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## 1. Joint programme strategy: main development challenges and policy responses

### 1.1. Programme area (not required for Interreg C programmes)

Reference: point (a) of Article 17(3), point (a) of Article 17(9)

The programme area covers the territory of border areas between Croatia, Bosnia and Herzegovina, and Montenegro. Calculated in numbers, the programme area covers 12 counties on the Croatian side, Brčko District of Bosnia and Herzegovina and 109 municipalities/cities on the side of Bosnia and Herzegovina and 11 municipalities on the side of Montenegrin border. This amounts to a total of 87.453,95 km<sup>2</sup> of programme area with 5.142.718 inhabitants, 35.73% of which lives in Croatia, 55.67% in Bosnia and Herzegovina and 8.60% in Montenegro (data from last official census). The population density is 58.80 inhabitants/km<sup>2</sup>. On the Croatian side, the programme area covers 38.405,00 km<sup>2</sup>, on the side of Bosnia and Herzegovina, the programme area covers 42.578,50 km<sup>2</sup> and on the side of Montenegrin border, the programme area covers 6.508,00 km<sup>2</sup>. Population change in the programme area is significant in last 30 years. There is a significant decrease in number of inhabitants in Croatia and Bosnia and Herzegovina, while Montenegro has slight increase in population.

The programme area could be divided into northern part and southern part where northern part is characterized with continental climate while the southern part enjoys a more Adriatic climate with hot, dry summers and autumns and mild and wet winters. The state border between the Republic of Croatia and Bosnia and Herzegovina is more than 1000 km long and predominantly follows River Sava and Una but also mountain Dinara while on the south, along with the land border, Croatia and Bosnia and Herzegovina are bordering on the Adriatic Sea as well. The border of Croatia and Montenegro is small in territory in comparison to other Croatian and Montenegrin borders. The relief of the area is predominantly mountainous areas. The most specific feature of this relief is the joint Adriatic Sea and elements of its natural surrounding such as rocky and dry hinterland with Mediterranean vegetation.

Main urban areas in Croatia are cities of Split, Zadar, Velika Gorica, Slavonski Brod, Karlovac, Sisak, Šibenik and Dubrovnik. Main urban areas in Bosnia and Herzegovina are Banja Luka, Tuzla, Zenica, Mostar and Bihać. Montenegrin part of the programme area has Podgorica, Nikšić, Bar and Herceg Novi as main urban areas.

1.2 Joint programme strategy: Summary of main joint challenges, taking into account economic, social and territorial disparities as well as inequalities, joint investment needs and complimentary and synergies with other funding programmes and instruments, lessons-learnt from past experience and macro-regional strategies and sea-basin strategies where the programme area as a whole or partially is covered by one or more strategies.

Reference: point (b) of Article 17(3), point (b) of Article 17(9)

## **Introduction**

The programme is designed as an instrument that will foster cooperation between Croatia, Bosnia and Herzegovina, and Montenegro, tackle joint challenges and indicate the possibility and need for an even better cooperation in certain areas in the future. It will continue to be an instrument helping public authorities gain insight into best practices and develop their own in a cooperative manner. It will also be open to other key stakeholders, strengthen their capacities and use their knowledge and skills to develop new solutions benefiting the region. The programme mission, beside strengthening the social, economic and territorial development of the cross-border area, is to encourage and support cross-border cooperation to make the area more resilient to common challenges. These challenges include among others economic transition processes, climate change, and the long-term socioeconomic consequences of the COVID-19 pandemic.

The programme is envisaged in a way to help address the main regional imbalances, contribute to reducing disparities between the levels of development of the regions involved with a specific reference to fostering cross-border regions.

## **Challenges and needs of the programme area**

The programme area is relatively large and heterogeneous in geographical terms and other socioeconomic factors that result in certain distinctions in various micro regions (e.g., north and south of Bosnia and Herzegovina or Croatia), whose areas of interest are different, but the programme has ensured all key areas are present in the intervention logic in order to meet all expectations.

Definition and design of the new programme strategy is based on a methodological process that has conjugated desk research and analysis with a wide stakeholders' consultation.

A detailed territorial and socioeconomic analysis of the programme area was done per each policy objective and specific objective. Below is a summarised overview of key findings regarding the challenges and needs of the programme area that have been recognized as key for the period 202 -2027:

### ***Economic development***

Looking at the basic indicators of socioeconomic development, in the period from 2015 to 2019, all three countries recorded a significant increase in GDP per capita. Croatia's GDP is by far the highest of all three countries (14.936,10 pp in 2019), followed by Montenegro (8.908,90), placing Bosnia and Herzegovina at the bottom whose GDP (6.108,50) amounts to less than half of that of Croatia. Population estimates show continuing negative demographic trends in Croatia and Bosnia and Herzegovina. In Croatia (4.29 mil. in 2011, 4.07 mil. inhabitants in 2019 and 3.9 mil. inhabitants in 2021) and Bosnia and Herzegovina (3.53 mil. in 2013 and 3.50 mil. inhabitants in 2018) the population is declining, while Montenegro (620.079 inhabitants in 2011 and 622.137 inhabitants in 2019) records a slight increase in population.

Analysing the economy more closely, with special emphasis on competitiveness and innovative approaches, smart economic transformation with new technologies in mind, the programme area is somewhat similar in the main challenges. SMEs in all three countries make up the largest significant part of businesses and total employment, but still the category of 'starting a business' is one of the lowest ranking as the bureaucratic administration continues to be a burden.

SMEs in Croatia account for 59,4% of value added and 68,9% of employment in Croatia's 'non-financial business economy', exceeding the EU average of 56,4% and 66,6% for employment. In 2016, SMEs in Bosnia and Herzegovina generated 66,3 % of total value added and 71,9 % of employment in the 'nonfinancial business economy'. SMEs in Bosnia and Herzegovina employed more people than the EU average, wholesale and retail trade being dominant with a share of 32,9 %, and a share of 30,9 % in total SME employment. SMEs in the Montenegro have a more significant role than the EU average. In 2017 SMEs accounted for 80,1 % of total employment and generated 69,5 % of total value added. In the period 2013-2017, SMEs in the Montenegrin 'non-financial business economy' achieved solid growth. In the period 2016-2017, SME value added increased by 15,5 %, far above EU SME growth of 1,7 %.

The infrastructure for SME development in all three countries is in place but needs to work on better synergies and maximisation of effects. There is a significant number of support institutions for entrepreneurs with the potential of developing cooperation on a cross-border basis. The focus in providing support to SMEs has to be connected with smart specialization strategy paired with efforts for digital transformation of SME business processes - Industry 4.0.

Regarding the area of R&D, which shows the agility and innovative potential of the economy, all three countries are lagging behind in the percentage of spending for R&D compared to the EU average. R&D investments in the Republic of Croatia have grown significantly, from 0.86% of GDP in 2017 to 1.27% of GDP in 2020, primarily thanks to European structural and investment funds (ESIF). However, Croatia still lags significantly with regards to the objectives set out in the National Reform Programme and the EU-27 by average. Croatia continues to be active and successful in Horizon 2020, having competitively already received EUR 121 million with 717 organisations involved and a success rate of applications of 14,13%, above the overall Horizon 2020 success rate of 12%. SME's participation in Horizon is 13,81% of country total. Croatia attained the best results in innovation outside of the research and development, precisely, with SMEs with marketing and organizational innovations, innovative SMEs in collaboration, start-ups and overall entrepreneurial activity. The weakest dimensions of innovation impact are intellectual property, export through intensive services knowledge and venture capital investment. The innovation system is characterised by modest research and innovative results, in scientific and economic terms, poor results come from the commercialisation of innovation, low sales effects of innovation and low talent-attracting capacity.

The country report of the European Commission for Bosnia and Herzegovina in 2020 shows that there was no progress in developing the action plan for implementation of the 2017-2022 revised strategy for scientific development. The country's estimated total allocations for research remain low at 0.3% of GDP. No progress was made to ensure reliable and comprehensive statistics on research and innovation. The country's research capacities remain very limited, while the trend of a brain drain continues, most notably in the health, medical, and IT sector, with no systematic measures having been introduced so far to address the issue. Initial activities on the development of a smart specialisation strategy for Bosnia and Herzegovina have been undertaken, but the strategy remains to be developed and adopted. Bosnia and Herzegovina continue to be active and successful in Horizon 2020, having competitively already received EUR 8 million, more than double the amount of the previous 7th framework programme FP7, and it is important to note the success rate of applications from Bosnian entities is at 12,62%. SMEs participation in Horizon is 12,39% of the country total. There is also a significant increase in the innovation activity, with 67 patents per 1000 researchers.

Using the European Innovation Success Scale European Innovation Scoreboard (EIS), Montenegro is classified as 'emerging innovator', those being states that show a performance level below 50% of the EU average. The country report of the European Commission for Montenegro in 2020 shows that Montenegro has a growing scientific base and the level of funding has been rising since 2017. R&I funding access has

improved through training support to access international funding. Research and development (R&D) funding increased to 0.50% of GDP in 2018 (up from 0,37% in 2017). In June 2019, Montenegro was the first non-EU country in the region to adopt a smart specialisation strategy (S3), covering the period 2019-2024 and prioritising the areas of agriculture, energy, health, tourism and ICT. The country's participation in Horizon 2020 has improved for 2019, receiving EUR 4.12 million, reaching a success rate of 13,79%. SME participation is 1,72% of the country total which is significantly lower compared to Croatia and Bosnia and Herzegovina.

With regard to the state of digitisation of the society, it is high on the priority list in all countries and regions with different initiatives in the public and private sector. However, compared to other EU countries there still remains a lot of work to be done in the context of transparency and usage of digital technologies for the public by the government. Key areas for improvement are in interoperability, strategic and regulatory framework of using the IT services and allowing the IT companies to easily interact with the public authorities in developing new solutions, since citizens are more and more likely to use the digital services, with higher percentages of computer and internet usage across three countries.

*To conclude, there is a joint challenge in raising the competitiveness level of SMEs and providing genuine support for their development and better cooperation. The patent number remains low in all countries since the cooperation between the economy and scientific institutions is not sufficient. Finally, digital transformation of SMEs business model remains the greatest opportunity through triple helix cooperation models.*

### ***Environment, energy and climate change***

Given the importance of this policy objective in the upcoming period, the importance and challenges in the programme area are diverse with focus on biodiversity and reducing greenhouse gas emissions.

Firstly, in line with the European plan for full decarbonisation and achieving climate neutrality by 2050, energy efficiency is essential, especially efficiency put into practice, i.e. energy renovation of buildings, more precisely testing new energy saving possibilities and pilot projects. Modernization of ICT and increasing innovations are key to achieving energy efficiency and, ultimately, decarbonization, a need clearly marked in policy documents of all three countries. In the programme area, there are numerous universities which focus their research on the development of new energy efficiency technologies, a resource that can be used for the implementation of pilot projects. Energy efficiency is high on the agenda in all countries, e.g., Framework Strategy of Bosnia and Herzegovina by 2035 emphasises the renovation of public buildings, as well as introducing the concept of energy management to public buildings, and in the Energy development strategy of Montenegro by 2030, one of the main goals is to increase energy efficiency by sectors but also strengthening of the legal framework, raising awareness and ultimately, increasing energy efficiency.

Secondly, taking into account that Europe is committed to becoming the first climate-neutral continent by 2050, the programme area is one of the most vulnerable areas in Europe where the serious effects of climate change are already being felt.

Programme area in all three countries face similar problems whose roots can be found in global warming, temperature extremes and other consequences of climate change whose further spread needs to be prevented. Strengthening efforts on climate protection, resilience building, prevention and preparedness in the region is therefore crucial. Also, additional efforts are needed to develop early warning systems, but also to develop awareness among the population about potential risks. The programme area is rich in

biodiversity that needs to be preserved. In this context, interregional co-operation is particularly important for border areas, with regards to biodiversity preservation and joint management of areas that are cross-border, and are influenced by risks that know no borders, i.e., floods, wildfires, air quality and other climate change related risks in general. Flood protection mechanisms are lacking in Croatia and Bosnia and Herzegovina, with hazardous areas around the rivers Vrbas, Bosna, Krivaja, Sana, Neretva and Sava.

The trend of reducing harmful gas emissions in Croatia and Montenegro is visible, with both countries taking part in international agreements on the topic. Bosnia and Herzegovina is also taking action, and plans to cut greenhouse gas emissions for 33.2 percent by 2030, and almost 66 percent by 2050, as pledged in its second national climate pledge to the United Nations Framework Convention on Climate Change. However, the process can be moved forward by using modern technologies and more renewable energy sources (e.g., in Montenegro, the modernisation and smart metering installation programme is expected to result in over 86.000 tonnes of CO<sub>2</sub> savings per year). These types of pilot actions and initiatives can be further addressed through the programme.

Lastly, the transition to a circular economy is necessary if greenhouse gas emissions are to be completely reduced, as half of the emissions come from resource extraction and processing. Croatia has significant potential to transition existing value chains in rural and coastal areas into sustainable and circular bio-economies. Moreover, recent technological developments are creating increasing opportunities to use waste and residues from agriculture, fishery, aquaculture, and forestry value chains to raise productivity, lower costs, reduce risks, produce value added products, and develop new markets. Improving the recycling process and increasing the rate of reused waste are key items, as the increase in waste production per capita is visible in the programme area. Circular economy and supply of raw materials is still not a sufficiently highlighted priority in the area, separate waste collection and waste recycling has only recently become an important subject (especially in Montenegro and Bosnia and Herzegovina). Systems are largely not in place and infrastructure is lacking for innovative and new techniques in waste re-usage. Although the circular economy requires much more extensive focus than simply on improving waste management, this seems to be the main focus. Of the three countries involved, only Croatia currently has plans to move to bioeconomy and plan more sustainable use of resources, while for Bosnia and Herzegovina and Montenegro, the organization of recycling and reuse of waste is still a challenge. It is necessary in the programme area to develop awareness of the need for a sustainable lifestyle, encourage small and medium-sized enterprises to develop innovative and more efficient production methods (and point out the benefits it brings) and encourage research and innovation.

*To conclude, given the importance of this policy objective in the new MFF, the programme area needs to be more efficient in energy consumption and develop new models for change to take place. The shift in paradigm and mindset around gas emissions together with the introduction of new concepts of circular economy are a major need of the area. Paired with raised awareness of climate related risks to the economy and society of the programme area will be beneficial for all stakeholders.*

### **Health care systems**

The COVID-19 pandemic is a global shock that has not spared Croatia, Bosnia and Herzegovina and Montenegro. It represents an unprecedented burden on their health care systems. The final extent of its footprint in terms of loss of human lives and damage to the economies is still difficult to assess, but early estimates foresee a drop between 4-6% of gross domestic product (GDP) in the region. Therefore, it is evident that the quality and distribution of health services will be one of the priorities in the future period.

According to the World bank, health expenditure (% of GDP) in Bosnia and Herzegovina for 2018 was 8,8%, in Montenegro 8,42% while in Croatia it was 6,83%, compared to an EU average of 9,8%. Health expenditure per capita in 2018 was for Croatia 1.523,49 EUR, for BiH 1.056,29 EUR and for Montenegro

1.389,64 EUR where the average in the EU was 2.885 EUR. The small pool of social health insurance contributors, combined with high hospital debt levels, raise concerns about the financial sustainability of the health system.

