Welcome to

IPA Finance Lab: Practical Exchange for Programme Practitioners

Alexandra Kulmer, Besiana Ninka, Ivana Lazic, Jasmina Lukic | Interact

3 and 4 December 2024 | Tirana, Albania





Objectives of the meeting

- ✓ Discuss Roles and Responsibilities of different Interreg IPA Programme bodies in Financial Management
- ✓ Get insights in the latest news of Interreg Financial Management topics
 - Risk-based Management Verification, Simplified Cost Options, Eligibility,
 Public procurement
- ✓ Exchange best practices with other Interreg IPA Programmes
- ✓ Learn from each other and network



Statistics from the registrations



40 Participants

16 Interreg Programmes

13 Countries

3 AA/GoA 8 MA

4 NA/NCP 7 JS

12 Controllers 6 Other



Agenda – Day 1

10:00 - 11.00

Roles and responsibilities in financial management of Interreg IPA Programmes

11.30 - 13.00

Risk-based Management Verifications in Interreg 14.00 - 15:30

SCOs – Simplification of financial management!?

16:00 - 17.00

Eligibility of expenditure



Agenda – Day 2

9:30 - 10.30

Challenges in Public Procurement

10.45 - 11.45

Challenges in Public Procurement & Open questions and answers

11.45 - 12:00

Closure of the event & Next steps



Working agreements

- a) Be active!
- b) Ask questions
- c) Contribute and share (any idea is welcome)
- d) Be open
- e) Be patient with your peers
- f) Have a good time ©



All presentations will be available after the event at Interact website, Library section!





Roles and responsibilities in financial management of Interreg IPA Prorammes

Besiana Ninka | Interact







Why this session

- Enhance understanding of roles.
- Improve coordination and collaboration.

Legal basis: functions of the MA (1/2)

The managing authority of an Interreg programme shall carry out the functions laid down in Articles 72 (managing the programme), 74 and 75 of Regulation (EU) 2021/1060, with the exception of the task of selecting operations referred to in point (a) of Article 72(1) and Article 73 of that Regulation and, where the accounting function is carried out by a different body pursuant to Article 47 of this Regulation, of payments to beneficiaries referred to in point (b) of Article 74(1) of Regulation (EU) 2021/1060. Those functions shall be carried out in the whole territory covered by that programme, subject to derogations set out pursuant to Chapter VIII of this Regulation.



Legal basis: functions of the MA (2/2)

Interreg Programmes may decide that management verifications are not carried by the MA (Article 46(3) of Regulation (EU) 1059/2021 (Interreg Regulation)):

"By way of derogation to point (a) of Article 74(1) of Regulation (EU) 2021/1060 and without prejudice to Article 45(5) of this Regulation, the Member States, and where applicable, the third country, partner country or OCT, participating in the Interreg programme, may decide that management verifications referred to in point (a) of Article 74(1) of Regulation (EU) 2021/1060 are to be done through the identification by each Member State of a body or person responsible for this verification on its territory (the 'controller')."

How many levels of control exist in Interreg?

Project partner

Lead partner

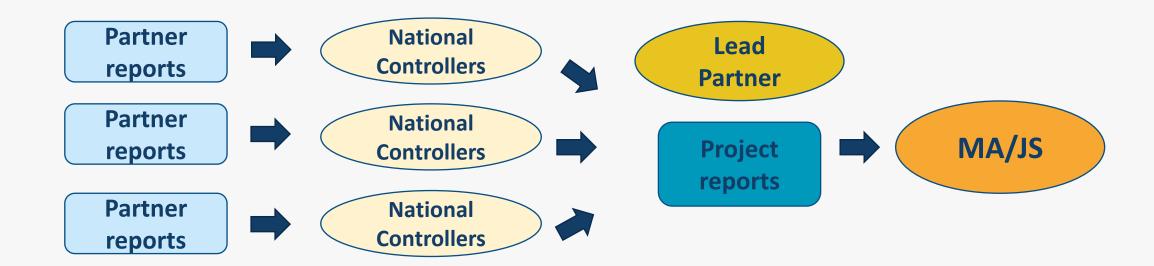
National controller

MA/JS

Audit Authority



Who is part of management verifications?



