

Interreg Europe 2021-2027

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..... 40 5 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 whole territory of the EU 27 as well as Norway and Switzerland, referred to as Partner States (PS) in this document and corresponding to 255 regions in total (242 regions at NUTS 2 level in the EU27, 6 regions in Norway and 7 regions in Switzerland). 1.2. Summary of main joint challenges Reference: point (b) of Article 17(3), point (b) of Article 17(9) 1.2.1. Context of the programme, including EU major strategic orientations The European Union (EU) is committed to deliver results on several strategies over the coming decades, and the cohesion policy will have a key role to play. The rapid rise of digital technologies is making science and innovation more open, collaborative and global. The European Commission's policy priorities reflect this through its three goals for EU research and innovation policy, summarised as Open Innovation, Open Science and Open to the World. Europe needs to become more inventive, reacting more quickly to changing market conditions and consumer preferences if it is to become an innovation -friendly society and economy. The key drivers of research and innovation are most effectively addressed at the regional level. To overcome climate change and environmental degradation, the European Green Deal provides a roadmap for making the EU's economy sustainable with action to boost the efficient use of resources by moving to a clean, circular economy, restoring biodiversity and cutting pollution. It outlines the investments needed and financing tools available and explains how to ensure a just and inclusive transition. The EU is committed to becoming climate -neutral by 2050. To achieve this, the European Climate Law proposes to turn this political

commitment into a legal obligation and a trigger for investment. The strategy shows how Europe can lead the way to climate neutrality by investing in innovative technological solutions, empowering citizens, and aligning action in key areas such as industrial policy, finance, or research while ensuring social fairness for a just transition. The UN's 2030 Agenda for Sustainable Development adopted in 2015 is another major objective for the EU. Adopted in 2015, this Agenda is a commitment to eradicate poverty and achieve sustainable development worldwide by 2030, ensuring that no one is left behind. The adoption of the 2030 Agenda was a landmark achievement, providing for a shared global vision of sustainable development for all. The Agenda's scale, ambition and approach are unprecedented. One key feature is that its 17 Sustainable Development Goals are global in nature and universally applicable, taking into account national realities, capacities and levels of development and specific challenges. All countries, regions and cities, have a shared responsibility to achieve the SDGs, and all have a meaningful role to play locally, nationally as well as at the global scale. The recent crises faced by the EU have increased inequalities in many areas. Working for social fairness and prosperity as part of the EU priority financial and the European Pillar of Social Rights also appear as key drivers for this programme. Individuals and businesses in the EU, in particular small and medium-sized enterprises, can only thrive if the economy works for them. The EU's unique social market economy allows economies to grow and to reduce poverty and inequality. With Europe on a stable footing, the economy can fully respond to the needs of the EU's citizens. 6 The implementation of all EU strategies needs to fully consider the territorial dimension and limit their potentially negative differentiated impacts. The aim of the Territorial Agenda 2030 is to strengthen territorial cohesion in Europe. This means ensuring a future for all places, by enabling equal opportunities for citizens and enterprises, wherever they are located. Territorial cohesion reinforces cooperation and solidarity and reduces inequalities between better-off places and those with less prosperous outlooks. Cohesion benefits Europe as a whole and each individual territory. To strengthen cohesion, the Territorial Agenda provides strategic orientations for spatial planning and for strengthening the territorial dimension of relevant policies at all governance levels. The Territorial Agenda 2030 outlines two overarching objectives: (i) a Just Europe that offers future perspectives for all places and people; (ii) a Green Europe that protects our common livelihoods and shapes societal transition processes. These objectives are broken down into six priorities for the development of the European territory. Interreg Europe may be able to support the response to any form of crisis (e.g., humanitarian, climatic with heat waves for instance, pandemic) should one emerge during its lifetime. In this respect, at the start of the 2021 - 2027 programming period, Europe is facing an unprecedented health crisis due to the COVID-19 pandemic, which took hold in spring 2020. This is set to have very severe and long-lasting effects on many economic sectors (e.g., tourism, the cultural and creative sector) and probably on other issues such as people's choice of transport mode, consumer habits, ways of life, health, etc. in Europe's regions. Over the coming decades, the EU must address the challenges arising from these effects, along with the ecological transition, the digital transitions and demographic change. All these challenges will have strong impacts on a wide range of policy fields at EU, national, regional and local levels. Public policies will undoubtedly be needed to help Europe's economy and the wider society to recover from the crisis. In this regard, the EU's cohesion policy remains essential for supporting the economic and social recovery in EU regions. With this policy, the EU contributes to the harmonious development across the Union by strengthening its economic, social and territorial cohesion in all EU regions and Member States. Interreg Europe continues to be one instrument of this policy with the potential to accelerate harmonious development by promoting a large-scale exchange and transfer of experience, peer-learning and benchmarking across Europe. The programme strategy is based on the following key sources of information: a) Seventh report on economic, social and territorial cohesion. My Region, My Europe, Our Future (2017); b) State of the European Territory (Contribution to the debate on Cohesion Policy post 2020 - ESPON (2019); c) Territorial Agenda 2030 - 2019; d) Synergies between IE and Smart Specialisation, JRC Technical Report 2018; e) Evaluation reports (Interreg Europe 2014 -2020 programme (2020); f) EC website.