The demographic trend in all three countries shows that the population is in decline due to emigration, an aging population is increasing, and all this poses a danger to the pension system and economy in general, with an additional question of sustainability of health systems with public investment being high. Challenges to health services provisions are particularly numerous in border areas, where the nearest health institutions often are on the other side of the border. This makes a strong argument towards better development of existing services and introduction of new ones, non-institutional services since there is a low percentage of non-institutional services especially for the elderly and other vulnerable groups. The current situation in the programme area is seen as mostly under-managed in terms of sustainability of health care systems which show a decrease in medical staff. The health system has a well-placed infrastructure that can be modernised to be more efficient with the introduction of new technologies in the whole system. In addition, there is a lack of new approaches to the provision of health care services, so additional education and promotion of community-based services is necessary.

*To conclude, health is seen as a great priority in the area, given the outdated infrastructure and lack of skilled health workers that have been vastly under capacitated in the current pandemic. New models of cooperation and sharing resources to make health services more accessible to the local population and providing better quality service is seen as an opportunity for the resilience of health systems.*

### **Tourism and culture**

Tourism and culture play an important role in the economies and job creation in the majority of the programme area. Thus, it is vital to create joint offers of tourist products and services and provide new destination management tools, especially taking into consideration the potential of data driven decision making in order to ensure sustainability. There are wide opportunities in terms of natural and cultural heritage and diversification of tourism needs and use of new technologies in planning tourism development. The programme area is in need of revitalizing the offer of cultural and tourist destinations in less developed areas by creating a common cultural and tourist product and thus contributing to socio-economic problems that would present a key success of the programme.

According to the European Commission, Croatia is the first among other member states in the European union to depend mostly on tourism, observed as a 25% of its GDP with more than 90% of total tourism traffic located on the coast during the main summer tourist season. According to the eVisitor system, in 2019 the number of foreign tourist arrivals was about 18 million (an increase of 4,4%) and in the same period, around 94 million overnight stays were realized (growth of 1,7%) which is 12 million more overnight stays than it was estimated within the Tourism Development Strategy. Croatia is also one of the ten countries with the highest number of tourists per capita in the world, so we can conclude that the intertwined relationship that Croatia has with tourism, on the one hand the development of it based on mass tourism and the other hand the sustainable development and balance that need to be achieved for quality life of its residents and preservation of natural and cultural heritage is complex. The Register of Cultural Heritage of the Republic of Croatia contains about 8.000 registered cultural assets, 7 of which are on the UNESCO World Heritage List and 14 on the UNESCO Representative List of the Intangible Cultural Heritage of Humanity. It is important to point out that there are more than 400 protected natural areas in Croatia, out of which 36,53% are located within the EU Natura 2000 ecological network, which is approximately twice the average of the European Union.

Tourism sector is becoming a substantial contributor to the Bosnian and Herzegovinian economy and was estimated to represent 10,2% of GDP in 2018. Strong growth in tourist arrivals has continued over the past four years with 12,1 per cent growth in 2018 driving tourist arrival to a new high of 1,47 million of which 71,8% were international or foreign tourists. Since Bosnia and Herzegovina has only a narrow strip of coastline around Neum, it has developed predominantly continental tourism. There are four cultural

heritage goods from Bosnia and Herzegovina inscribed on the UNESCO World Heritage List, and on the tentative list of goods that the country can nominate in the coming period, there are nine more goods.

The importance of tourism for Montenegro cannot be underestimated as it brings almost 24% of the GDP (for the year 2018) and with 7,6% of the total employment is directly in the tourism sector. Furthermore, the export of tourism makes up for 52,6% of total export of Montenegro with tourist investments that make up 35,1% (369,8 million €) of all investments in the country in 2017. In 2018 there were 2,2 million tourists out of which 2,08 being foreign guests. Montenegro also has four UNESCO World Heritage Sites which make it an attractive and rich historic area, particularly given the size of the country.

*In addition, to make the area more socially inclusive and its economies more resilient, the tourism and cultural sector need to change their perspective and develop new services based on social innovation principles that are more adapted to new trends. The pandemic is therefore seen as an opportunity for a new recovery model, developing culture and tourism despite the pandemic, given its importance for the area.*

## **How will the programme contribute to change?**

### **Intervention logic**

With regards to the chosen policy objectives most suited for the programme area and having analysed the area in its key development areas, the programme has come up with a strategic programme objective **to foster smart, green and inclusive development of Croatia-Bosnia and Herzegovina-Montenegro cross-border region.**

With this in mind, the programme envisaged **4 key priorities** for the upcoming period, that can also be seen as a sort of continuation of the previous programme with certain new elements and characteristics desired in the new financial framework. The programme will therefore focus on a limited set of objectives and policy areas, i.e. concentrate on those thematic key areas where joint actions have the potential for the biggest impact:

- Priority Axis 1 - Smart investments in research, innovation and competitive entrepreneurship
- Priority Axis 2 - Green investments in environmental protection and efficient risk management
- Priority Axis 3 - Accessible and resilient health services
- Priority Axis 4 - Sustainable and inclusive tourism and culture

It is important to note that although increased in budget, the Programme will still mainly focus to support cross-border cooperation actions and pilot projects in the above-mentioned priority fields, and its main focus will not be on supporting large investments or infrastructures that should be tackled via other financial instruments and funds, with the exception of those investments that are clearly linked to cross-border cooperation and will bring benefits to the participating countries. In addition, the programme will also include the following two types of actions: it will have a small project fund aiming at smaller of grants and limited financial volume with a clear vision in mind to support the final beneficiaries in the most direct manner possible, but also support strategic projects vital for the three countries in certain areas of interest, as listed in the Annex 3.

### **Priority Axis 1 - Smart investments in research, innovation and competitive entrepreneurship**

The programme will support research and innovation, since these activities are cross-sectoral, with potential for integration of different fields and topics. These will be aimed at improving the capacity of

research organizations to conduct cutting-edge scientific research to further transfer knowledge and skills that can make a significant contribution to social development and economic growth, with special emphasis on environment related issues and ways to tackle climate change.

In order to foster SME growth and support their tendencies for digital transformation, the Programme will set up a small project fund (SPF) for SMEs as final recipients. This will have multiple positive effects on the area, since SME development and better competitiveness will result in more job opportunities and a better socio-economic situation in the area. Through this incentive, support will be given to the development and adaptation of business models, products, services and processes that strengthen the resilience and adaptation of businesses to climate change and implement new digital technologies in their work.

### **Priority Axis 2 - Green investments in environmental protection and efficient risk management**

Supporting the goals of the EU Green Deal, the Programme will focus its attention on sustainability and resilience. Key accent will be put on energy efficiency, biodiversity in the context of climate change resilience and circular economy concepts, mainly with the focus on waste management and innovative solutions for its re-use in production. These priorities put together will have a major impact on the carbon footprint of the programme area, i.e., they will introduce relatively unfamiliar concepts in the area, develop new innovative solutions, suggest key changes in relation to cross-border cooperation and insist on strategic planning for a better environment.

### **Priority Axis 3 - Accessible and resilient health services**

The programme area is in a need for modernization of the health system with the aim to make the health care more efficient and responsive to ever increasing needs given the pandemic and its lasting impact. The potential for cross-border cooperation is visible, with great relations between institutions in all three countries and the possibility of providing better services to border population. Supporting small-scale infrastructure and equipment together with the strengthening of human resources in health services, as well as introducing the new models of cooperation and protocols, will be funded through the programme.

### **Priority Axis 4 - Sustainable and inclusive tourism and culture**

Firstly, tourism and culture have a strong potential for cross-border cooperation and local development. Secondly, tourism has been one of the most important areas for the economies of the area that was hit the hardest with the pandemic. Previous programme has seen a lot of interest for project cooperation related to cross-border approaches in better management and revitalization of cultural and natural heritage. Combined, the downfall related to the pandemic (1), and strong capacities and organisations interested in cooperation (2) make this priority important in the upcoming period. The activities will be focused on diversification of tourism by investing in lesser-known destinations and diverse forms of tourism, by improving management capacities in the tourism sector and developing complementary services. In addition, the focus will be on projects triggering social innovation, i.e., development and implementation of new ideas concerning products, services, practices and models in the cultural and tourism sector, that simultaneously meets social needs and creates new social relationships or collaborations between public, civil society or private organisations.

To sum up, the types of results achieved by projects funded under the above-mentioned priorities can be grouped as follows:

- better services developed through small-scale infrastructure investment preferring nature-based solutions;
- new solutions and approaches developed;
- new cooperation and partnerships formed;

- enhanced capacity for strategic planning and improved policy development;
- increased and transferred knowledge and increased capacity;
- educated public.

As per funding allocation, the programme is in line with Article 6 CPR, Annex I CPR, Recital 5 Interreg, regarding the support for climate objectives. The objective aimed at tackling climate related risks has a total allocation of over 32 mil. € (32.848.068,10 mil. €) which corresponds to 30,70% of total programme allocation. Support for biodiversity (14,22%) and environmental (46,89%) objectives is also very strong, with types of activities in other priority area also tackling these issues - e.g., R&D projects that develop solutions and pilot actions to bridge the gap between biodiversity protection and practical implementation of such solutions/pilot actions, information exchange and knowledge transfer at cross border level to adapt the biodiversity protection to new threats and to raise awareness among experts, policy makers and citizens. In addition, projects under priority 4, aimed at innovative tourism services, will be strongly supporting biodiversity since it is one of the major attractors of tourists and key for the sustainable development of this sector.

### **Horizontal principles**

Cooperation projects that lead to the above-mentioned types of activities and results will all respect the horizontal principles of **non-discrimination, gender equality and environmental sustainability** during project design and implementation together with other elements of the **EU Charter of Fundamental Rights**. These are seen as necessary elements of all funded projects that will have to be demonstrated in the application and thus explaining how they intend to contribute to these themes.

Regarding environmental sustainability, beside the fact that the large portion of funding is streamed into environment related projects, the programme area is rich in natural and cultural resources and has a vast potential to improve the cross border environmental and nature protection, therefore contributing to this horizontal principle. However, all other planned activities within projects from priorities 1, 3, and 4 will also have to be in line and compliant with EU legislation, and consistent with related national laws and recommendations. Other sustainability principles, related to **UN Agenda for Sustainable Development** and SDGs (sustainable development goals) have been mentioned below in an exhaustive manner, with relations to each priority axis/specific objective.

The programme area is already recognized as a multicultural and multi-ethnic environment in which the development of cultural and national identity of national minorities is strongly supported, and the programme area will position itself as a region of strong promotion of cultural tolerance and strengthen social participation and integration into society. The situation analysis and SWOT addressed the needs of various target groups, including vulnerable groups. Adequate consideration of equal opportunities and non-discrimination issues was ensured through workshops and contribution from different stakeholders which will continue to be the case in other promotional activities of the programme and funded projects.

During the implementation of the programme the managing authority will promote the **strategic use of public procurement** to support policy objectives (including professionalization efforts to address capacity gaps). Beneficiaries should be encouraged to use more quality-related and lifecycle cost criteria. When feasible, environmental (e.g., **green public procurement criteria**) and social considerations as well as innovation incentives should be incorporated into public procurement procedures. The programme will strongly support the digital use of all publication within the projects, reducing the printing of physical publications whenever possible.

**Regarding the “Do no significant harm principle - DNSH”, the programme objectives and all actions within each specific objective have been developed in consideration of the Taxonomy Regulation and in compliance with “do no significant harm” principle, i.e. it will support activities that respect the climate and environmental standards and that would do no significant harm to environmental objectives. This will be achieved by insisting on compliance with all national and EU legislations concerning environmental protection, especially in relation to possible infrastructure investment. Applicants are expected to consider, where relevant, how the project submitted for funding, complies with the ‘do no significant harm’ principle. **However, all actions proposed in each of the specific objectives are not expected to have any significant negative environmental impact due to their nature and every infrastructure activity will be subject to environmental impact assessment as per the national legislation.****

Before being approved for support from the programme, all project applications will be assessed against criteria and procedures which are non-discriminatory and transparent, ensure accessibility to persons with disabilities, gender equality and take account of the Charter of Fundamental Rights of the European Union and the principle of sustainable development and of the Union policy on the environment. All projects should therefore strive for a performance with low carbon footprint, with equal opportunities for men and women and inclusion of underrepresented groups from the programme area. Contribution to the horizontal principles is foreseen as an assessment criterion and the information provided by the projects in the applications for funding will be assessed. Projects with a negative impact on sustainable development, equal opportunities, anti-discrimination, and gender equality will not be funded. Furthermore, respecting all horizontal principles will be monitored during project implementation phase through reporting and monitoring visits. Also, the programme will strongly support the measures which will ensure accessibility for persons with disabilities (investments in small-scale infrastructure adapted to specific needs of persons with disabilities, purchase of specialized equipment adapted for the use of persons with disabilities, publications adapted for the use of persons with disabilities, tailored made programmes and schemes, e.g., in tourism and culture, etc.).

### **Complementarities and synergies with other funding programmes and instruments**

The programme, as mentioned below, is in line with the key strategic documents dealing with the region. This is also the case regarding other funding programmes and instruments where the programme can create synergies, i.e., support additional project ideas. It is important to emphasize that the programme logic is not designed in a way to support big structural reforms, nor is this the goal of cross-border programmes, but will in contrast support projects with the biggest cross-border impact in the long run and create ideas/pilots/solutions that can be later implemented on a larger scale.

The Partnership Agreement between Croatia and the European Commission for the MFF 2021 - 2027 as one of the key development lever for the oncoming years has given clear guidelines on the desired goals for the future. All these goals, divided between different OPs (“mainstream”) such as: **programme Competitiveness and Cohesion, programme Effective Human Resources, Integrated Territorial Programme**; stress the importance of green and digital transformation of the economy and public sector, thus also including the priorities of this programme in their logic - from social innovation and health investments (potential synergy with ESF+) to digital transformation of SMEs and R&D initiatives. This is also the case with the Croatian **Recovery and Resilience plan** that will help the country be more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. To this end, the plan consists of 146 investments and 76 reforms, 40.3% of the plan will support climate objectives and 20.4% of the plan will foster the digital transition, which will to some extent serve as an ideal addition to this programme since the objectives are similar to some extent (e.g. sustainable tourism and green transition component).

In the non-EU countries, IPA III funding will support infrastructure projects and productive investments with a strong focus on the twin green and digital transition for the region, boosting circular economy and biodiversity and jointly implementing the upcoming Green Agenda for the Western Balkans. Investments are also probable in rural areas and agriculture, in the cultural and creative sectors, in health and human capital development, including education, and boosting cross-border cooperation, including innovation. In short, IPA III assistance will continue to support the efforts of the IPA III beneficiaries to advance regional, macro-regional and cross-border cooperation as well as territorial development.

Similar to the RRF (Recovery and Resilience facility) in member states, the EU has disbursed a total € 125 million in macro-financial assistance (MFA) to Bosnia and Herzegovina, and € 60 million to Montenegro. The focus of this assistance will be on improving economic governance, financial sector stability, transparency and fight against corruption and a better functioning of the labour market and social protection. This cross-border programme will benefit from the MFA since it will create some prerequisites for a better functioning system, and for better absorption of funds from this programme.

Since the topic of energy efficiency and building renovation is high on the agenda, there are different financing models available in the region. The Green Economy Financing Facility (GEFF) programme for the Western Balkans will continue in the future with a total of EUR 135 million invested in further increase of energy efficiency in the Western Balkan region, mitigating climate change. GEFF is implemented locally via the Regional Energy Efficiency programme (REEP Plus) and is supported by a grant issued by the EU, the Western Balkans Investment Framework (WBIF). GEFF Credit line provides funding for investments in the green economy's housing sector in the Western Balkans, as well as to companies that offer energy efficiency and renewable energy sources to households through their products and services. This is seen complementary to the priority of the programme aimed at R&D activities, SME support and energy efficiency.