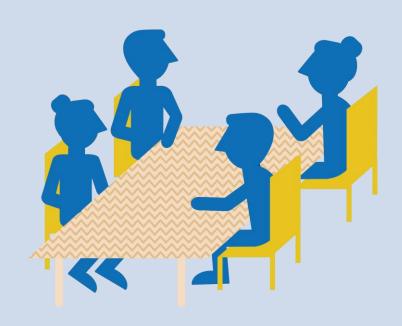
Let's engage in an exercise (1/2)

Based on your professional experience and judgement - which body (National Controllers or MA/JS) is rather responsible for the verification of the aspects in the flipcharts?

Put a dot according to your judgement in the corresponding row!

In your programme, which body (National Controllers or MA/JS) is rather responsible for the verification – "There is no double financing with other projects or funding sources"?

National Controllers ONLY	National Controllers MOSTLY	MA/JS MOSTLY	MA/JS ONLY	BOTH (MA/JS and National Controllers)





In your programme, which body (National Controllers or MA/JS) is rather responsible for the verification –

- "Expenditure relates to the eligible period and has been paid aspects"?
- "Expenditure relates to the approved project"?
- "Supporting documents are adequate and the audit trail exists"?
- "There is no double financing with other projects or funding sources"?
- "For simplified cost options: conditions for payments have been fulfilled"?
- "On-the-spot verifications"?
- "Activities comply with equal opportunity and non-discrimination requirements"?
- "Expenditure comply with public procurement rules"?
- "Expenditure comply with branding rules"?
- "The delivery of products or services is in full compliance with the content of the subsidy contract"?
- "Quality of outputs is adequate"?
- "Output indicators reported by the project are achieved"?

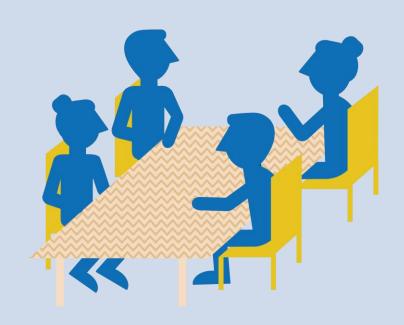


Let's engage in an exercise (2/2)

Discuss with your table group the different approaches adopted across various programmes;

Is there any actions that could help to clarify the interface between the programme bodies?

Prepare to share the key highlights of your discussion during the plenary session.





Risk-based management verifications in Interreg

Alexandra Kulmer | Interact





Why RBMV

Increase Efficiency

Significantly reduce the administrative burden for beneficiaries as well as for MAs and their IBs by reducing the number of controls

Increase Effectiveness

Improve management and control systems by allowing to focus on problematic areas instead of spending time and resources on verifying every single Euro declared

Legal framework for RBMV

Art 74 CPR

- (1) The managing authority shall carry out management verifications
- (2) Management verifications shall be risk-based and proportionate to the risks identified ex ante and in writing
- include administrative verifications and on-the-spot verifications
- verifications shall be carried out before submission of the accounts

Two approaches for RBMV in Interreg

MA develops a single methodology for the whole programme

- MA prepares the risk assessment and methodology
- Controllers are involved in the preparation and apply the methodology
- MA reviews the application

MA delegates the responsibility to the participating countries

- Controllers prepare the risk assessment and methodology
- MA reviews the methodologies and ensures equal treatment
- MA sets minimum requirements

Communication and **consultation with the AA** is strongly recommended!



Risk factors to be analysed

Operation

Significant budget, new approaches, phases, complexity of activities, no. of partners, no. of locations, ...

Partner

Type of beneficiary, experience, significant budget, complexity of activities, investments, state aid relevance,...

Costs

Specific cost category, real costs / SCOs, costs above thresholds, costs including VAT,...