1.2.2. Disparities and inequalities across Europe and challenges for regions

The characteristics, situation and prospects of European regions in regard to the challenges and strategic orientations described above are very diverse. As in the previous programming periods, regional diversity in terms of opportunities and needs across the EU calls for tailor-made policies. It calls for a place-based approach that gives regions the ability and means to deliver policies that meet their specific needs. The uniqueness of each region is also of enormous added-value for other regions in Europe through various forms of mutual learning. It lays the foundation for the programme's role in Europe's push for a smarter Europe, a greener, climate-neutral and resilient Europe, a more connected Europe, a more social Europe and a Europe closer to citizens. The triennial report on economic, social and territorial cohesion in Europe provides a valuable insight on major trends at work. The 8th Cohesion Report released in February 2022 highlighted key trends that are relevant for the 2021 -2027 programming period. These include the narrowing of regional disparities and yet the stagnation in southern and south-western areas, especially in non-urban areas. The Report acknowledges the asymmetric impact of the COVID-19 effects on EU regions, and the sectors that were most negatively affected, such as tourism. 7 Other general trends in the Report point to the fact that further investment in innovation, skills, governance and digitalisation is needed to keep closing the GDP gap. In addition, the need to invest in environmental protection and clean energy remains as a key driver to ensure sustainability, competitiveness and quality of life. The Report also highlights the transformation that the green transition will bring to the economy.

i. Key economic, social and territorial disparities for each of the five EU policy objectives are described below, as well as some crucial policy challenges for European regions, in particular those that are governance-related. In the following descriptions, references are made to large areas across Europe based on the compass points, but the reality is rarely so simple and existing disparities within each large area should be kept in mind. A more competitive and smarter Europe. Innovation in the EU remains highly concentrated in a limited number of regions. In the southern and eastern Member States, innovation performance is poorer and regions close to innovation centres (mainly capitals) do not benefit from their proximity. It is therefore necessary to develop policies that support technological and non-technological innovation in less developed regions and regions with low diversification and that connect businesses, research centres and specialised services to businesses in different regions. Cultural and creative assets are considered important and unique inputs for these innovation processes. Despite being drivers of economic development, the concentration of business activities in knowledge economies also contributes to widening the development gap between regions. Regions differ in terms of the intensity and mix of their knowledge and innovation activities, which means they have different capacities to innovate and innovation processes of various levels of sophistication. Each territorial innovation pattern can be reinforced by knowledge acquisition from outside the region. Achieving positive regional economic development based on research and innovation depends on ability of regions to capitalise