The European Bank for Reconstruction and Development (EBRD) has also adopted a new country strategy for Montenegro for the period 2021-2026 with three priorities that are mainly complementary to the activities envisaged in this programme. They are aiming for the strengthening of private sector competitiveness, especially SMEs, with measures that promote strengthened capacity, commercialisation and improved governance, which is a great pair to the SPF scheme in this programme. The EBRD will also combine investment in renewables with policy engagement to increase renewable energy capacity and is keen to invest in low carbon and climate resilient municipal infrastructure and related services which is also in line with the second priority of the programme dealing with energy efficiency and improved policy development. The EBRD strategy for Bosnia and Herzegovina aims to support energy efficiency and renewable energy generation, while helping municipalities upgrade quality of services to promote Green economy, an area that will also be funded through this programme.

Coordination with other Interreg programmes (e.g., Croatia-Serbia, Italy-Croatia, South Adriatic, Slovenia-Croatia, MED, ADRION, Danube, Central Europe) and IPA-IPA CBC programmes (e.g. Bosnia and Herzegovina-Montenegro) will be closely monitored, and continuous exchange of information with the concerned MAs/JSs, especially during project assessment, will be conducted. This will allow to proactively promote synergies between projects and limit the risk of double financing. In addition, coordination will be monitored through national delegations who participate in monitoring committees of all concerned Interreg and IPA-IPA programmes and have a better insight of what is financed.

Furthermore, overlapping with other donor initiatives will be also monitored such as: UNDP initiatives in Montenegro (Growing green businesses in Montenegro; Creative Montenegro – Economic Valorisation and Creative Industries; Strengthening the cultural heritage management system), UNDP initiatives in Bosnia and Herzegovina, EU4Business and EU4Agriculture in Bosnia and Herzegovina, Regional Fund for South-East Europe, Regional Cooperation Council, etc.

Managing Authority will implement all available mechanisms to ensure potential synergies and complementarities, as well as avoidance of double funding, of the projects supported by the programme

and by other funds available in the Republic of Croatia, Bosnia and Herzegovina and Montenegro.

It is worth to mention **Union Civil Protection Mechanism**, which aims to strengthen cooperation between the EU Member States and 6 Participating States (Iceland, Norway, Serbia, North Macedonia, Montenegro, and Turkey) on civil protection to improve prevention, preparedness and response to disasters. Disasters know no borders and can hit one or several countries simultaneously without warning. Having a well-coordinated joint response means that when national authorities are overwhelmed, they have one point of contact, rather than multiple to deal with. A joint approach further helps to pool expertise and capacities of first responders, avoids duplication of relief efforts, and ensures that assistance meets the needs of those affected. By pooling together civil protection capacities and capabilities, it allows for a stronger and more coherent collective response. The Mechanism also helps coordinate disaster preparedness and prevention activities of national authorities and contributes to the exchange of best practices. This facilitates the continuous development of higher common standards enabling teams to understand different approaches better and work interchangeably when a disaster strikes. The synergy with this Mechanism could be seen in priority axes 2 and 3.

To conclude, the programme was formed in a way to be complementary to other funding opportunities, i.e., give way to additional types of projects that are better suited for cross border cooperation and hence give additional value in the sense of multi-country perspective.

The programme will encourage stakeholders to fully exploit the synergy potential of **HORIZON Europe**. Complementarities are clearly visible since HORIZON Europe facilitates collaboration and strengthens the impact of research and innovation in developing, supporting and implementing EU policies while tackling global challenges. It supports creating and better dispersing of excellent knowledge and technologies. First Horizon Europe strategic plan defines the strategic orientations for our research and innovation investments over the period 2021-2024 and acts as a compass to stay on course with the political priorities of the EC with a focus on a climate-neutral and green Europe, fit for the digital age, where the economy works for the people. Through the programme, special attention will be given to ensuring vibrant cooperation between universities, scientific communities and industry, including small and medium enterprises, and citizens and their representatives, in order to bridge gaps between territories, generations and regional cultures, especially caring for the needs of the young in shaping Europe's future.

The programme is committed to pay particular attention to its potential contribution to ERA (European research area). The aim of ERA and its importance today is to build excellence, cross-border cooperation between researchers, critical mass in key strategic areas, researchers' mobility and overall an open single market for research and innovation.

### **Lessons-learnt from past experience**

Based on the final evaluation of the previous programme and gathered input from stakeholders, the previous programme has been successful in its objective. In the period 2014-2020 the programme supported 59 projects and experience of these projects and knowledge gained provide a number of lessons learnt for 2021-2027 period. Therefore, this programme will continue the success of the previous period, with additional funds and hence a greater responsibility of achieving desired results.

Regarding lessons learnt from past experience, these should be highlighted:

- the programme area will face many difficulties and transformations in the upcoming period, including some uncertainties which could prove to have an impact on the interest of stakeholders for the programme. These relate to new trends focusing on digital and green transition, but also a possible economic uncertainty caused by the pandemic, and finally a continuous depopulation of

the area that will have to be addressed in the projects as well;

- the stakeholders are in general reactive, i.e., they prepare their project ideas mainly based on the open calls. Therefore, the calls have to be precise and give clear guidelines for desired outcomes to get the most out of the funded projects;
- internally, the management of the programme has proved to be administratively burdensome and time consuming, so the new programme will learn from previous experience, attract additional capacities or external support and be more agile in its activities. The interaction between programme bodies ensures the decision-making to be effective;
- the previous programming and planning of indicators has been proved difficult, since the reliability of the baseline data from the previous period has been questionable. Since the programme logic is different in this period, this has been mitigated by indicators that have clear targets and baseline, that will measure the direct results and success produced by the projects;
- the programme will give additional resources to better inform citizens and stakeholders about the benefits that the programme is bringing in the territories and has started doing this from the programming process by including a wide array of stakeholders.

### **How does the programme fit into other strategies?**

The programme area is crossed with numerous strategies and documents defining the desired development, national or regional ones. The programme is in line with the majority of strategies, advocating for the same goals, therefore helping in achieving the set goals of development.

Firstly, the programme ensures to be in line with the goals of key European documents, namely the **Green Deal** that drives the EU to a more sustainable and environment friendly region. The programme contributes to the goal of *building and renovating in an energy and resource efficient way* by investing in new models and pilots for energy efficiency in buildings, while renovating on a small scale. By supporting a circular economy concept, it directly supports the Farm to Fork Strategy. The preservation of biodiversity is in the heart of the Green Deal and taking into account the **EU Biodiversity Strategy for 2030**, the biodiversity crisis and the climate crisis are intrinsically linked. Climate change accelerates the destruction of the natural world through droughts, flooding and wildfires, while the loss and unsustainable use of nature are in turn key drivers of climate change. Nature is therefore a vital ally in the fight against climate change that is rated among five main direct drivers of biodiversity loss. By investing into projects that are promoting climate change adaptation, including green infrastructure, the programme is directly contributing to biodiversity of the area and is enhancing its ecosystem services. As an additional step in ensuring the achievement of the biodiversity objectives, the programme promotes and supports implementation of green infrastructure as solutions designed to deliver wide range of ecosystem services, thus supporting green economy, create new job opportunities and enhance biodiversity. The programme intends to support research and innovation capacities and the uptake of advanced technologies, as also defined in the Green Deal - mobilising research and fostering innovation. Although these will be targeted across different areas, R&D projects that support green transition will be additionally embraced. Finally, the programme is in line with the **European Climate Pact**, by promoting cross-border connections and knowledge sharing, that will educate the public about climate change and develop, implement and finally scale up solutions for climate change adaptation.

Looking at the relations between the EU and Western Balkans, the **Economic and Investment Plan for the Western Balkans**, aims to spur the long-term economic recovery of the region, support a green and digital transition, foster regional integration and convergence with the European Union. Of the five pillars defined in the guidelines for implementing the **Green Agenda for the Western Balkans**, the Programme directly addresses (i) climate action and (ii) circular economy, while others are also indirectly present in the programme logic. In addition, the programme is in line with flagship initiatives designed within the Economic and Investment Plan for the Western Balkans (Flagship 6 – renovation wave, Flagship 7 - waste

management and Flagship 9 – investing in the competitiveness of the private sector) and will help pave the way to a more successful region. Digitalisation will be a key enabler for the above-mentioned pillars.

The programme was developed in such a way that it promotes sustainable development to the fullest extent possible, taking into account some key policy areas mentioned in the *Towards a Sustainable Europe by 2030* document and the *South - East Europe 2030 Strategy* drafted by Regional Cooperation Council (RCC). More concretely, it will tackle the following **SDGs**:

3. Ensure healthy lives and promote well-being for all at all ages - the programme will invest in universal health coverage and health workers that are in short supply;
7. Ensure access to affordable, reliable, sustainable and modern energy for all - the programme will support pilot actions developing innovative solutions in heating and energy efficiency;
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all - the programme will foster for economic recovery and support new trends in SME development
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation - the programme will tackle the lack of investment in R&D in the area;
12. Ensure sustainable consumption and production patterns – through support to circular economy the programme will emphasize the sustainable development in food production and recycling;
13. Take urgent action to combat climate change and its impact - the programme will support reduction of greenhouse gas emissions and invest in climate risk reduction.

Secondly, at macro-regional level, the programme is in line with the **European Strategy for the Danube Region (EUSDR)** making an impact in the following priority areas depicted in the strategy:

- PA 2 Sustainable energy – the programme will invest in pilot actions and demonstration projects in the field of energy efficiency and renewable energy sources;
- PA 3 Culture and tourism - the programme will have a lasting impact on the change of the framework for tourism and culture development;
- PA 5 Environmental risks - the programme will have a significant part of the funds allocated to climate related activities;
- PA 6 Biodiversity, landscapes and air and soil quality – the programme will tackle this priority area through climate change adaptation actions;
- PA 7 Knowledge society – the programme will invest in research and innovation projects;
- PA 8 Competitiveness of enterprises - the programme will support SMEs directly for their competitiveness;
- PA 9 People and skills – the programme will support capacity building, joint training schemes, transfer of knowledge, development of skills, exchange of experience horizontally through all PAs.

The second important macro-regional strategy is the **European Strategy for the Adriatic and Ionian Region (EUSAIR)**, some of whose Pillars, flagships and topics are also dealt with in the Programme and will be supported through actions, namely:

- Pillar 1 Blue Growth (blue technologies, maritime and marine governance and services);
- Pillar 3 Environmental Quality (the marine environment, transnational terrestrial habitats and biodiversity) and
- Pillar 4 Sustainable Tourism (diversified tourism offer, sustainable and responsible tourism management).

Taking into account national strategies, all three countries have strategies that are valid until 2027/2030 and are in line with the general concepts promoted in EU documents and in this programme. **Croatian National Development Strategy 2030** points out strengthening crisis resilience and green and digital transition as two key priority policy areas, which is perfectly matched with the priorities of this programme. In the **Development Strategy of the Federation of Bosnia and Herzegovina 2021-2027** resource efficient and sustainable development is one of the major goals with focus on improving energy efficiency and increasing resilience to crises. **Brčko District strategy 2021-2027** recognizes, among other priorities, the development of tourism, modernisation of health care and public health systems, strengthening the resilience of natural and other disasters and efficient usage of energy as priorities for development - all tackled through this programme as well. Lastly, **National Strategy for Sustainable Development until 2030 of Montenegro** that is closely in line with SDGs, puts emphasis on the preservation of natural capital and introduction of green economy areas that will also be funded through this programme.

It is important to stress out that all three countries have recognized the importance of long term energy planning, and have developed long term strategies - **Energy Development Strategy of the Republic of Croatia until 2030 with a view to 2050, General Energy Strategy of Bosnia and Herzegovina until 2035, Energy Development Strategy of the Republic Srpska until 2035, Energy Development Strategy of Montenegro 2014-2030**, all of which stress out the importance of energy efficiency and new technologies for energy transition.

The special care is given to promotion of the **New European Bauhaus initiative**. The programme will foster the synergy within priority axes 2 and 4 and the complementarity with dedicated funds in order to contribute to the delivery of this Initiative. Various promotion channels will be used such as programme website and programme social media channels. Potential applicants will be informed and strongly encouraged to apply such initiatives and principles during various programme events such as information days, project clinics, etc. Furthermore, the programme will encourage the stakeholders/applicants/beneficiaries to follow the **European Quality Principles for EU-funded Interventions with potential impact upon Cultural Heritage** in order to adopt quality measures through raising awareness and by strengthening the implementation of conservation principles and standards at every stage of the cycle, from programming to evaluation.

The programme considered **EU Youth Strategy and European Youth Goals** and will encourage the inclusion of children and youth in projects and cross-border events, in particular within priority axes 2, 3 and 4.

To ensure that rural areas can continue to play these essential roles, a European Commission communication sets out **a long-term vision for the EU's rural areas up to 2040**. It identifies areas of action towards stronger, connected, resilient and prosperous rural areas and communities. Four complementary areas of action emerged, embodying a long-term vision from, by and **for stronger, connected, resilient and prosperous rural areas** by 2040. This EU vision will be addressed within all four programme PAs, especially with respect to tackling issues of social exclusion and job creation in rural areas, and the preservation of natural resources, the restoration of landscapes, including cultural ones, the greening of farming activities and shortening supply chains which will make rural areas more resilient to climate change, natural hazards and economic crises.

To conclude, the programme has considered key strategic documents on all levels, and its logic fits ideally in the main EU/national goals and objectives and will therefore be an additional enabler of change in the region. The funding distribution among different Priorities has been defined in a way to focus on digital

transformation, e.g., in the private sector to raise competitiveness but also through R&D for other sectors, and green transition, i.e., climate change risk mitigation and biodiversity preservation.

### **E-cohesion**

In line with Article 69(8) of CPR Managing Authority shall ensure that all exchanges of information between beneficiaries and the programme authorities are carried out by means of electronic data exchange systems in accordance with Annex XIV of CPR.

The programme programme has set up the electronic monitoring system (eMS) which has been successfully used during 2014-2020 period and is fully functional. For the period 2021-2027 the programme uses the new electronic system developed by the Interact programme, joint electronic monitoring system (Jems). The licence agreement between Managing Authority and City of Vienna was signed in March 2021. All exchanges between beneficiaries and programme bodies will be carried out by Jems.

In line with Article 69(9) of CPR, Managing Authority shall ensure that all official exchanges of information with the Commission are carried out by means of an electronic data exchange system in accordance with Annex XV of CPR. Managing Authority will use SFC2021 for all official exchanges of information with the European Commission.