Administrative verifications



- Selection of payment claims
- Selection of type of costs inside of payment claims
- Selection of items inside of payment claims

On-the-spot verifications

Selection of operations / project partners

Selection of expenditures within the operation

Delivery, publicity, indicators



HIT guidance and methodology

- developed by Interact together with several Interreg Programmes
- using programmes' experiences with RBMV in 2014-2020 period as inspiration
- using historical programme data regarding most common errors and irregularities



Harmonised methodology for Interreg that can be customised to fit each specific programme's context



HIT guidance and methodology

Administrative verifications

Key items

- Public procurement above EUR 10.000 (excl. VAT)
- Staff costs of the first two reports and in case of significant changes
- VAT for projects above EUR 5 Mio. incl. VAT
- + Professional judgement
- + Random sampling
- + Extension of the sample

On-the-spot verifications

At least once for project partners with productive investments or infrastructure



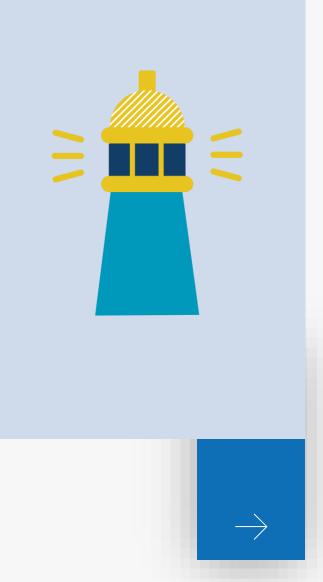
RBMV vs. Audits

- Risk assessment and methodology is subject to system audits and influenced by the results of audits of operations
- Audit of operation does not apply the same sampling methodology as RBMV



It is possible that an operation/payment claim/expenditure is not verified by MA but audited by AA





Why a solid RBMV is crucial?

- ✓ Detect ineligible expenditure in payment claims
- ✓ Avoid irregular expenditure in accounts
- ✓ Prevent net financial corrections (Art 104(1)(b)/CPR)

Financial corrections will not be net when:

- 1. the MS removes the amounts from the accounts before their submission or acceptance
- 2. the MS detected (and reported) the irregularity first, even if the irregularity was not correctly treated in the accounts



RBMV focusing on risky areas = first line of defence

Audits = second and final line of defence



Issues in RBMV identified by the EC

- risk assessment not adapted to the programme needs and not performed/reviewed by MAs
- unclear risk assessments and/or methodology
- no mention of the previous experience
- allocation of points not linked with past experience
- no flexibility
- 100% management verifications (when not justified)





SCOs – Simplification of financial management!?

Jasmina Lukic | Interact







in the room...

