital divide" approach adopted by Italy, ensuring an integrated and coordinated play between public and private, even though with difficulties to turn it into practice).

- What can the ADRION bring and offer to EUSAIR to the future?

- Migration is a critical issue to be considered but most often preferably neglected.

The EUSAIR is undoubtedly lagging behind while compared with the other MR strategies. It is therefore mandatory to undertake efforts to catch up, that should be a priority. In such a context, there is a need to keep a pragmatic and concrete project approach, not being too ambitious given the context, but still well focused.

In such a context the ecosystem is possibly a too ambitious concept, the enabling network approach seems to be a more viable approach (e.g. network of Universities, working on existing small excellence centres). Not to be excluded the option to set up also point-to-point networks connecting similar bodies, so that the ADRION could even be engaged as a catalyser of a network of peer networks. The concept of homogeneous and heterogeneous networks has been discussed and different opinions exposed on this, considering pros and cons.

As for the objectives of future ADRION: agreement on the data centrality, in particular from the trasnport networking perspective; the pilot projects can be a good way to focus the ADRION action

The EUSAIR strategy is already in place and exists, so the ADRION would not be expected to develop an own strategy but to implement through concrete actions the existing one, through good and well-selected projects. E.g. the "Transport Masterplan" is

aimed at setting a sector strategic framework within the EUSAIR strategy useful for the next actions to be undertaken also by ADRION, where appropriate and feasible.

The national governance and coordination issue is a primary weakness, in particular considering the Italian case. That leads to a condition where we – like Italy – are not able to leverage on the added value generated by the MR strategies (that particularly clear taking the EUSALP strategy).

In such a condition it might be advisable to keep the strategy and the programme clearly differentiated, since the two processes are currently not that well coordinated. In fact either the strategy gets its own funds, becoming able to implement its proper priority actions, or the ADRION is explicitly considered as a funding instrument for EUSAIR. But the latter would raise the issue why not to merge the two under one single steering and management framework, but this apparently is not envisaged in the next future. Indeed the critical point – not accomplished at all by the EUSAIR – is that the Strategy should be able and capable to attract various funding sources for pursuing its objectives and priorities (either European ESIF or other including national ones from the public national budgets of the partner countries or even attracting private investments), but this doesn't appear to be the case for the time being.

Not to be forgotten the "Berlin Process" on the integration and convergence of the 6 Western Balkan Countries. There a further strategy to be considered. This a good example of a more general problem of the mismatch between strategies - plans – programmes in the MR. The EUSAIR should define a common strategic framework benefitting the Commission's placet. This is still a crucial pending issue.

There is no ability to read the whole under a strategic shared framework in Italy, including ESIF programmes, other strategies and policies run at the national level. Considering such a systemic weakness poses a major capacity building issue in the country.

Lack of political commitment to support the strategy and its implementation. This is a prior condition in order to consider the strategy as an effective "system of strategies".

During the discussion, the focus was given primarily to the methodologies, to a lesser extent to the themes and contents of the A-I cooperation. In general terms in the A-I region, a focus should be given to the social issues, the wellbeing, in particular under the perspective of the social innovation as a comprehensive and encompassing concept. Under such a framework the theme of migrants and refugees would be naturally included and considered.

Further considering the contents of the future ADRION from the last EUSAIR meeting held in Podgorica, during a simulation exercise most expressed interest has been given to the environment and tourism.

Knowledge is a fundamental theme, the platforms can be functional to the construction and consolidation of a common knowledge.

The current main lesson from the implementation of ADRION is that the programme is quite difficult to be managed since most of the projects are pretty small and limited in scope.

Looking at the current typology of partners for the projects, as we draw from the experience we can envisage two levels for future ADRION: cohesion among people (small projects), bigger and more strategic projects.

Some points considering the new regulation proposals not to be neglected:

- The bottom-up approach seems not anymore that welcomed since the EC nowadays would preferably see stronger projects already identified at programme level.

- The new draft regulations include specific indicators on capacity building and sustainable clusters and networks, able to keep enduring the action.

A viable approach to the future ADRION could be to consider a bottom-up process in building the programme while a more top-down management in its implementation. That process could be undertaken by launching a call for ideas or for networks, as an option to be considered quite soon, as triggering activity prior to the elaboration of the new Programme. Additionally why not launching a campaign of meetings for the capitalization of projects carried out with the Programme, by themes, and by priorities?

The Programme could be structured including that part of the budget is allocated to strategic projects (70%?) and the balance to small projects.

Networks between similar, networks connected with the respective territories: thematic networks vs. territorial networks. See Interreg Europe were the partners must commit themselves in the activation of local territorial partnership.

Attention should be paid to the call currently underway to evaluate the more restrictive structured which has been designed.

Eventually to be considered the Article 6 of the Catania Conclusions - A "road map" has been defined to identify the EUSAIR priorities to be adopted as a reference term for the future CTE programmes (ADRION in particular) but also the ESIF mainstream and therefore to national funds.

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TERRITORIAL WIDE AREA COOPERATION IN THE ADRIATIC-IONIAN REGION

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