1.3. Justification for the selection of policy objectives and the Interreg-specific objectives, corresponding priorities, specific objectives and the forms of support, addressing, where appropriate, missing links in cross-border infrastructure

Reference: point (c) of Article 17(3)

Table 1

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
1. A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity	RSO1.1. Developing and enhancing research and innovation capacities and the uptake of advanced technologies	1. Smart investments in research, innovation and competitive entrepreneurship	<p>Justification for the selection of PO1 PO1 is extremely important for the development of the programme area due to insufficient development compared to EU countries and an uneven development among the participating countries. Although underdeveloped, all three countries have a good basis for progress on this PO. Some of the key forces on which future development can be based are the high share of SMEs in terms of job creation and employment, high levels of Internet use, a significant number of entrepreneurship and development institutions and higher education institutions in the programme area. The development of the programme area in relation to the PO1 was recognized through opportunities for the development of projects related to research and innovation and competitiveness of SMEs.</p> <p>Justification for the selection of SO 1.1. Level of investment in research and technological development in the participating countries is still low. Private sector research and development is very limited, and cooperation between universities and industry is insufficient, resulting in low technology transfer. Also, there is a lack of practical research applicable in the private sector, exchange of experiences and positive practices within the private sector, and cross-sectoral cooperation on the</p>

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
			<p>development of new technologies, products, etc. The number of patents is low in all countries. Therefore, the main challenges are increasing innovation and research capacity, strengthening knowledge transfer, adding value to existing economic activities and creating new jobs. Cross-border activities represent the potential to improve the framework conditions for innovation by promoting links between research institutions and innovative enterprises in the programme area. Within this SO the Programme will foster SMEs involvement indirectly to promote research and innovation uptake in enterprises as well. There will be no direct support to businesses. Form of support: grants The nature of the operations and the relatively small scale does not allow the efficient deployment of financial instruments. Supported operations will not generate income, therefore, using financial instruments is not optimal because the beneficiaries will not have the resources to pay back the support. Therefore, grants are the most feasible way of support.</p>
<p>1. A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity</p>	<p>RSO1.3. Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments</p>	<p>1. Smart investments in research, innovation and competitive entrepreneurship</p>	<p>Justification for the selection of PO1 PO1 is extremely important for the development of the programme area due to insufficient development compared to EU countries and an uneven development among the participating countries. Although underdeveloped, all three countries have a good basis for progress on this PO. Some of the key forces on which future development can be based are the high share of SMEs in terms of job creation and employment, high levels of Internet use, a significant number of entrepreneurship and</p>

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
			<p>development institutions and higher education institutions in the programme area. The development of the programme area in relation to the PO1 was recognized through opportunities for the development of projects related to research and innovation and competitiveness of SMEs.</p> <p>Justification for the selection of ERDF SO 1.3. A common challenge throughout the programme area is the need for raising the level of competitiveness of small and medium-sized enterprises and supporting their sustainable development. Although the SME sector represents an important opportunity for local economies, it faces many challenges such as fragmentation, limited financial and managerial capacity of entrepreneurs, low turnover, lack of innovation, limited product range, and low export capacity. Participating countries lag behind in competitiveness compared to other EU Member States. The level of skills and experience needed for adding values to products and marketing them, especially internationally, is relatively low. The area lacks a skilled labour force, so it is necessary to invest in human capacity building for the implementation of new technologies and smart business solutions. Businesses will be directly supported via SPF mechanism. Form of support: grants The nature of the operations and the small scale does not allow the efficient deployment of financial instruments. Therefore, grants are the most feasible way of support.</p>
2. A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and	RSO2.1. Promoting energy efficiency and reducing greenhouse gas emissions	2. Green investments in environmental protection and efficient	Justification for the selection of PO2 PO2 is extremely important for the development of the programme area. Diversity in the use of energy

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
<p>fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation risk prevention and management, and sustainable urban mobility</p>		<p>risk management</p>	<p>resources and insufficient use of RES are among the main challenges. There is significant potential for the use of RES that needs to be used wisely. The development of the programme area in relation to the PO2 was recognized through the mentioned potential and favourable capacities (public institutions leading energy reconstruction, development agencies and tourist communities participating in nature protection projects). However, further steps are needed to achieve better energy efficiency, reduce pollution caused by the excessive use of fossil fuels in transport and heating, and better environmental protection. This includes building new RES capacity and further developing and diversifying existing energy sources. The possibility of a relevant cross-border partnership in this PO is very likely. Justification for the selection of ERDF SO 2.1. The EU Strategic documents emphasize energy efficiency as an extremely important pillar of European development until 2030. The European Green Deal, as one of the key strategic documents, sets out ambitious plans in the context of energy efficiency. The share of renewable energy in the programme area outside Croatia is low. Moreover, there is a constant risk of serious air pollution. The programme area still relies heavily on fossil fuels, so switching to renewables is key to green transition and environmental protection. A common problem in all three countries is the diversity of energy resources used and the insufficient use of RES. ICT modernization and increasing innovation are key to achieving energy efficiency and, ultimately, decarbonization. Therefore, there is a continuing</p>

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
			<p>need to promote energy efficiency and reduce greenhouse gas emissions and support the transition to renewable energy sources. There will be no direct support to businesses. Form of support: grants The nature of the operations and the relatively small scale does not allow the efficient deployment of financial instruments. The supported operations will not generate income, therefore, using financial instruments is not optimal because the beneficiaries will not have the resources to pay back the support. Therefore, grants are the most feasible way of support.</p>
<p>2. A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation risk prevention and management, and sustainable urban mobility</p>	<p>RSO2.4. Promoting climate change adaptation and disaster risk prevention, resilience taking into account eco-system based approaches</p>	<p>2. Green investments in environmental protection and efficient risk management</p>	<p>Justification for the selection of PO2 As described within RSO2.1. Justification for the selection of ERDF SO 2.4. Environmental risks and disasters associated with climate change, such as floods or fires, are an increasingly common issue in the programme area. The programme area divides watercourses and natural ecosystems, so common problems (special attention should be paid to the fact that the Mediterranean is a climate change hotspot) and potential risks (floods, wildfires, landslides, droughts, sea pollution, earthquakes, invasive alien species, etc.) transcend borders of the cross-border area. Because of such immediate joint risks, the cooperation in risk prevention and fostering resilience is a great opportunity to bring about change in approaching the climate changes, but also to create policy and people-to-people linkages that will spill over to other areas of cross-border cooperation. It is important to harmonize and standardize the preparation of local community responses and their actions at the cross-border level</p>

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
			<p>for effective emergency preparedness and response. To achieve this, cross-border cooperation is essential, in particular in strengthening appropriate communication tools that need to be simple, action-oriented, and tailored to the general public. There will be no direct support to businesses. Form of support: grants The nature of the operations and the relatively small scale does not allow the efficient deployment of financial instruments. The supported operations will not generate income, therefore, using financial instruments is not optimal because the beneficiaries will not have the resources to pay back the support. Therefore, grants are the most feasible way of support.</p>
<p>2. A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation risk prevention and management, and sustainable urban mobility</p>	<p>RSO2.6. Promoting the transition to a circular and resource efficient economy</p>	<p>2. Green investments in environmental protection and efficient risk management</p>	<p>Justification for the selection of PO2 As described within RSO2.1. Justification for the selection of ERDF SO 2.6. While it is clear that increasing resource efficiency - from preventing waste generation to using waste as a resource - are the necessary elements of sustainable, circular economy, the performance across the area still lags behind the European average. Material resource efficiency, the circular economy, and the supply of raw materials are still not sufficiently highlighted priorities in the programme area. Although the circular economy requires a broad focus from simply improving the waste management system, only Croatia, as an EU Member State, has made shifts to sustainable use of resources, even if still not fully compliant with the EU standards, while other 2 countries are facing limits in regard to financial and administrative capacities, in order to reduce the recycling rates. There will be no direct</p>

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
			support to businesses. Form of support: grants The nature of the operations and the relatively small scale does not allow the efficient deployment of financial instruments. The supported operations will not generate income, therefore, using financial instruments is not optimal because the beneficiaries will not have the resources to pay back the support. Therefore, grants are the most feasible way of support.
4. A more social and inclusive Europe implementing the European Pillar of Social Rights	RSO4.5. Ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family- and community-based care	3. Accessible and resilient health services	Justification for the selection of PO4 Policy Objective “Social Europe” is extremely important for the development of the programme area due to the current situation which is considered to be mostly insufficiently managed in terms of sustainability of health care systems which show reduction of medical staff, while population aging is increasing. The key development opportunities of the programme area in relation to the Policy Objective “Social Europe” are the recognized need for deinstitutionalization of health care, well-developed labour market infrastructure in the programme area and the constant increase in tourist demand. The health system has a well-established infrastructure that can be modernized to be more efficient. Also, there are wide possibilities in terms of natural and cultural heritage and the diversity of tourism needs and the use of new technologies in tourism development planning. Justification for the selection of SO 4.5. The right to timely access to affordable, quality preventive and curative care is one of the key principles of the European Pillar of Social Rights. The vulnerability of the health care systems across the area has been especially

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
			<p>demonstrated during the COVID-19 crisis. There is a need for further development and implementation of advanced medical technologies in the programme area, especially through joint cross-border actions. Strengthening cooperation between health care providers could help them to function more effectively in the context of increasing mobility of patients and health care professionals. There will be no direct support to businesses. Form of support: grants The nature of the operations and the relatively small scale does not allow the efficient deployment of financial instruments. The supported operations will not generate income, therefore, using financial instruments is not optimal because the beneficiaries will not have the resources to pay back the support. Therefore, grants are the most feasible way of support.</p>
<p>4. A more social and inclusive Europe implementing the European Pillar of Social Rights</p>	<p>RSO4.6. Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation</p>	<p>4. Sustainable and inclusive tourism and culture</p>	<p>Justification for the selection of PO4 Policy Objective “Social Europe” is extremely important for the development of the programme area due to the current situation which is considered to be mostly insufficiently managed in terms of sustainability of health care systems which show reduction of medical staff, while population aging is increasing. The key development opportunities of the programme area in relation to the Policy Objective “Social Europe” are the recognized need for deinstitutionalization of health care, well-developed labour market infrastructure in the programme area and the constant increase in tourist demand. The health system has a well-established infrastructure that can be modernized to be more efficient. Also, there are wide possibilities in terms</p>

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
			<p>of natural and cultural heritage and the diversity of tourism needs and the use of new technologies in tourism development planning. Justification for the selection of SO 4.6. The tourism sector plays an important role in the economy of the programme area, significantly contributing to employment and added value. Tourism also has great potential for further economic and social development of the programme area. The Covid-19 crisis has negatively affected tourism, culture, and related sectors, which have suffered significant losses, especially micro and small enterprises. In the post-Covid 19 period, it is important to develop a more resilient and sustainable tourism sector that will preserve the identity of the programme area and its shared resources, natural and cultural heritage that is currently challenged by insufficient conservation and sustainable valorisation. Cross-border valorisation of shared heritage can support job creation and activate cultural and creative industries as drivers of innovation, especially in the field of social innovation. There will be no direct support to businesses. Form of support: grants The nature of the operations and the relatively small scale does not allow the efficient deployment of financial instruments. The supported operations will not generate income, therefore, using financial instruments is not optimal because the beneficiaries will not have the resources to pay back the support. Therefore, grants are the most feasible way of support.</p>

## 2. Priorities

Reference: points (d) and (e) of Article 17(3)

### 2.1. Priority: 1 - Smart investments in research, innovation and competitive entrepreneurship

Reference: point (d) of Article 17(3)

#### 2.1.1. Specific objective: RSO1.1. Developing and enhancing research and innovation capacities and the uptake of advanced technologies

Reference: point (e) of Article 17(3)

Developing and enhancing research and innovation capacities and the uptake of advanced technologies

##### 2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

The cross-border area has a great unrealized potential in increasing innovative forms of economic activity for its future economic development. With the whole of Europe undergoing green and digital transition, the programme area is yet to use the strengths it has in the presence of a number of research institutions and a relatively high number of SMEs in order to foster innovative and competitive economic base. Better innovative capacity is pivotal for increasing economic activities, both in economically better tourism-oriented part of the area, as well as in the more rural areas with demographic challenges. Even though institutional basis (presence of higher education and research institution) in the area exists, knowledge creation and technology transfer is yet to become an integral part of the economic activity to the level at which it can support a more competitive and smarter forms of economy.

The programme will be focused on supporting actions that accelerate innovation and technology transfer, primarily (but not exclusively) in the areas of blue and green economy, circular economy, agriculture, food production, fisheries and aquaculture, climate change, renewable resources, smart manufacturing, biodiversity, skills development for smart specialization etc.

Examples of cross-border actions to be supported (non-exhaustive lists):

1. Supporting cross-border innovation and technology based on smart specialization approach and improving cooperation between research institutions, SMEs, public sector, and business support organisations
2. Strengthening and modernising business support services (including small-scale infrastructure preferring nature-based solutions) that could help with: trainings, marketing, developing and or implementing new services/products, using ICT and new technologies, implementing innovative solutions in business organisation and processes (blockchain, big data, cloud computing, Internet of Things, advanced manufacturing, robotics, artificial intelligence, cybersecurity, etc.)
3. Accelerating innovation and technology transfer including commercialisation of the final product or solution (e.g. blue and green economy, circular economy, agriculture, food production, fisheries and aquaculture, climate change, renewable resources, smart manufacturing, biodiversity, skills development for smart specialization). These technologies should belong on the low carbon technology list and will include applications to minimize resource consumption in other sectors (agriculture, food production, manufacture etc.).
4. Supporting pilot lines, early product validation, certification, advanced manufacturing capabilities including via science – business collaboration
5. Pilot actions aimed at transferring good practices on green economy trends and standards
6. Enhancing support services for SMEs and entrepreneurs to improve their access to research and technological innovations

7. Enhancing transfer and upscaling of proven green solutions to reduce the environmental footprint of production processes and open up green business opportunities
8. Improving capacities and integration of innovative solutions using ICT for public sector needs including information, education and support to the public in use of e-services of public administration
9. Supporting the establishment of Living Labs, test-beds and ecosystems to promote the development and actual use of innovative solutions
10. Supporting cooperation of public authorities in development, implementation and monitoring of smart specialisation strategies and other policy tools for development of innovative economy
11. Establishing connections and long-term cooperation between research institution especially in joint capacity building for innovation and technology transfer to businesses.

The proposed non-exhaustive list of actions is aimed at creating linkages, boosting capacities and promoting best practices of cooperation among businesses that will enable development of smart and innovative economy across the area. They aim at creating favourable preconditions for the enhancement of the technology base of the economic activity in the programme area by raising the policy-making capacities, establishing of institutional cooperation across the quadruple helix, creating the best practices in businesses and establishing business and knowledge exchanges across the border.

Actions will directly contribute to EUSDR priority area 7 and EUSAIR pillar 1. However, other priority areas of EUSDR will be addressed also (5, 6 and 8) as well as EUSAIR pillar 4.

The types of actions have been assessed as compatible with the DNSH principle since they are not expected to have any significant negative environmental impact due to their nature.

The proposed list of actions should be addressed through regular projects and strategic project as listed in Annex 3.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
1	RSO1.1	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	10
1	RSO1.1	RCO87	Organisations cooperating across borders	organisations	0	32
1	RSO1.1	RCO116	Jointly developed solutions	solutions	0	7

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
1	RSO1.1	RCR84	Organisations cooperating across borders after project completion	organisations	0.00	2021	16.00	Programme monitoring system	
1	RSO1.1	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	4.00	Programme monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

Target groups include all the relevant stakeholders that make up for a healthy innovation ecosystem. These are all elements of the quadruple helix that support innovative economy from the knowledge generation to marketing of the innovative products. They include:

- Public authorities (national/regional/local level) and bodies governed by public law
- Research institutions and higher education organisations (universities, faculties, institutes)
- Business support institutions, e.g., regional and local development agencies, chambers of commerce, innovation agencies and hubs, business incubators, competence centres, technology and industrial parks, start-up centres
- Business clusters, associations or non-governmental organisations aimed at promotion of technology transfer and innovation
- SMEs will be included only indirectly
- All population groups which will benefit from an improved research activities and innovative actions.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The entire programme area is targeted.

#### 2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

Not applicable.