16 Interreg Programmes

Off-the-shelf SCOs

FR Staff costs 20% - 11

FR Office & administrative costs 15% - 14

FR Office & administrative costs 7% - 2

FR Travel and accommodation costs 15% - 15

FR 40% for other costs - 7

12 Interreg Programmes

Programme specific SCOs

Lump sum preparation costs – 11

Lump sum closure costs – 5

Lump sum for communication (visibility) - 1

FR Travel and accommodation costs 22%

for non-EU countries - 1

FR for control costs 2% - 1

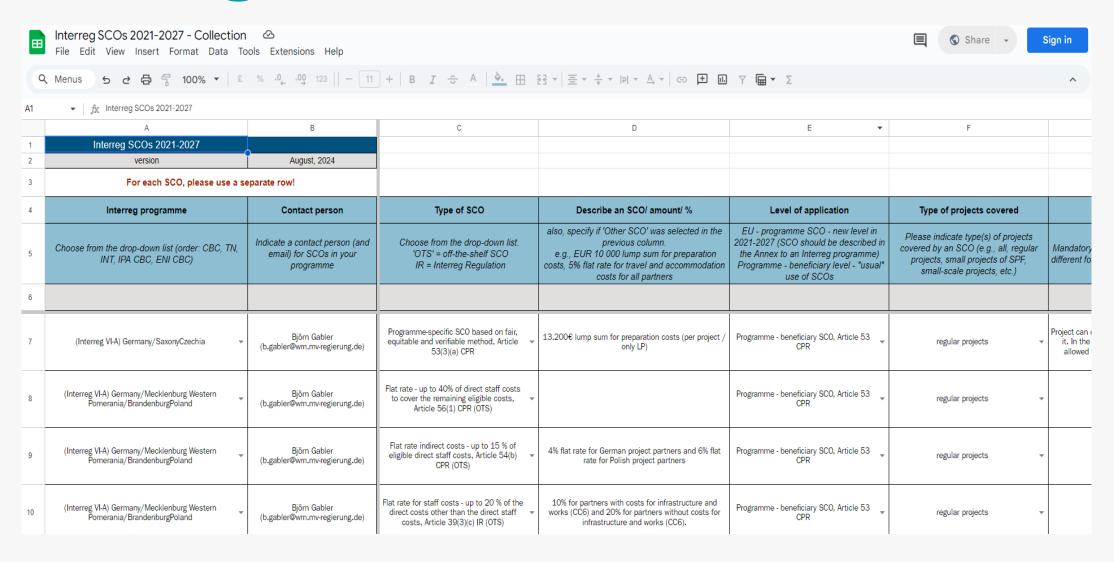
Unit costs for staff - 1

Unit costs for events - 3

SCOs from Union policies and national schemes



Interreg SCOs 2021-2027 - collection





SCOs - interesting practices

- SCO for communication lump sum;
- face-to-face event unit cost clearly specifying what is in and what is out;
- staff costs as flat rate of 38% of external expertise (ESPON);
- management equipment unit cost





News and updates



SCOs in 2021-2027



- 1. SCOs used at the "lower level" (Programme Beneficiary)
- 2. SCOs used at the "upper level" (EC Programme)
- 5 Interreg CBC programmes with approved schemes:
- **✓** ESPON
- ✓ Belgium the Netherlands
- ✓ Slovenia Hungary
- ✓ Slovenia Austria
- ✓ Slovenia Croatia

Mapping of MSs SCOs 'lower level' (Article 53 CPR) and 'upper level' (Article 94 CPR) available in the SCO community <u>here</u>;



Upper level SCOs - reminders



- Possible to submit during programme implementation (<u>simplified fast-track programme's modification procedure</u>);
- An ex-ante assessment of the methodology by the AA is mandatory;
- Informal consultation with the EC highly recommended;
- Recommended to use "upper level" SCOs also at the "lower level" to reach full simplification;
- a mock-up example



News from DG Regio TN Network on Simplification





News from DG Regio TN Network on Simplification



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
REGIONAL AND URBAN POLICY
Better implementation, Closure and Programme Implementation III
Better implementation and Closure

Study on the uptake of Simplified Cost Options (SCO) and Financing Not Linked to Costs (FNLC) for the Common Provisions Regulation (CPR) Funds in the 2014-2020 and 2021-2027 programming periods

Presentation of the study findings
REGIO Transnational network on simplification, Marseille 14 November
2024







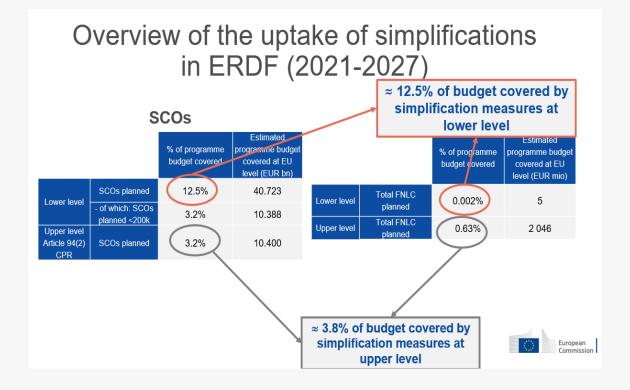


News from DG Regio TN Network on Simplification

Overview of the uptake in ERDF/CF (2014-2020)

ERDF	% of OP budget covered	Estimated OP budget covered at EU level (EUR bn)	
All SCOs	7.6%	24.909	
Of which SCO <100k	0.7%	2.418	