on their assets. A clear core-periphery polarisation exists as a result of the current mechanisms of knowledge production. Regional specialisation patterns by technology use reveal that technology regions (i.e., sectors that actively produce technological solutions) are mainly capital city regions. The increased adoption of 4.0 technologies and processes based on cyber-physical systems and the internet of things (IoT), which requires new patterns of technology production, shows that islands of innovation can emerge in less advanced regions. From a societal perspective, a specific emphasis needs to be put on the acquisition of digital skills to limit the risk of excluding certain groups, such as the elderly, who may not be well prepared for this rapid transformation. SMEs in the EU represent 99% of all enterprises, 5.7% of the value added, and employ 66% of the EU labour force. SMEs are considered to be the backbone of the European economy. However, regions provide different enabling conditions, challenges, opportunities and threats with respect to SME growth. Local and regional governance is increasingly important for economic development and competitiveness, as it can support companies in many ways. The role of quality governance systems is therefore crucial and is defined as providing two benefits (i) ensuring transparency in decision making and stability and (ii) fostering entrepreneurship and SME creation. The development of the digital economy and society is uneven across EU Member States. Rural and peripheral regions are vulnerable in the shift towards the digital economy. The digitally more developed regions of northern and central Europe overlap with the knowledge and innovation regions. Considering the high cost of digital infrastructure in territories with geographic challenges, outermost regions, and rural areas, digital connectivity could be supported through local measures aimed at increasing demand through the promotion of ICT use and dematerialisation of services. Larger, more developed cities provide more digital services than small and medium-sized cities, towns and rural communities. The interoperability of public services is thought to be an important factor for reducing digital gaps between countries and regions. Public institutions, civil society and companies should cooperate and exchange knowledge, as this will help to boost the local digital ecosystem and foster the co-creation and delivery of new types of services. Interregional cooperation can contribute to a smarter Europe by enabling European regions to improve their innovation and R&D policies and programmes, particularly their smart specialisation strategies. The exchange of experience and policy learning will enable regions to accelerate and improve the implementation of their regional development policies in key areas, such as: skills development for smart specialisation and entrepreneurship, digitalisation of the economy and society, digital connectivity, the uptake of advanced technologies, innovation in SMEs, and non-technological innovations (organisational, social, etc.). A greener, climate-neutral and resilient Europe Climate change has different impacts on each of Europe's biogeographical regions. Observed impacts include changes to the environment, to ecosystems, and to the food, water and energy systems. Vulnerability to climate change varies considerably from region to region. Climate change is increasingly causing environmental damage, is adversely impacting well-being and health, and is generating economic losses. In regard to energy, increased efforts will be necessary to make a success of the European Green Deal, the European Climate Pact, and the upcoming 'Fit for 55' package and its target to reduce emissions by at least 55% in 2030. With a view to showing global leadership on renewables, the EU has set an ambitious, binding target of 32% for renewable energy sources in the EU's energy mix by 2030. Reaching the EU's climate-neutral objectives requires infrastructure investments targeting geographically specific renewable energy potentials, increased energy efficiency in regions where resources are scarce, regional cooperation, and an increased focus on bottom-up governance. Rural regions in Southern and Eastern Europe, most of Eastern Europe, and outermost regions are the most vulnerable to energy poverty. Many of these regions have the potential to develop renewable energy, but lack the administrative capacity, the vision or the financial resources. Regional and interregional cooperation can support the development of stakeholder networks, the transfer of knowledge and practices of sustainable energy supply and consumption across regions, and the alignment of action in support of the energy transition across the different governance levels. The circular economy is making an increasing contribution to meeting the EU's environmental and climate objectives. It is also a stimulus to local and regional development. The region is a relevant scale at which to organise sustainable economic ecosystems, but the regulatory frameworks at regional and local levels should be adapted to the principles of a circular economy. Implementation and diffusion of circular business models (CBMs) is favoured by agglomerations (both economic and urban) in proximity to knowledge hubs. Circular economy material providers play a particularly predominant role in rural regions. The transport sector is one of the main contributors to greenhouse gas emissions and air pollution. Public action to support the decarbonisation of transport is therefore more important than ever. The supported actions should be inspired by the European strategy for low-emission mobility, which aims at ensuring a regulatory and business environment that is conducive to meeting the competitiveness challenges that the transition to low-emission mobility implies. In addition, the EU Biodiversity Strategy for 2030 is also an important part of the European Green Deal. It aims at protecting the natural world and reversing the degradation of ecosystems. EU regions have an important role to play by ensuring effective protection of a significant proportion of the land and sea and integrating ecological corridors as part of a true Trans-European Nature Network. The EU Nature Restoration Plan, which is a key part of the Strategy, has the potential to make EU regions not only more nature-friendly, but also offers opportunities to increase their resilience to climate change and other environmental risks. Implementing the Strategy will require, however, unlocking substantial funding from regional/cohesion funds and other sources, as well as the involvement of actors at all levels of decision-making. Blue economy is also a pillar of the green transition and will contribute to the sustainable development of the oceans and coastal resources. A number of sectors are key in the blue economy such as marine living resources, marine non-living resources, marine renewable energy, port activities, shipbuilding and repair, maritime transport and coastal tourism. Finally, the potential area covered by green infrastructure (GI) at the regional level is relevant to multiple policy frameworks (e.g., biodiversity, water management, climate change, digitalisation). Regions with low potential GI network coverage in north-western Europe need to improve the connectivity of existing GI. Regions with high potential GI network coverage should be supported through policies promoting sustainable land use and increased biodiversity. The development of GI can be facilitated by collaboration between local and regional stakeholders, awareness and capacity building, and knowledge exchange between professionals operating at different implementation stages and scales. Interregional cooperation can support European regions to deliver a greener, climate-neutral and resilient Europe, in line with the European Green Deal, by enabling them to integrate successful experiences and policies from other regions into their own regional programmes in areas such as promoting the transition to a circular economy, climate change adaptation, water management, pollution prevention, risk prevention and disaster resilience, energy efficiency measures, biodiversity restoration, nature-based solutions and green infrastructures, and sustainable urban mobility. Where relevant, the Interreg Europe programme can promote and enrich the activities and