2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
1	RSO1.1	IPA III	004. Investment in fixed assets, including research infrastructure, in public research centres and higher education directly linked to research and innovation activities	2,708,000.00
1	RSO1.1	IPA III	028. Technology transfer and cooperation between enterprises, research centres and higher education sector	2,031,000.00
1	RSO1.1	IPA III	030. Research and innovation processes, technology transfer and cooperation between enterprises, focusing on circular economy	2,708,000.00
1	RSO1.1	IPA III	012. Research and innovation activities in public research centres, higher education and centres of competence including networking (industrial research, experimental development, feasibility studies)	3,385,000.00
1	RSO1.1	IPA III	029. Research and innovation processes, technology transfer and cooperation between enterprises, research centres and universities, focusing on the low carbon economy, resilience and adaptation to climate change	2,708,000.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
1	RSO1.1	IPA III	01. Grant	13,540,000.00

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
1	RSO1.1	IPA III	33. Other approaches - No territorial targeting	13,540,000.00

2.1.1. Specific objective: RSO1.3. Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments

Reference: point (e) of Article 17(3)

Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

Even though the area in general lags behind the economic development, including the competitiveness of its SMEs and jobs created, the programme area still has a relatively high share of SMEs in regard to job creation and employment, as well as an established infrastructure of a significant number of entrepreneurial and development supporting institutions.

Still, the competitiveness level is low, mainly due to lack of technological advancement and lower level of technical, digital and marketing capacities of the SMEs, poor access to finance, as well as insufficiently effective VET training and a mismatch between education and labour market, and specifically in Bosnia and Herzegovina, a lack of strategic framework in particular for S3 and R&I infrastructure and a high brain drain.

Cross-border cooperation has a potential to boost the SME support across-border, serving as a facilitator for new partnerships across industries that encourage modernization and sustainability. SMEs are on average small and lack the skills and resources to compete even locally, let alone globally. They rarely use opportunities to cooperate, establish cross-border value chains or market their products across the borders.

Low levels of digitisation and opportunities created by the usage of digital tools both in business processes improvement, production and marketing are an area in which successful best-practices exchanges and new models can create a significant improvement.

Examples of cross-border actions to be supported (non-exhaustive lists):

1. Supporting local SMEs to face challenges related to their size, limited resources (such as skills and finance) or industry and market conditions
2. Improving the capacity of micro and small entrepreneurs such as family farms regarding marketing, branding, e-business, competitiveness including education and training in entrepreneurship skills
3. Developing and supporting existing business clusters and/or networks of SMEs in applying ICT, innovation and new technologies to develop and promote common products for local cross-border and international market
4. Implementing joint pilot actions to introduce product and/or process innovations
5. Supporting actions related to development of innovative products and services (e.g., patents, industrial design, trademark and innovation etc.)
6. Promoting and introducing (international) certifications and standards of existing and new products and services

7. Cross-border development, adaptation and exchange of best practices in digitisation and application of new technologies, processes, products or services to be directly used by the enterprises

Expected results:

Cross-border cooperation activities are to directly support the SMEs in the programme area in order to raise their competitiveness, sustainable growth and subsequently job creation. The programme will do so by encouraging their cooperation and exchange in entrepreneurial skills, digitisation and technological advancement, the creation of cross-border value chains, exchanging best practices in generating and developing and marketing their products, and especially in competing on the new, cross-border markets and by simplification of legal and regulatory framework, accessible and easy finance, ensuring adequate infrastructure and education, and business support services.

The proposed list of actions should be addressed through Small Project Fund (SPF).

**Project durability** related to business support will be duly taken into consideration by minimising risks through coaching and technical support to SMEs, reduction of administrative burden and use of SCOs and all possible simplification measures. Furthermore, SPF beneficiary, HAMAG-BICRO, is the Croatian Agency for SMEs, Innovation and Investments established by the Government of the Republic of Croatia with the purpose of enhancing SME development and promoting investment and innovation. The Agency is an independent institution under the supervision of the Ministry of Economy and Sustainable Development. During its 20 years of existence, the Agency has persistently advocated the promotion of small businesses and the development of entrepreneurship in the Republic of Croatia. The Agency's activities include encouraging the founding and development of small business entities, encouraging investment in small businesses, financing the business and development of SMEs by lending to and providing guarantees to SMEs for approved loans by creditors, as well as providing support for research, development and application of modern technologies. The Agency have financed more than 16.000 projects and invest more than 3 billion EUR.

Nevertheless, SMEs will further have to demonstrate their financial capability during assessment process. Risk based approach will be widely used in order to mitigate the potential issues. Since the programme support to small projects will be limited (it is expected that average small project with 3 project partners will receive in total 200.000 EUR), investments in infrastructure and productive investments are not expected on a higher scale. It is expected that majority of SMEs will work on and have focus on innovation. Furthermore, output and results should usually be achieved (if successful) by the end of a project. Therefore, durability period for SMEs will be shorten to 3 years.

Actions will directly contribute to EUSDR priority area 8 and EUSAIR pillar 1. However, other priority areas of EUSDR will be addressed also (3, 7 and 9) as well as EUSAIR pillar 4.

The types of actions have been assessed as compatible with the DNSH principle since they are not expected to have any significant negative environmental impact due to their nature.



2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
1	RSO1.3	RCO02	Enterprises supported by grants	enterprises	0	120
1	RSO1.3	RCO01	Enterprises supported (of which: micro, small, medium, large)	enterprises	0	120
1	RSO1.3	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	12
1	RSO1.3	RCO116	Jointly developed solutions	solutions	0	8

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
1	RSO1.3	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	4.00	Programme monitoring system	
1	RSO1.3	RCR03	Small and medium-sized enterprises (SMEs) introducing product or process innovation	enterprises	0.00	2021	40.00	Programme monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

While the benefits of the funded actions are expected throughout the business sector, starting from the entrepreneurs and their current and potential future employees, to larger companies, business support institutions and local, regional and national governments, the actions of this specific objectives are to be implemented as a direct support (Small project fund) to the micro and small enterprises from all three participating countries through Croatian agency for SMEs, Innovation and Investments (HAMAG BICRO) as the central business support institution in Croatia with significant capacities both in terms of SME development as well as in terms of EU funds disbursement, including the management and control system.

Target groups also include all population groups which will benefit from an improved economy, be it directly or indirectly.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The entire programme area is targeted.

2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

Not applicable.

2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
1	RSO1.3	IPA III	021. SME business development and internationalisation, including productive investments	4,000,000.00
1	RSO1.3	IPA III	010. Research and innovation activities in SMEs, including networking	3,000,000.00
1	RSO1.3	IPA III	013. Digitising SMEs (including e-Commerce, e-Business and networked business processes, digital innovation hubs, living labs, web entrepreneurs and ICT start-ups, B2B)	3,000,000.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
1	RSO1.3	IPA III	01. Grant	10,000,000.00

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
1	RSO1.3	IPA III	33. Other approaches - No territorial targeting	10,000,000.00

## 2.1. Priority: 2 - Green investments in environmental protection and efficient risk management

Reference: point (d) of Article 17(3)

### 2.1.1. Specific objective: RSO2.1. Promoting energy efficiency and reducing greenhouse gas emissions

Reference: point (e) of Article 17(3)

Promoting energy efficiency and reducing greenhouse gas emissions

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

The cross-border area has a significant potential for the use of renewable energy sources. Exploiting this potential requires large investments in infrastructure, while substantial cross-border effects would require improvement and harmonization of regulatory conditions at national levels, both of which goes beyond the framework of cross-border cooperation programmes. The impact of cross-border cooperation, however, is expected on the development of favourable models and exchange of experiences and practices that contribute to the reduction of CO<sub>2</sub> emissions. Also, the programme aims towards the effects in reducing energy consumption, the introduction of innovative technologies in the field of renewable energy sources and in particular supporting models and practices that raise the energy efficiency of buildings and households. The actions will be focused on public infrastructure, creation of knowledge-base and human resources required for energy transition, as well as on national, regional and local agencies that promote energy efficiency and support and encourage end users to use energy from renewable sources and rationalise the energy consumption. Considering increasing energy demands and increasingly limited resources, the development of energy saving and energy efficiency enhancement methods will be a priority in the future development of the area. The programme will not support production of biomass deriving from deforestation or forest degradation or waste incineration or any activity leading to significant increase in incineration.

The proposed actions include measures and actions that increase energy efficiency and improve the integration of sustainable energy sources in different sectors preferring nature-based solutions, such as (a non-exhaustive list):

1. Developing and implementing joint pilot and demonstration actions on innovative technologies, measures and solutions in the field of energy management (collection of integrated data and the interoperability of data through digital technologies, use of innovative technology for energy saving and necessary reinforcement or extension of the grid) and reducing greenhouse gas emissions (e.g., monitoring of air quality and other parameters in public buildings on a larger scale) and use of RES (e.g., demo centres/plants),
2. Investments in measures and actions that increase energy efficiency and improve the integration of sustainable energy sources in different sectors with consideration of use of clean mobility and transport, including small-scale infrastructure preferring nature-based solutions
3. Promoting pilot actions in the public buildings sector which are in line with the Renovation Wave and the EU Green Deal. Cross-sectoral nexus approach should be emphasized by integrating buildings energy and seismic retrofit

4. Joint incentives and pilot projects to encourage and ensure a strategic approach to energy efficiency (e.g., developing SECAP, including both mitigation and adaptation, establishing energy hierarchy, such as reduction of energy demand, ensuring efficient use of energy, generating energy needs from renewable sources, etc.)
5. Strengthening the cross-border cooperation and transfer of knowledge in the region through exchange of experience, information (awareness raising) and capacity building through online and in-situ trainings to improve skills in the field of energy efficiency
6. Implementing pilot actions to test innovative and climate-neutral solutions through, e.g., taking up and exploiting R&D results for the energy efficient renovation and heating and cooling of buildings (including cultural heritage buildings)
7. Improving energy demand management and fostering behavioural changes of consumers for reducing energy consumption and a resource-efficient and sustainable use of energy
8. Promoting the production and use of advanced biofuels (produced from non-food crops, such as cellulosic biofuels, and biomass supplied from sustainable sources) as well as other renewable energy sources (e.g., solar, geothermal energy), prioritising the use of brownfield locations.

Programme shall support reuse and use of secondary raw materials and reused components, design for high durability, recyclability, waste management that prioritises recycling over disposal and traceability of substances and materials used.

Expected results of the actions are improved conditions for public sector investments and innovations in energy efficiency and integration of sustainable energy sources in different sectors across the programme area.

Actions will directly contribute to EUSDR priority areas 2 and 5, and to EUSAIR pillar 3.

The types of actions have been assessed as compatible with the DNSH principle since they are not expected to have any significant negative environmental impact due to their nature.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
2	RSO2.1	RCO116	Jointly developed solutions	solutions	0	10
2	RSO2.1	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	10

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
2	RSO2.1	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	5.00	Programme monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

The programme will aim at encouraging beneficial models and practices in energy efficiency and reduction of greenhouse emissions with end users (households, buildings, businesses) through supporting the public sector institutions that can educate end users and service providers, as well as initiate, plan and promote energy efficiency, so the main target groups are: public authorities (national/regional/local level) and bodies governed by public law, public energy actors (agencies, operators and facilities), public providers of communal services, regional and local development agencies, education and research institutions and organisations and NGOs and Cooperatives active in the energy efficiency field. Target groups also include all population groups which will benefit from an improved regional and local energy performance.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The entire programme area is targeted.

2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

Not applicable.

2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.1	IPA III	046. Support to entities that provide services contributing to the low carbon economy and to resilience to climate change, including awareness-raising measures	2,300,500.00
2	RSO2.1	IPA III	044. Energy efficiency renovation or energy efficiency measures regarding public infrastructure, demonstration projects and supporting measures	9,202,000.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.1	IPA III	01. Grant	11,502,500.00

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.1	IPA III	33. Other approaches - No territorial targeting	11,502,500.00

2.1.1. Specific objective: RSO2.4. Promoting climate change adaptation and disaster risk prevention, resilience taking into account eco-system based approaches

Reference: point (e) of Article 17(3)

Promoting climate change adaptation and disaster risk prevention, resilience, taking into account ecosystem-based approaches

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

The natural environment is one of the key elements of the programme areas attractiveness and its socio-economic development potential. Its diverse geographical conditions, presence of the two types of climate, richness in water resources and forests, the fact that it belongs both to Danube basin through Sava river basin in the north, and to the Adriatic Sea in the south makes it an area with high biodiversity, rich in different, but also very sensitive ecosystems. The abundance of water resources is one of the great riches of the programme area. However, much like other parts of Europe, the programme area has been very much exposed to the negative effects of climate changes (floods, wildfires, landslides, droughts, sea pollution, earthquakes, invasive alien species etc.). Floods and wildfires are increasingly frequent due to more extreme weather conditions. Such events demand direct joint action once they take place, but the area already has different local and national models of cooperation in monitoring and prevention in place. Additionally, even if not related to the climate change, the area is at risk of earthquakes that have in 2020 demonstrated that consequences are felt across the borders. Finally, the responsibility for the preservation of the Adriatic Sea as a common resource and a sensitive eco-system, as well as the need to foresee the climate change adaptation measures in the coastal area are at the forefront of cross-border challenges that the countries and regions in the programme area share.

The programme will thus focus very much on finding joint solutions and developing sustainable systems that will help all the relevant stakeholders to jointly promote disaster prevention and resilience, as well as the climate change adaptation.

Examples of cross-border actions to be supported (non-exhaustive lists):

1. Development and introduction of joint climate change adaptation, cross-border disaster prevention strategies and first response plans, as well as solutions and systems for monitoring, prevention and management of potential risks (e.g., floods, wildfires, landslides, droughts, sea pollution, earthquakes, invasive alien species, etc.), including education of public and regulation of behaviour
2. Encouraging intersectoral/interstate cooperation in risk prevention and rapid response management through development and implementation of joint protocols, procedures, approaches and measures, small-scale infrastructure preferring nature-based solutions, response vehicles, equipment, shelters, etc.
3. Strengthening of institutional and expert capacities and raising awareness to address environmental issues, climate change and disaster risks reduction (e.g., workshops, methodologies, protocols, educational materials, joint training for civil protection units)
4. Establishment of joint emergency centres, including small-scale infrastructure preferring nature-based solutions
5. Development of cross-border risk assessment and disaster risk strategies for cross-border hazards such as forest fires, landslides, floods and relative

sea-level change, invasive alien species directly threatening biodiversity and ecosystems

6. Exchanging knowledge and good practices on eco-system based climate change adaptation measures and implementing pilot actions for protection and restoration towards resilient eco-systems, e.g. rivers, wetlands and sea, forests, cross-border connectivity of habitats, agro-forestry, biodiversity, landscapes, climate proofing, modelling and forecasting
7. Testing integrated climate-adaptation solutions in pilot actions, which combine technological, ecological, social, cultural, governance and financial aspects taking into account good practices available at local, regional, national or European level
8. Increasing climate resilience of critical infrastructures and cultural/natural heritage sites (including building resilience of forests to climate change and maintain forest carbon stocks and sinks, including afforestation, reforestation, restoration/rehabilitation) through improved risk preparedness and risk management plans,
9. Integrating climate change aspects into water management strategies and their implementation on local, regional and interregional level (considering e.g. water quality, flooding, rainwater management and water retention, water scarcity, potential of soft and infrastructural measures related to drinking water supply including smart water pricing and water drainage systems with waste-water treatment, ground water, forecasting, climate adaptation solutions such as preservation of wetlands, reforestation and preservation of natural floodplains),
10. Sharing knowledge and developing solutions for climate proofing the agricultural and forestry sectors to increase their resilience towards e.g. droughts, outbreaks of pests, invasion of alien species, including vulnerability assessment of the sectors,
11. Developing solutions for strengthening eco-system services for human health and wellbeing to support social resilience and counteracting socio-economic impacts of climate change, e.g. by implementation of green infrastructure, green building principles and sustainable rainwater management, especially in urban areas.