CF	% of OP budget covered	Estimated OP budget covered at EU level (EUR bn)	
All SCOs	1.2%	0.567	
Of which SCO <100k	0.1%	0.026	



News from DG Regio TN Network on Simplification

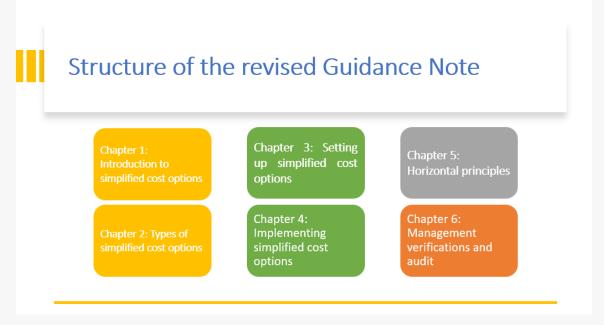


Guidelines on the use of Simplified Cost Options under CPR 2021-2027

18th meeting of the REGIO TN on Simplification – Marseille 14-15 November 2024

News from DG Regio TN Network on Simplification





Experience sharing:



Joint Secretariat, Interreg IPA South Adriatic Programme

Antonio Agrosi

Interreg IPA South Adriatic programme 's SCOs



Experience sharing:



Joint Secretariat, Interreg IPA Croatia – Bosnia and Herzegovina - Montenegro

Kristijan Futac

Small project fund





Implementation issues and



SCOs - implementation issues

Travel and accommodation FR

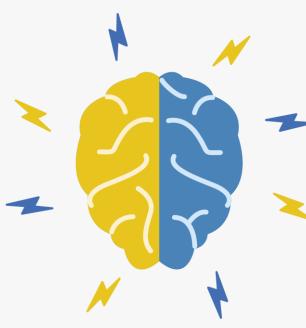
The necessity of verification of the existence of the cost category;

Solution:

- the final answer in the new SCOs guidelines

According to the draft version:

The cost categories covered by the flat rate are necessary for the implementation of the operation; at selection stage the managing authority will check whether the categories of costs covered by the flat rate are necessary, based on the information provided in the application for funding and the document setting out the conditions for support.





QA00246 - Question concerning flat-rate financing at the level of beneficiaries - RegioWiki Extranet - RegioWiki (europa.eu)

 Is it possible for a beneficiary to select the budget options with different SCOs as well as different percentages for off-the-shelf flat rates within a budget option?



MA may offer several forms of grants for the same category of costs as long as each form is used for different project partners' budgets



Strong recommendation that <u>MA</u> sets the percentage of an "off-the-shelf" flat rate to be used for a certain category of costs, within the limits defined in the relevant legal provisions



16



SCOs and double funding

- Within the same operation
- Double funding with other EU funds
- Examples in the new SCOs guidelines



To prevent double-financing, SCOs and real costs can be combined in the following situations (Article 53(1)(f) CPR):

- They cover different categories of eligible costs
- They are used for different projects in the same operation
- They are used for successive phases of an operation (preparation, implementation, closure)

SCO findings



SCO not established ex-ante



Use of SCOs from MS policies, condition on grant funded by the MS not fulfilled



Methodologies copied from previous programming period, no update or calculation and no verification of the current legal framework



Conditions not verified, in some cases due to lack of details in the methodology



Methodology based on unverified historical data (declared by beneficiaries)



No definition of cost categories



Calculation method/historical data not relevant for the specific SCO, not accurate or sources not verified



Incorrect application due to unclear definition of unit

SCO findings



Unit costs defined based on category of age, only one unit cost applied, irrespective of the category



Reduction of the unit cost by a specific percentage, without justification



Units not properly justified (number of hours)



Gold platting: duplication of controls, invoices requested, no SCOs used in complex operations



Incorrect application of the adjustment method



Lack of checks from the AA



Retroactive increase of the unit cost applied for a finalised project



Conflict of interests in selection

SCO findings - example

The costs for accounting in an Interreg operation were declared as real costs even if the Programme used the 15% flat rate for indirect cots (covering also accounting).