outputs of regional programmes. A more connected Europe Good accessibility is a precondition for economic development. By 2030, the accessibility potential of mountain, rural areas and coastal regions by road or rail will barely reach 80 % of the European average. Sparsely populated places and islands (including outermost regions) will remain below 20 %. Overall, there are significant disparities in accessibility at the regional and local levels. Interregional cooperation can contribute to a more connected Europe by supporting policy learning and capacity building in relation to regional policies promoting sustainable, intelligent and multimodal mobility. A more social and inclusive Europe As a result of the 2008 financial crisis, the unemployment rate in the EU reached a record high of 11% in 2013, dropping to 6.2% in late 2019. But the situation is set to deteriorate markedly in the early 2020s. There are large and long-lasting gaps between regions in terms of employment and unemployment rates, with significantly higher unemployment rates in the countries of southern Europe and in the outermost regions. Youth unemployment varies widely from around 6 % in the countries of central Europe to over 30 % in southern European countries. The employment situation of workers over 50s also remains a n issue of concern in most countries. The data also shows that the employment rate of 35-49-year-olds is worsening. Overall, the average employment rate was 74% in the more developed regions in 2016, while in less developed regions, the average rate was only 65%. The ability of regions to withstand economic shocks and address high unemployment is determined by a combination of factors, including the structure of the economy, labour market flexibility, the level of skills and education, and place-based characteristics, in particular the quality of governance and other specific societal challenges. 10 For example, regional economies dominated by sectors heavily affected by the COVID-19 crisis, such as tourism or the cultural and creative sectors, may experience more severe and prolonged negative socio-economic impacts compared to regions with more diversified economies. In this context, it will be important to consider how recovery plan budgets and corresponding packages will be used and coordinated at European, national and regional levels. Working conditions are also of growing interest, with aspirations for a better work-life balance, equal opportunities, the inclusion of vulnerable groups (e.g., people with disabilities, migrants, Roma population and other minorities or marginalised groups), and more flexible forms of work. Moreover, the role and place of pensioners in society should be better addressed in light of the ageing society. As for migration, the specific measures at EU level taken during the most critical years, around the mid-2010s, need to be evaluated and extended where relevant. Among the key lessons, the positive economic impact of the presence of refugees is largely determined by the success of their integration into the labour market. Urban and rural contexts require different policies for the socio-economic integration of migrants. When considering the social dimension, the important role of local authorities and NGOs in the successful integration of migrants should be emphasised. Europe faces increasing and territorially different demographic challenges. Among these challenges, ageing and depopulation or high-density population may affect many regions, including rural and peripheral areas. At the same time, many metropolitan/urban areas are facing growing populations, with possible severe impacts on social and territorial cohesion, public service provision, labour markets and housing, among others. Access to services of general interest, education, training, healthcare, social care and social protection and inclusion, appears to be especially difficult for vulnerable groups and for people living in specific types of territories, such as rural areas with low accessibility or areas with geographical specificities, including mountains, islands, sparsely populated areas, coastal areas and outermost regions. Cohesion Policy governance and implementation mechanisms at the national level, and the regional level where relevant, should support capacity building among local stakeholders and multilevel partnerships (policy making ecosystem™ approach), interregional networking and cooperation. In line with the European Pillar of Social Rights, Interregional cooperation can contribute to a more social Europe by supporting policy learning and the transfer of experience on regional policies that will get people back into employment and enhance the effectiveness of labour markets and the integration of migrants and disadvantaged groups. Other key fields of action are, for instance, ensuring sufficient and equal access to health care through developing infrastructures, including primary care and specialised health services and enhancing the role of culture and tourism in economic development, well-being, social inclusion and social innovation. A Europe closer to citizens Good territorial governance and cooperation are preconditions to meeting current social, economic, connectivity and environmental challenges across the European territory. The diversity of the European territory in terms of geography, administrative and governance settings, and political differences across regions, underlines the importance of tailored, place-based approaches. To ensure no places or citizens are left behind, stronger cooperation between places across territorial boundaries is needed, as well as across sector-based policies. This requires high-quality governance as well as capacity building and the empowerment of the various actors involved. Interregional cooperation can contribute to a Europe closer to citizens by supporting key areas for the development of effective integrated place-based strategies and policies, which could cover issues like local cooperative digital platforms, bottom-up/local green deal strategies dealing for instance with energy poverty, among other themes. The support could facilitate better spatially adapted governance, as governance for collective action requires capacity for consensus building and long-term commitment. Moreover, experimentation in terms of building governance networks

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