The aim is to improve the capacities and preparedness to combat with climate change impacts and disasters and to manage the related risks.

Actions will directly contribute to EUSDR priority areas 5 and 6, and to EUSAIR pillar 3.

The types of actions have been assessed as compatible with the DNSH principle since they are not expected to have any significant negative environmental impact due to their nature.

The proposed list of actions should be addressed through regular projects and strategic project as listed in Annex 3.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
2	RSO2.4	RCO83	Strategies and action plans jointly developed	strategy/action plan	0	4
2	RSO2.4	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	9
2	RSO2.4	RCO116	Jointly developed solutions	solutions	0	9

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
2	RSO2.4	RCR79	Joint strategies and action plans taken up by organisations	joint strategy/action plan	0.00	2021	2.00	Programme monitoring system	
2	RSO2.4	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	5.00	Programme monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

The programme will target the key stakeholders capable of planning and implementing climate change adaptation and risk prevention and responses. These are predominantly public authorities (national/regional/local level) and bodies governed by public law, public providers of communal services, sectoral agencies and environmental institutions active in or responsible for environment protection and risk prevention and mitigation, first responders, including rescue organisations and different civil protection organisations, as well as research and innovation institutions, education organisations (universities, faculties, schools), regional and local development agencies, NGOs and associations in the field of environment protection. Target groups could include all population groups (including children and youth) that will benefit from better mitigation measures and climate change adaptation activities.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The entire programme area is targeted.

2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

Not applicable.

### 2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.4	IPA III	058. Adaptation to climate change measures and prevention and management of climate related risks: floods and landslides (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches)	6,901,500.00
2	RSO2.4	IPA III	080. Other measures to reduce greenhouse gas emissions in the area of preservation and restoration of natural areas with high potential for carbon absorption and storage, e.g. by rewetting of moorlands, the capture of landfill gas	2,300,500.00
2	RSO2.4	IPA III	079. Nature and biodiversity protection, natural heritage and resources, green and blue infrastructure	4,601,000.00
2	RSO2.4	IPA III	059. Adaptation to climate change measures and prevention and management of climate related risks: fires (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches)	6,901,500.00
2	RSO2.4	IPA III	061. Risk prevention and management of non-climate related natural risks (for example earthquakes) and risks linked to human activities (for example technological accidents), including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches	2,300,500.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.4	IPA III	01. Grant	23,005,000.00

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.4	IPA III	33. Other approaches - No territorial targeting	23,005,000.00

### 2.1.1. Specific objective: RSO2.6. Promoting the transition to a circular and resource efficient economy

Reference: point (e) of Article 17(3)

Promoting the transition to a circular and resource-efficient economy

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

The programme area has a substantial potential for transition into the green economy and substantially increasing the efficiency in the management of resources, reduction and re-use of waste, especially by introducing innovative and up-to-date technologies. Improving the recycling process and increasing the rate of reused waste are key items, as the increase in waste production per capita is visible in the programme area. The local and regional planning and management of waste, as well as behavioural changes in general population and processes and approaches in businesses all require substantial investments, but also a rise in administrative capacities to plan, manage and monitor resources, an increase in the know-how and a rise in awareness of general population. While large investments are still necessary and remain in the remit of national-level legislation, plans and funding, the solutions that are aimed at introduction of new technologies and models, policy development and awareness raising are within the scope of cross-border cooperation, which can significantly boost the capacities and practices in all 3 countries through joint planning and exchange of knowledge and practices. Even if waste management is not the only element of sustainable use of resources, it is at its core and there are still significant challenges that all three countries face, with Croatia having a somewhat better planning base, but with Bosnia and Herzegovina and Montenegro only in very early stages of transitioning to separate waste collection and waste re-use. As the increase in waste production per capita is visible in the programme area, waste management remains the key challenge of sustainable resource management.

Examples of cross-border actions to be supported (non-exhaustive lists):

1. Developing and implementing approaches and solutions for limiting landfilling of all types of waste and retaining their value (as future resources) in the economic cycle
2. Increasing awareness of policy makers and stakeholders about environmental and economic opportunities of a circular economy and improving their capacity for the practical implementation of circular economy approaches in different sectors (such as electronics, construction and buildings, textiles, plastics, packaging, food, agriculture, forestry and wood industry)
3. Developing and implementing joint pilot and demonstration actions that closely involve citizens (e.g., good practices in separate waste collection and waste re-use, pilot testing of repair, reuse and refurbish approaches etc.) in order to foster behavioural changes, higher acceptance of more sustainable products and resource-efficient consumption and production patterns
4. Improving waste management policies and competences of the public sector, including the prevention, processing and recycling of communal waste, (e.g., recovery of organic waste, including nutrients from municipal wastewater) industrial biowaste, and construction waste
5. Developing and testing solutions that support the recovery and reuse of raw materials

6. Fostering and testing digital solutions for the circular economy including applications and services (such as product passports, resource mapping, tracing systems and consumer information).

It is expected that, through cooperation, joint planning, and exchanges on local and regional government levels, as well as through joint actions of citizens, overall capacities of the stakeholders and conditions for sustainable management of resources will be improved across the programme area.

Actions will directly contribute to EUSDR priority areas 5 and 6, and to EUSAIR pillar 3.

The types of actions have been assessed as compatible with the DNSH principle since they are not expected to have any significant negative environmental impact due to their nature.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
2	RSO2.6	RCO85	Participations in joint training schemes	participations	0	120
2	RSO2.6	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	12
2	RSO2.6	RCO116	Jointly developed solutions	solutions	0	8

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
2	RSO2.6	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	4.00	Programme monitoring system	
2	RSO2.6	RCR81	Completion of joint training schemes	participants	0.00	2021	96.00	Programme monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

All institutions relevant for the sustainable resource management in the border area will be targeted, including:

- Public authorities (national/regional/local level) and bodies governed by public law
- Regional and local development agencies
- Waste operators and facilities
- Public providers of communal services
- Sectoral agencies and environmental institutions
- NGOs and associations active in the field of environmental protection
- Business support institutions, associations of businesses and professional associations
- Education organisations (universities, faculties, schools)
- Research and innovation institutions
- General population, i.e. other population groups that will benefit from new concepts of circular economy

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The entire programme area is targeted.

2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

Not applicable.

2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.6	IPA III	065. Waste water collection and treatment	1,150,250.00
2	RSO2.6	IPA III	067. Household waste management: prevention, minimisation, sorting, reuse, recycling measures	4,601,000.00
2	RSO2.6	IPA III	071. Promoting the use of recycled materials as raw materials	1,150,250.00
2	RSO2.6	IPA III	069. Commercial, industrial waste management: prevention, minimisation, sorting, reuse, recycling measures	4,601,000.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.6	IPA III	01. Grant	11,502,500.00

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO2.6	IPA III	33. Other approaches - No territorial targeting	11,502,500.00

## 2.1. Priority: 3 - Accessible and resilient health services

Reference: point (d) of Article 17(3)

2.1.1. Specific objective: RSO4.5. Ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family- and community-based care

Reference: point (e) of Article 17(3)

Ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family-based and community-based care

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

Programme area has a substantial, but inefficient network of health care institutions, which often cannot provide for satisfactory and equal access to services for the patients. Border areas in particular suffer from poor access to health care, especially in cases where hospital care in one's own country is further away than the health care across the border. While there are arrangements (bilateral agreements between the countries in the border area) to cross-border health care provision, the access to health care remains a challenge and the network of healthcare institutions cannot fully meet the needs even on one side of the border. Previously under-organised and under-staffed health support systems of the border areas have been further challenged by COVID-19 crisis. As most of Europe, the border area therefore needs to adjust to the challenges of global pandemics and seize the opportunities of technological advancements in the organisation of medical practices and health support. The programme will promote the transition from institutional and hospital-centred model to family-based and community-based care and support primary and integrated health care models.

Examples of cross-border actions to be supported (non-exhaustive lists):

1. Development and implementation of ICT solutions and (pilot) actions to support digitalization in health care
2. Improving access to health care services for vulnerable and marginalised groups, such as elderly, children (e.g., children deprived of parental care) and persons with disabilities through investments in equipment, transport means, etc
3. Improving the accessibility and effectiveness of cross-border public health care services by investing in telemedicine, diagnostics, mobile clinics/infirmaries and mobile assets, including small scale infrastructure preferring nature-based solutions
4. Transfer of knowledge through exchange of experience, awareness raising, lifelong learning, education and training programmes, and capacity building through online and in-situ trainings to improve skills in the field of health care and enhance the delivery of primary care and family-based and community-based care services
5. Developing and implementing joint activities/solutions to promote healthy lifestyles and active and healthy aging, disease prevention.

The programme aims to contribute to accessibility and effectiveness of the health care system in the border areas by improving infrastructure, skills and organisation of healthcare in the programme area. The proposed actions will demonstrate their contribution to the resilience and sustainability of health care system.

Actions will directly contribute to EUSDR priority area 7 and 9, and to some extent to EUSAIR pillar 1 (promotion of healthy nutritional habits).

The types of actions have been assessed as compatible with the DNSH principle since they are not expected to have any significant negative environmental impact due to their nature.

The proposed list of actions should be addressed through regular projects and strategic project as listed in Annex 3.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
3	RSO4.5	RCO116	Jointly developed solutions	solutions	0	12
3	RSO4.5	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	17
3	RSO4.5	RCO85	Participations in joint training schemes	participations	0	192
3	RSO4.5	RCO87	Organisations cooperating across borders	organisations	0	45

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
3	RSO4.5	RCR84	Organisations cooperating across borders after project completion	organisations	0.00	2021	14.00	Programme monitoring system	
3	RSO4.5	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	6.00	Programme monitoring system	
3	RSO4.5	RCR81	Completion of joint training schemes	participants	0.00	2021	153.00	Programme monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

While the aim of this priority is to improve the access to health care for all, the programme will directly target health care providers and institutions and organisations that can support them or their patients in the health care access. Therefore, the expected target groups are: public institutions dealing with health care and long-term care (hospitals, clinics, health care centres/facilities), education and research institutions, national/regional/local public authorities and bodies governed by public law, regional and local development agencies, civil society organisations active in promoting health care or assisting patients in accessing it, especially patients from vulnerable groups, organisations providing family-and community based care. In addition, other population groups (children, seniors, persons with disabilities) could be targeted, depending on the specific actions of projects.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The entire programme area is targeted.

2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

Not applicable.

2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
3	RSO4.5	IPA III	128. Health infrastructure	1,925,000.00
3	RSO4.5	IPA III	159. Measures to enhancing the delivery of family and community-based care services	5,775,000.00
3	RSO4.5	IPA III	129. Health equipment	3,850,000.00
3	RSO4.5	IPA III	160. Measures to improve the accessibility, effectiveness and resilience of healthcare systems (excluding infrastructure)	7,700,000.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
3	RSO4.5	IPA III	01. Grant	19,250,000.00

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
3	RSO4.5	IPA III	33. Other approaches - No territorial targeting	19,250,000.00

## 2.1. Priority: 4 - Sustainable and inclusive tourism and culture

Reference: point (d) of Article 17(3)

### 2.1.1. Specific objective: RSO4.6. Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation

Reference: point (e) of Article 17(3)

Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

The programme area is largely dependent on tourism or plans to develop into tourist destination. For the Adriatic coastal part of the area the main challenge in relying on tourism, as the dominant form of economic activity, is its sustainability and effects it has on environmental and social circumstances in the communities that live of tourism. In the hinterland and in the Pannonian and continental part of the area, tourism still plays a secondary, but an ever-growing role in tourist offer and can only develop if the advantages of rural environments or specific geographic and cultural traits of the area are in the forefront of the offer. Therefore, it is of uniform importance throughout the programme area that tourism and culture develops sustainably (including financial self-sustainability) and that it has an added value that it brings both to the consumers and to the local communities that will act as hosts.

The programme aims to support the specific, innovative, sustainable, green, digital and smart forms of tourism and culture (including new and existing sustainable tourism/cultural sites) that develops the advantage for the local communities and economies, with strict observance of potential impacts on the environment.

Examples of cross-border actions to be supported (non-exhaustive lists):

1. Developing and implementing joint (pilot) actions to support diversification and sustainability of the tourism by investing in lesser-known destinations (e.g. less developed parts of the programme area, hinterland and continental parts of the programme area) and diverse forms of tourism (cultural, rural, agro, active, health tourism, etc.) including small-scale infrastructure preferring nature-based solutions
2. Developing and implementing innovative solutions and creating smart destinations (e.g. through digitalisation and creative industries), and new services and products for specific targeted market segments such as seniors, young people or people with disabilities including small scale infrastructure preferring nature-based solutions
3. Development and implementation of measures to protect, develop and promote sustainable cultural heritage and cultural services, public tourism assets and tourism services including investments in physical regeneration and security of public spaces (including small scale infrastructure preferring nature-based solutions), in the scope of their inclusion in the touristic and/or cultural circuit
4. Support of social innovation and inclusion in tourism and culture - development of existing and/or new tourism and culture businesses models to support job creation including up-skilling and re-skilling of vulnerable groups (e.g., upgrading digital skills)
5. Protection, development and promotion of natural heritage and eco-tourism including Natura 2000 sites (including campaigns to eliminate invasive

species and integration of green infrastructure as means of stopping the loss of biodiversity and supporting multiple ecosystem services)

6. Integration of existing tourist products into cross-border thematic routes, products or destinations and their further advancement
7. Capacity building for innovation in tourism and cultural heritage, focusing on recovery and resilience, and sustainable development of new or upgrading of existing cross-border tourism products, product diversification to adapt to new trends and needs, including sustainable mobility measures such as use of public transportation, alternative mobility modes, low-emission transport
8. Adoption of green concepts and standards in cross-border tourist products and services and sustainable use of culture and tourist potentials of the border regions, including activities that address marine environment protection (from exp. pollution from tourism and traffic activities) and support to existing mainstream tourism destinations to make them more environmentally sustainable.

Actions will directly contribute to EUSDR priority area 3, and to EUSAIR pillar 4.

The types of actions have been assessed as compatible with the DNSH principle since they are not expected to have any significant negative environmental impact due to their nature.

The proposed list of actions should be addressed through regular projects and strategic project as listed in Annex 3.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
4	RSO4.6	RCO87	Organisations cooperating across borders	organisations	0	42
4	RSO4.6	RCO77	Number of cultural and tourism sites supported	cultural and tourism sites	0	20
4	RSO4.6	RCO120	Projects supporting cooperation across borders to develop urban-rural linkages	projects	0	3

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
4	RSO4.6	RCR84	Organisations cooperating across borders after project completion	organisations	0.00	2021	21.00	Programme monitoring system	
4	RSO4.6	RCR77	Visitors of cultural and tourism sites supported	visitors/year	0.00	2021	40,000.00	Programme monitoring system and sites statistics	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

Target groups include all of the actors in creation and provision of the tourist services in tourism and culture, especially:

- Public authorities (national/regional/local level) and bodies governed by public law
- Regional and local development agencies
- Associations and NGOs operating in the field of tourism, culture, nature, training and education, rural development
- Sectoral agencies active in the field of tourism, culture and nature protection, rural development
- Education and research organisations
- Tourism organisations and institutions
- Culture organisations and institutions
- Chambers of commerce
- Chambers of trades and crafts
- Clusters of producers
- SMEs only indirectly

In addition, other population groups could be targeted (including youth, seniors, persons with disabilities), depending on the specific actions of projects.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The entire programme area is targeted.