40% flat rate

40% FR in the project lifecycle

Assessment

- Is the amount in line with the role of the partner?
- Is the combined budget of all partners in line with their roles?
- Detailed description of the planned outputs/results!
- Repository of benchmarks and cost estimates

Implementation

- focus on delivery
- reduces the administrative burden
- limited scope for project changes

Verification

- focus on verification of staff costs
- quality of reports
- quality of outputs/results

Irregularities

- staff costs irregularity = reduction of the total amount of the flat rate
- comply with all EU, national and programme rules!



Observations from programmes & controllers:

monitoring easy so far

changes & challenges

uncertainty related to audit still present



 bigger project teams; staff fluctuation – reporting problems

fast & simple

focus on staff costs

 proportionality
 between activities
 and their
 engagement

 recommendation for both programmes & beneficiaries





SCOs in 2021-2027 - publications

2023 Factsheet

<u>Verification of SCOs – practical</u> <u>implications of SCOs on control</u> <u>work</u> 2023 Factsheet

A 40% flat rate in a project life cycle

2022 Briefing note on..

The draft budget method





SCOs in 2021-2027 – Interact Academy

NEW Certified training on SCOs – SCOs for practitioners

the registration open until December 7,2024



SCOs for post 27 Interreg







Eligibility of expenditure

Jasmina Lukic | Interact





HIT factsheets

External expertise and services costs Feet sheet on the eligibility of external expertise and services costs May 2024 Column Columna Columna







Matrix of costs





SCOs/ Eligibility - implementation issues

In-kind contribution (in form of voluntary work)

Q: For Interreg Programmes, can voluntary work (i.e. in-kind contributions) be declared as staff costs and therefore included in the basis costs for the application of flat rates, including those set out in Articles 54(b) and 56 CPR and in Article 41 Interreg Regulation?

Solution (Regiowiki QA00318):

In-kind contributions in the form of provision of work for which no payment supported by invoices or documents of equivalent probative value has been made (unpaid work), **may be eligible if the** conditions set out in Article 67(1) CPR are met.

The definition of direct staff costs is not linked to whether the staff costs take the form of in-kind expenditure or not. Therefore, in-kind contributions in the form of unpaid work can be included in the direct staff costs and be used as a basis for the calculation of flat rates, including those under Articles 54(b), 56(1) CPR and Article 41(5) Interreg Regulation.





Challenges in Public Procurement

Ivana Lazic | Interact





Change of perspective

Periodo ipotetico 1º tipo

REALTÀ: talk about something that is likely to happen

Example: "If I use RBMV, I will be satisfied with management verification of project partners"

Periodo ipotetico 2º tipo

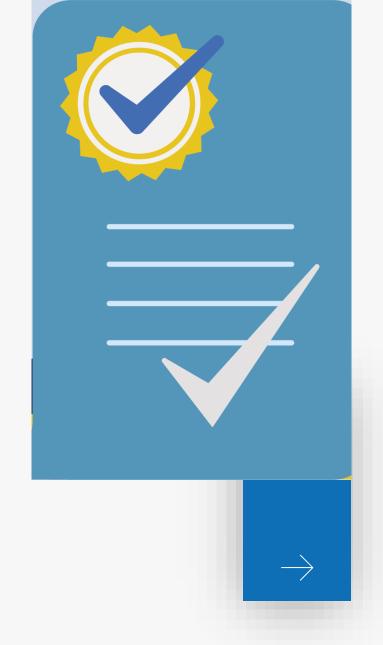
POSSIBILITÀ: talk about something that could happen or is possible, but it's not very likely.

Example: "If I don't control 100% of the expenditures, project partners will be buying Ferraris"

Periodo ipotetico 3º tipo

IMPOSSIBILITÀ: talk about something that's no longer possible, which is why we call it "unreal. Example: "If I had a chance to check the flat rate, I would have for sure found something wrong".





Public procurement





On this day 15 years ago



Ivana Lazic

16 Nov 2009 · 💸

I still claim that public procurement for external actions for shared management is the best way to insanity!