2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

Not applicable.

2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
4	RSO4.6	IPA III	167. Protection, development and promotion of natural heritage and eco-tourism other than Natura 2000 sites	3,637,400.00
4	RSO4.6	IPA III	078. Protection, restoration and sustainable use of Natura 2000 sites	3,637,400.00
4	RSO4.6	IPA III	165. Protection, development and promotion of public tourism assets and tourism services	5,456,100.00
4	RSO4.6	IPA III	166. Protection, development and promotion of cultural heritage and cultural services	5,456,100.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
4	RSO4.6	IPA III	01. Grant	18,187,000.00

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
4	RSO4.6	IPA III	33. Other approaches - No territorial targeting	18,187,000.00

### 3. Financing plan

Reference: point (f) of Article 17(3)

#### 3.1. Financial appropriations by year

Table 7

Reference: point (g)(i) of Article 17(3), points (a) to (d) of Article 17(4)

Fund	2021	2022	2023	2024	2025	2026	2027	Total
IPA III CBC	0.00	19,922,019.00	20,353,416.00	20,652,535.00	21,027,095.00	17,688,269.00	18,042,365.00	117,685,699.00
Total	0.00	19,922,019.00	20,353,416.00	20,652,535.00	21,027,095.00	17,688,269.00	18,042,365.00	117,685,699.00

### 3.2.Total financial appropriations by fund and national co-financing

Reference: point (f)(ii) of Article 17(3), points (a) to (d) of Article 17(4)

Table 8

Policy objective	Priority	Fund	Basis for calculation EU support (total eligible cost or public contribution)	EU contribution (a)=(a1)+(a2)	Indicative breakdown of the EU contribution		National contribution (b)=(c)+(d)	Indicative breakdown of the national counterpart		Total (e)=(a)+(b)	Co-financing rate (f)=(a)/(e)	Contributions from the third countries
					without TA pursuant to Article 27(1) (a1)	for TA pursuant to Article 27(1) (a2)		National public (c)	National private (d)			
1	1	IPA III CBC	Total	25,894,000.00	23,540,000.00	2,354,000.00	4,569,530.00	3,157,766.00	1,411,764.00	30,463,530.00	84.9999983587%	0.00
2	2	IPA III CBC	Total	50,611,000.00	46,010,000.00	4,601,000.00	8,931,353.00	8,931,353.00	0.00	59,542,353.00	84.9999999160%	0.00
4	3	IPA III CBC	Total	21,175,000.00	19,250,000.00	1,925,000.00	3,736,765.00	3,736,765.00	0.00	24,911,765.00	84.9999989965%	0.00
4	4	IPA III CBC	Total	20,005,699.00	18,187,000.00	1,818,699.00	3,530,418.00	3,530,418.00	0.00	23,536,117.00	84.9999980880%	0.00
	Total	IPA III CBC		117,685,699.00	106,987,000.00	10,698,699.00	20,768,066.00	19,356,302.00	1,411,764.00	138,453,765.00	84.9999990972%	0.00
	Grand total			117,685,699.00	106,987,000.00	10,698,699.00	20,768,066.00	19,356,302.00	1,411,764.00	138,453,765.00	84.9999990972%	0.00

4. Action taken to involve the relevant programme partners in the preparation of the Interreg programme and the role of those programme partners in the implementation, monitoring and evaluation

Reference: point (g) of Article 17(3)

In line with regulatory requirements laid down in Article 8 of the CPR, the participating countries with the assistance of MA/JS of Interreg IPA CBC programme HR-BA-ME 2014-2020, has involved a broad range of relevant partners in preparing the new programme for 2021-2027.

Partnership principle was fully respected since all relevant partners were included in the design of the programme, namely: public administration bodies, chambers, development agencies, science/technology parks, centres for entrepreneurship, local/regional government units, public institutions, LAGs, utility companies, research/educational/scientific institutions, public hospitals, health centres, civil society organisations, various NGOs, tourist boards, SMEs, from all three participating countries.

The partner/stakeholders involvement process was divided into two phases at different development stages of the new programme: 1) preparation of the territorial and socioeconomic analysis of the programme area, and 2) design of the programme, covered in detail below. Additional phases will follow later during programme implementation to ensure the programme's continuous relevance and increase its effectiveness and efficiency. During the process, a subsection of the Programme web page was used for the public/partners/stakeholders to be fully informed about the process, where they could also find all preparatory documents published and involvement outcomes communicated - <https://www.interreg-hr-ba-me.eu>

The objective of the consultations process in the second phase of programming was to obtain input for the expectations of the stakeholders for a thematic concentration of the programme strategy, as well as for Interreg and specific objectives considered as relevant to receive support.

The stakeholder consultations were conducted in the period 17 May - 30 June 2021. A series of targeted public consultations - online survey, interviews, workshops - was launched to ensure that all relevant stakeholders have an opportunity to express their opinion.

#### **A. Online Survey**

To get the most widely distributed views of stakeholders, a survey was produced and distributed online to be submitted in the period 17 - 31 May 2021. The survey included a mix of questions including quantitative and open-ended qualitative questions given the diverse nature of the preferred answers.

The questionnaire was distributed by the external experts to 977 email addresses, from the list drafted in cooperation with the National Authorities. In addition, the National Authorities have sent reminders about the questionnaire, and the Managing Authority has published the information with the link to the questionnaire on the Programme website. The questionnaire was open for 15 days, from 17 May to 31 May 2021 and obtained a total of 192 answers to the questionnaire, among which not all completed the entire questionnaire. There were 90 answers from Croatian stakeholders, 83 answers from stakeholders from Bosnia and Herzegovina, and 19 from Montenegrin stakeholders.

#### **B. Interviews**

The interviews with stakeholders were conducted on 27 and 28 May simultaneously for all three participating countries. Total of 40 stakeholders participated in the interviews, both in the form of online meetings and/or in the written form.

Out of a total of 45 stakeholders from the Programme area who were invited for interviews, a total of 40 responded. Out of 40 stakeholders who participated in the consultations, 9 of them chose an online interview, while the remaining 31 organizations contributed through a filled form. All stakeholders pointed out their active monitoring of the programming process of the new Interreg IPA programme and the majority of stakeholders indicated their interest in applying project proposals to be funded from the new programme.

### **C. Workshops**

In addition to the online survey and interviews conducted, the shortlisted (based on PTF decision) SOs were the subject of an additional round of consultations - workshops with the stakeholders from the participating countries, with the purpose of further thematic concentration. Workshops were implemented on 29 June (Smarter Europe and Social Europe) and on 30 June (Greener Europe) via digital conference tool (Google Meet).

The workshops were envisaged in a way to ensure participation and valuable input from the participants. Firstly, a general introduction was made about the programming process, followed by the examples of good practices in the current programme. After this introduction, the participants were divided into breakout groups (virtual rooms) per each specific objective mentioned above. In the breakout sessions, the participants were given a worksheet they needed to fill out. The discussion was moderated by experts to ensure equal participation and to guide the participants in the desired direction, giving concrete and valuable feedback. After the breakout sessions, the participants were brought back to the plenary session, where the experts/moderators reported about the conclusions. The participants were allowed to add additional information in the worksheet in the following days after the workshop.

A total of 42 different organizations participated in the workshops, with several organisations covering different SOs and having multiple representatives.

The continuous involvement of all relevant partners in the implementation of the Programme is envisaged for following reasons:

- To enhance ownership of the programme among partners, in order to make use of their knowledge and expertise and to increase transparency in the decision-making processes;
- To improve the coordination with other ESI Funds as well as with other relevant funding instruments.

### **Involvement of partners within SEA procedure**

Decision on the start of SEA procedure for the Programme was issued by the Minister of Regional Development and EU Funds on 11 November 2021.

#### Scoping phase

The procedure on determining the scope of SEA Study was launched on 11 November 2021 by sending the relevant documents to 7 relevant Croatian ministries: Ministry of Economy and Sustainable Development, Ministry of Culture and Media, Ministry of Agriculture, Ministry of Health, Ministry of Labour, Pension System, Family and Social Policy, Ministry of Tourism and Sport, Ministry of Science and Education. The documentation was also published online at the MRDEUF and programme website

and available for commenting by 11 December 2021.

In order to harmonize the submitted opinions on the scope of SEA Study and to determine the final content of SEA Study, MRDEUF organized a public cross-border consultation meeting on 29 November 2021. The following institutions were present at the consultation meeting:

-Croatia: Ministry of Economy and Sustainable Development, Ministry of Tourism and Sport, Ministry of Culture and Media, and Ministry of Labour, Pension System, Family and Social Policy, General Hospital Zadar

-Bosnia and Herzegovina: Ministry of Foreign Trade and Economic Relations

-Montenegro: Ministry of Ecology, Spatial Planning and Urbanism.

The following institutions provided their comments in writing: Ministry of Economy and Sustainable Development, Ministry of Tourism and Sport, Ministry of Labour, Pension System, Family and Social Policy, Ministry of Health, Ministry of Agriculture, Ministry of Culture and Media and Ministry of Science and Education. All relevant comments were taken into account.

### SEA study

Following the scoping phase, the MRDEUF adopted a Decision on the scope of the Strategic Environmental Assessment Study for the programme on 20 December 2021. Based on the adopted Decision, the MRDEUF launched public consultation process on the draft SEA Study and draft IP by publishing the documents at programme website and on National Authorities websites. Public consultations lasted from 21 March until 19 April 2022. MRDEUF also sent the relevant documents to 7 relevant Croatian ministries as listed above.

In order to harmonize the submitted opinions on the scope of SEA Study and to determine the final content of SEA Study, MRDEUF organized a public cross-border consultation meeting on 11 April 2022. The following institutions were present at the consultation meeting:

- Croatia: Croatian Geological Survey, Ministry of Culture and Media, Vinkovci City Investment and Development Agency, Faculty of Agrobiotechnical Sciences Osijek, Novska City Development Agency
- Bosnia and Herzegovina: City of Gradiška, Federal Ministry of Culture and Sport, Ministry of Agriculture, Forestry and Water Management of Republika Srpska, Development Agency of Republika Srpska, Republic Administration of Civil Protection of Republika Srpska, Trebinje City Development Agency, Municipality Novi Grad, Ministry of European Integration and International Cooperation of Republika Srpska, Government of Una-Sana Canton, LIR Evolution, Government of Federation of Bosnia and Herzegovina, Elementary School Sveti Sava.

The following institutions provided their comments in writing:

- Croatia: Ministry of Economy and Sustainable Development, Ministry of Tourism and Sport, Ministry of Labour, Pension System, Family and Social Policy, Ministry of Health, Ministry of Agriculture, Ministry of Culture and Media.
- Bosnia and Herzegovina: Federal Ministry of Agriculture, Water Management and Forestry, Gender Center of the Federation of Bosnia and Herzegovina

All relevant comments were taken into account.

### **Monitoring Committee (MC)**

The continuous involvement of all relevant partners (i.e., public institutions, social and economic partners, civil society) in the Monitoring committee (MC) will be secured primarily through national delegations (national committees) who can voice their positions on strategic matters concerning the implementation of the programme. Inclusion of bodies representing civil society including those promoting social inclusion, fundamental rights, rights of persons of disabilities, gender equality and non-discrimination will be secured by the national delegation of each participating country.

The composition of the MC will be agreed in communication with the participating countries and described in detail in MC Rules of Procedures. The EC representative will participate in MC in an advisory capacity.

In line with Article 29(2) on Interreg Regulation the composition of MC shall be published on programme website.

The MC shall carry out functions listed in Article 30 of Interreg Regulation.

### Capacity building

In order to strengthen capacities of different stakeholders (e.g., applicants, beneficiaries, programme bodies, MC members) capacity building activities (such as trainings, workshops, conferences, study tours) will be organized. Technical assistance budget will be the main source for covering related costs. However, national/regional/local funds and programmes/schemes of each participating country may be used to complement programme budget.

5. Approach to communication and visibility for the Interreg programme (objectives, target audiences, communication channels, including social media outreach, where appropriate, planned budget and relevant indicators for monitoring and evaluation)

Reference: point (h) of Article 17(3)

### **Objectives of communication**

The **objectives** of the communication and visibility of the programme are multiple and are not dealing only with the distribution of information but are key to for social cohesion in the area, and a prerequisite for the continuation of the dialogue with partners to increase programme efficiency, effectiveness and sustainability in the long run.

Objectives:

1. involve people and encourage them to think about project ideas
2. strengthen awareness of cross-border cooperation and show positive examples
3. encourage cross-border dialogue at local/regional/national level among decision-makers
4. strengthen the visibility of EU funds in the region/participating countries
5. capacity building of potential stakeholders
6. show good practise examples at EU level

These objectives will be addressed through different activities that will be carried out during the programme period depending on the phase the programme is in, and the most important objectives of the relevant stage.

### **Target audience**

In general, all activities regarding the visibility and communication will be **targeting** different stakeholder from all three countries:

1. Potential applicants and beneficiaries
2. Programme bodies
3. Target groups/final users
4. General public.

More precisely, the targeted audience will consist of: governmental and non-governmental organisations and decision makers, national and regional/local organisations, civil-society organisations, institutional actors, national/regional/local media representatives, SMEs, and finally citizens from the programme area.

### **Channels**

Regarding different tools, a set of various channels is envisaged, customized to the type of the target group and to each stage of the life cycle of the programme: preparation and launching of the programme, launching of calls for proposals, selection of projects, implementation of projects, closure of the projects and programme, etc.

The communication of the programme will be mainly digital and based on various formats e.g. digital publications, online campaigns, videos or other audio-visual productions. The **programme website**, newsletter and social media channels (Facebook, LinkedIn) form a strong system for the digital

communication of the programme. The programme website is the main entry to inform all target groups on the programme news and open calls. It contains all the information in line with Article 36(2) of Interreg Regulation, and the Info corner offers different publications and infographics together with videos and success stories of projects. The calendar is also a handy tool for keeping track of changes and upcoming events in scope of the programme. Programme website and social media channels will be used on a weekly basis to promote calls for proposals, programme campaigns, events and project results. In addition, the Programme will organise key programme events in order to increase the visibility, e.g. launching conferences, events for the celebration of European Cooperation Day, events on different topics, trainings etc.

In addition, the programme's social media channels bring the programme closer to citizens and will be crucial to build a community among its followers and spread the message of good cross border cooperation among citizens. Given the rapid changes in digital marketing, the programme will follow new trends and will adapt to new changes and different platforms to raise the visibility even further. In addition, the programme website will be linked to a single website providing access to all available programmes in Croatia in line with Article 46 (b) of CPR - [www.strukturnifondovi.hr](http://www.strukturnifondovi.hr).

### **Budget and resources**

The communication budget, excluding staff costs, will be at least 0.5% of the total programme budget and will be covered from the technical assistance budget.

### **Monitoring and evaluation**

Programme communication activities will be elaborated within a yearly communication plan and implemented on annual basis by relevant programme bodies. The indicators used for evaluation and monitoring will include (non-exhaustive list):

- satisfaction of applicants and beneficiaries via survey,
- programme website statistics (clicks, Unique Visitors, Average Session Duration, bounce rate, etc.)
- outreach of the social media (followers, outreach, engagement, etc.)
- number of participants to events and specific activities
- media outreach and press cut reports.