What do we have?



Financial Regulation

Defining rules for the external public procurement



Annex 2

Defining framework for the Interreg IPA



PRAG

Guidance on procedures and general templates



Programme level solutions

Specific rules/templates/procedures for individual programmes



National level solutions

Specific rules/templates/procedures for individual countries (across programmes?)



Templates developed by TESIM



"Procurement methodological challenges & opportunities for Interreg IPA Programmes PWC"

Recommendations/Good practices



PWC

Key challenges

- lack of templates, documentation and instructions on how to use PP rules
- lack of competencies to implement PP rules
- lack of experience in implementing the PP processes
- the need for harmonization of PP rules in terms of transparency and publicity
- strict rules that do not follow the project needs
- confusion about the language to be used when implementing the PP processes

Key conclusions

- language barriers impede the PP processes implementation
- there is no common understanding of which PP rules are to be applied
- there is no exchange on PP rules and processes
- harmonization of the PP templates
- need for strengthening capacity building for the programme bodies and beneficiaries

Key recommendations

- providing clear guidance on PP rules and processes
- providing online tools for the beneficiaries
- providing training courses for strengthening capacity building for the programme bodies and beneficiaries
- providing ad-hoc support to the programme bodies and beneficiaries
- organize events to ensure the exchange of info, practices and experiences



What works?



Romania – Serbia example



And what about your examples or solutions?





Interact What can we do for you?

What is the Interact Academy

- Offers training opportunities to help increase the knowledge and improve skills.
- Through short courses and certified trainings.
- For staff from all Interreg programme bodies.

Unlock your potential with Interact Academy

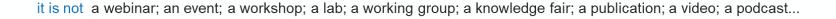
The Academy is your dedicated pathway to success in Interreg programme and project management.

You can learn more about our certified trainings and short courses below.

So why not get started today?









Interact Academy Certified trainings 2025



	January	February	March	April	May
In-person training	Interreg evaluation practitioners		Interreg project management	Strategic approaches to Interreg programme management	Interreg project assessment, monitoring and verification
					Fundamentals of programme communication
		Interreg for beginners	SCOs foundations		Interreg programme introduction
Entirely Online			Interreg Management verifications		





Timeframe 2025



1	Storytelling	January
2	Video making	January
3	Jems control module	March
4	keep.eu	March
5	Negotiation	March
6	Capitalisation	April
7	Online facilitation	May
8	Communication with Interreg Programmes	May
9	Social media communication	June
10	Lobbying and advocacy	October

December events

9th CBC finance network meeting, Online, 10 December

Interreg Surgery - launch, Online, 12 December

Update on GDPR developments, Online, 13 December



2025

Work plan 2025

- Payment applications, accounts, and assurance package with a special focus on Jems
- Interreg surgery
- Project quality
- Project monitoring and project changes
- INTERFIN, Poland
- Final calls, Luxemburg
- Controllers workshop, Germany
- Anti-fraud in Interreg, irregularities and fraud, conflict of interest
- Efficiency of the assessment scoring systems, Estonia
- SCOs in Interreg annual webinar
- HIT/HIP Retrospective and outlook for post 2027, Romania
- Risk-based management verifications in Interreg
- Small project fund
- CBC finance network meeting
- AA and GoA annual network meeting
- Tool: Boosting support for Interreg programmes: a service portfolio for the MCs: A
 factsheet about the overall role and responsibilities of Monitoring Committee members
 complemented with the specificities of Interreg programmes



Work plan 2025 IPA

2025

- IPA CBC Communication training
- Building synergies among Interreg IPA and IPA-IPA CBC programmes,
 TBC
- Regional network meeting of programmes in CE and SEE, September,
 Italy
- Interreg IPA Finance meeting December, Serbia
- Study: How Interreg IPA contributes to the enlargement process

Work plan 2025 Big events

Interreg GO, March Interreg Knowledge Fair, November

2025



Thank you for being here!

Please provide your feedback in the evaluation form:



Cooperation works

All materials will be available on:

Interact / Library