In line with Article 36 (1) of Interreg Regulation, the Managing Authority will appoint a Communication officer in charge of programme communication activities who will coordinate the visibility and communication efforts of programme bodies to achieve the greatest outreach.

Furthermore, it is important to emphasize that Managing Authority together with Joint Secretariat and other relevant programme authorities will provide support to operation of strategic importance for its special communication needs (publications, events, social media, web and other visibility requirements).

6. Indication of support to small-scale projects, including small projects within small project funds

Reference: point (i) of Article 17(3), Article 24

Within the PA1, SO Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments, the programme will establish a Small Project Fund (SPF) in order to address the following two issues recognized during previous implementation periods and analysis of the area:

1. The programme has so far been excluding private sector entities (SMEs) from being direct beneficiaries of the previous cross-border programmes. However, the role of SMEs in the socioeconomic growth of the region has been marked as extremely important, crucial for the long-term sustainability of the development. Therefore, the programme is keen on recognising the value-added of business cooperation between SMEs operating on different sides of the border, while at the same time enhancing the competitiveness of micro and small sized enterprises (SMEs) in the border region.
2. Projects of smaller financial intensity, i.e. smaller budget and partnership tend to be more focused and can create more added-value and relevance with better cost - benefit relation.

In order to address the above-mentioned remarks, the Programme plans to establish a SPF especially targeting SMEs. In this way, the Programme will benefit from better visibility, it will attract new beneficiaries, and have an impact on better competitiveness of SMEs in the region, fostering their cooperation. The programme will implement a best practice example of a cross border programme in the region, that had great success in implementation of this model in the previous financial period. A special local SME development scheme will be organised, fostering development of local SMEs with strong focus on introducing product or process innovation, developing pilot actions and new business solutions, while simultaneously enhancing their cross-border business cooperation.

It is envisaged that approximately 120 SMEs within 40 small projects of an average value of 200.000 EUR will be supported.

Support to small projects under Small Project Funds will be organised as defined in the Article 2(10) of the CPR and Article 25 of the Interreg Regulation. The final recipients within a small project fund shall receive support from the IPA III through the beneficiary and implement the small projects within that small project fund.

The beneficiary will:

- (a) establish a non-discriminatory and transparent selection procedure;
- (b) apply objective criteria for the selection of small projects, which avoid conflicts of interest;
- (c) assess applications for support;
- (d) select projects and fix the amount of support for each small project;
- (e) be accountable for the implementation of the operation and keep at its level all supporting documents required for the audit trail in accordance with Annex XIII to Regulation (EU) 2021/1060; and
- (f) make available to the public the list of the final recipients which benefit from the operation.

## 7. Implementing provisions

### 7.1. Programme authorities

Reference: point (a) of Article 17(6)

Table 9

Programme authorities	Name of the institution	Contact name	Position	E-mail
Managing authority	Ministry of Regional Development and EU Funds of the Republic of Croatia - Sector for Managing Interreg Cooperation Programmes	Marko Perić		marko.peric@mrrfeu.hr
Audit authority	Agency for the Audit of European Union Programmes Implementation System	Neven Šprlje		neven.sprlje@arpa.hr
National authority (for programmes with participating third or partner countries)	Directorate for European Integration in Bosnia and Herzegovina	Nada Bojanić		nada.bojanic@dei.gov.ba
National authority (for programmes with participating third or partner countries)	Ministry of European Affairs of Montenegro	Miodrag Račeta		miodrag.raceta@gsv.gov.me
National authority (for programmes with participating third or partner countries)	Ministry of Regional Development and EU Funds of the Republic of Croatia - Sector for coordination of European Territorial Cooperation programmes and Macro-Regional strategies	Mislav Kovač		mislav.kovac@mrrfeu.hr
Group of auditors representatives	Audit Authority of Montenegro	Stana Gačević		stana.gacevic@revizorskotijelo.me
Group of auditors representatives	Ministry of Finance and Treasury of Bosnia and Herzegovina, National Fund	Katarina Puljić		kpuljic@mft.gov.ba
Body to which the payments are to be made by the Commission	Ministry of Regional Development and EU Funds of the Republic of Croatia – Directorate for Finance and Information-Telecommunication Systems	Davor Huška		davor.huska@mrrfeu.hr

## 7.2. Procedure for setting up the joint secretariat

Reference: point (b) of Article 17(6)

In accordance with Article 17(6)(b) of the Interreg Regulation and considering the successful implementation of the previous programme in 2014-2020 period, the Managing Authority will ensure continuity of the existing Joint Secretariat (JS) by maintaining the basic structural and implementation arrangements already in place.

The JS will continue supporting and assisting:

- Managing Authority and the Monitoring Committee in carrying out their functions,
- Applicants and beneficiaries in effective participation in the Programme

JS headquarter is placed within the Sector for Managing Interreg Cooperation Programmes in the Ministry of Regional Development and EU Funds of the Republic of Croatia.

Besides JS headquarters based in Croatia, branch offices are set in Bosnia and Herzegovina (Mostar and Banja Luka) and Montenegro (Podgorica) to ensure smooth and efficient programme implementation.

Selection procedure of JS staff in headquarters is responsibility of the Ministry of Regional Development and EU Funds under the supervision of the Managing Authority. Selection of new JS staff shall be done jointly by the participating countries that shall jointly make decision on selection of the candidates. JS staff members can be citizens of either a Programme participating country or EU member state.

In case of a selection of Head of JS, the joint commission shall be composed of the Managing Authority representatives and representatives from National Authorities (one member from NA in Croatia, one member from NA in Bosnia and Herzegovina, and one member from NA in Montenegro). In case of selection of other JS staff in the headquarters, their selection will be carried out by the joint commission composed of the representative from the Managing Authority, Head of JS and representatives from National Authorities (one member from NA in Croatia, one member from NA in Bosnia and Herzegovina, and one member from NA in Montenegro). In case of JS branch office staff, selection will be organized by the relevant National Authority institution and carried out by the joint commission composed of the representative from the Managing Authority, Head of JS and representatives from all three National Authorities.

The costs of the JS branch offices, including JS branch offices staff, will be supported from the TA budget of the Bosnian and Herzegovinian/Montenegrin National Authority.

7.3. Apportionment of liabilities among participating Member States and where applicable, the third or partner countries and OCTs, in the event of financial corrections imposed by the managing authority or the Commission

Reference: point (c) of Article 17(6)

The arrangements related to irregularities and the apportionment of liabilities, in principle, will continue from the 2014-2020 programming period. In the eventuality that the Managing Authority suspects or is informed about an irregular use of granted funds, it shall undertake the necessary follow-up actions, such as suspending the reimbursement of the financing related to the lead partner or project partner as well as withdrawing or recovering the irregular amounts.

Without prejudice to the Participating countries responsibility for detecting and correcting irregularities and for recovering amounts unduly paid in accordance with Article 69 (2) of the CPR, as stated in Article 52 (1) of the Interreg Regulation, the Managing Authority shall ensure that any amount paid as a result of an irregularity is recovered from the Lead Partner. The project partners shall then repay the Lead Partner any amounts unduly paid, as per relevant provisions of the subsidy contract / partnership agreement.

In line with Article 52 (2), the Managing Authority will not recover an amount unduly paid if it does not exceed EUR 250 (not including interest) paid to an operation in a given accounting year. If the Lead Partner does not succeed in securing repayment from a project partner or if the Managing Authority does not succeed in securing repayment from the Lead Partner, the Participating countries on whose territory the legal entity concerned is located, shall reimburse the Managing Authority the amount unduly paid to that project partner in accordance with Article 52 (3) of the Interreg Regulation. The Managing Authority is responsible for reimbursing the amounts recovered to the general budget of the Union, in accordance with the apportionment of liabilities among the Participating countries.

The Managing Authority will reimburse the funds to the Union once the amounts are recovered as explained above. Should the Managing Authority bear any legal expenses for recovery recourse proceedings – initiated after consultation and in mutual agreement with the respective Participating country - even if the proceedings are unsuccessful, it will be reimbursed by the Participating country hosting the legal entity responsible for the said procedure. Since Participating countries have the overall liability for the IPA III support granted to legal entities located on their territories, they shall ensure that any financial corrections required will be secured and they shall seek to recover any amounts lost as a result of an irregularity or negligence caused by a beneficiary located on their territory. Where appropriate, a Participating country may also charge interest on late payments. In accordance with Article 52 (4) of the Interreg Regulation, once Participating country has reimbursed the Managing Authority any amounts unduly paid to a partner, it may continue or start a recovery procedure against that partner under its national law. In the event of successful recovery, the Participating country may use those amounts for the national co-financing of the programme.

In case the Participating country does not reimburse the Managing Authority any amounts unduly paid to a partner, in accordance with Article 52 (5) the amounts shall be subject to a recovery order by the European Commission that, where possible, will be executed by offsetting with amounts due to the Participating country. Such recovery shall not constitute a financial correction and shall not reduce the support from the IPA III to the respective Interreg programme.

In case the Member State (Croatia) does not reimburse the Managing Authority any amount unduly paid to a partner, the offsetting shall concern subsequent payments to the same Interreg programme. In case the non-EU Member State (Bosnia and Herzegovina and/or Montenegro) does not reimburse the Managing Authority any amount unduly paid to a partner, the offsetting shall concern subsequent payments to programmes under the respective IPA III. In such an eventuality, the Managing Authority will start

discussions, if and when applicable, with the concerned Participating countries until a joint solution is found on how and from where to offset the amount deducted by the European Commission.

Participating country will bear liability in connection with the use of the programme IPA III funding as follows: each Participating country bears liability for possible financial consequences of irregularities caused by legal entities located on its territory. In case of a systemic irregularity or financial correction (decided by the programme authorities or the European Commission), the Participating country will bear the financial consequences in proportion to the relevant irregularity detected on its territory. For a systemic irregularity or financial correction on programme level that cannot be linked to a specific Participating country, the liability shall be jointly borne by all countries in proportion to the IPA III claimed to the European Commission during the period which forms the basis for the systemic irregularity or financial correction. The above liability principles also apply to corrections to Technical Assistance (TA) calculated in compliance with Article 27 of the Interreg regulation, since such corrections would be the direct consequence of project related irregularities (whether systemic or not) if they cannot be reused. The Managing Authority will keep the Participating country informed about all irregularities and their impact on TA. At the latest at the end of the programming period, the Managing Authority will carry out a reconciliation to verify if there is a remaining balance of irregularities that have affected the TA budget, if they cannot be reused. In case of a remaining balance, the Managing Authority will inform and ask the respective Participating country to reimburse the corresponding IPA III amount the corresponding account. As stated in Article 69 (12) of the CPR, irregularities shall be reported by the Participating country. The Participating country shall also inform the Managing Authority who will in turn inform the Audit Authority. Specific procedures in this respect will be part of the description of the programme management and control system to be established in accordance with Article 69 of the CPR and Annex XVI of the CPR.

More detailed procedures and other cases, e.g., when the Managing Authority does not reimburse the Lead Partner and the Lead Partner does not reimburse the project partner, will be described in the Implementing Agreement.

8. Use of unit costs, lump sums, flat rates and financing not linked to costs

Reference: Articles 94 and 95 of Regulation (EU) 2021/1060 (CPR)

Table 10: Use of unit costs, lump sums, flat rates and financing not linked to costs

Intended use of Articles 94 and 95 CPR	Yes	No
From the adoption, the programme will make use of reimbursement of the Union contribution based on unit costs, lump sums and flat rates under the priority according to Article 94 CPR	<input type="checkbox"/>	<input checked="" type="checkbox"/>
From the adoption, the programme will make use of reimbursement of the Union contribution based on financing not linked to costs according to Article 95 CPR	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## Appendix 1

### A. Summary of the main elements

Priority	Fund	Specific objective	Estimated proportion of the total financial allocation within the priority to which the simplified cost option will be applied in %	Type(s) of operation covered		Indicator triggering reimbursement		Unit of measurement for the indicator triggering reimbursement	Type of simplified cost option (standard scale of unit costs, lump sums or flat rates)	Amount (in EUR) or percentage (in case of flat rates) of the simplified cost option
				Code(1)	Description	Code(2)	Description			

(1) This refers to the code for the intervention field dimension in Table 1 of Annex 1 CPR

(2) This refers to the code of a common indicator, if applicable

Appendix 1

B. Details by type of operation

C. Calculation of the standard scale of unit costs, lump sums or flat rates

1. Source of data used to calculate the standard scale of unit costs, lump sums or flat rates (who produced, collected and recorded the data, where the data is stored, cut-off dates, validation, etc):

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2. Please specify why the proposed method and calculation based on Article 94(2) is relevant to the type of operation:

3. Please specify how the calculations were made, in particular including any assumptions made in terms of quality or quantities. Where relevant, statistical evidence and benchmarks should be used and, if requested, provided in a format that is usable by the Commission:

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4. Please explain how you have ensured that only eligible expenditure was included in the calculation of the standard scale of unit cost, lump sum or flat rate:

5. Assessment of the audit authority or authorities of the calculation methodology and amounts and the arrangements to ensure the verification, quality, collection and storage of data:

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## Appendix 2

### A. Summary of the main elements

Priority	Fund	Specific objective	The amount covered by the financing not linked to costs	Type(s) of operation covered		Conditions to be fulfilled/results to be achieved triggering reimbursement by the Commission	Indicator		Unit of measurement for the conditions to be fulfilled/results to be achieved triggering reimbursement by the Commission	Envisaged type of reimbursement method used to reimburse the beneficiary or beneficiaries
				Code(1)	Description		Code(2)	Description		

(1) This refers to the code for the intervention field dimension in Table 1 of Annex 1 to the CPR and Annex IV to the EMFAF Regulation.

(2) This refers to the code of a common indicator, if applicable.

## B. Details by type of operation

Indicative themes of planned operations of strategic importance are as follows:

1. Smart, innovative and sustainable agriculture – within PA 1 Smart investments in research, innovation and competitive entrepreneurship, SO 1.1 Developing and enhancing research and innovation capacities and the uptake of advanced technologies. Indicative start of implementation is the 3<sup>rd</sup> quarter of 2023.
2. Small project fund: SMEs facility – within PA 1 Smart investments in research, innovation and competitive entrepreneurship, SO 1.3 Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments. Indicative start of implementation is the 2<sup>nd</sup> quarter of 2023.
3. Improving the response of cross-border emergency services in case of disasters and establishing a disaster prevention and management system – within PA 2 Green investments in environmental protection and efficient risk management, SO 2.4 Promoting climate change adaptation and disaster risk prevention, resilience, taking into account eco-system-based approaches. Indicative start of implementation is the 3<sup>rd</sup> quarter of 2023.
4. Cross-border access to health care services – within PA 3 Accessible and resilient health services, SO 4.5 Ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family-based and community-based care. Indicative start of implementation is the 3<sup>rd</sup> quarter of 2023.
5. Cross-border cultural routes – within PA 4 Sustainable and inclusive tourism and culture, SO 4.6 Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation. Indicative start of implementation is the 3<sup>rd</sup> quarter of 2023.

## DOCUMENTS

Document title	Document type	Document date	Local reference	Commission reference	Files	Sent date	Sent by
Map of Programme area	Map of Programme Area	07-Jul-2022		Ares(2022)5103028	Map of Programme area	13-Jul-2022	Laus, Petra
Programme snapshot 2021TC16IPCB004 1.1	Snapshot of data before send	13-Jul-2022		Ares(2022)5103028	Programme_snapshot_2021TC16IPCB004_1.1_en.pdf	13-Jul-2022	Laus, Petra