

Post 2027

Fina(ncia)l dreamland

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Overview

It goes without saying, that in 2021-2027 programming period significant simplifications have been introduced. New, ready to use, SCOs in regulatory framework, risk-based management verification, no designation obligation for existing programmes, amendment of GBER and introduction of Interreg specific schemes, amendments for de minimis, common sample for audit, simplification for the application of the conversion rate - these are just the one the most often mentioned, but there are also others. There have been also some stumbling blocks detected during the first years of implementation that require some actions. How can we support current measures and how to simplify further, were two main topics of exchanges during the session.

Methodology

The session was design in a world café format. After a brief introduction, various financial topics (i.e. cash flows, advance payments, technical assistance, SCOs, RBMV, audit and common sample, accounting function, state aid, revenue, public procurement, annex XVII of CPR) were discussed around 5 tables.

Key discussion points

Advance payments

The strong relation between the advance payments and other financial simplifications was stressed. The proposal from the group was a 40% advance payment with following benefits:

- Programmes could make an advance payment to projects and decrease the number of financial reports needed from 2 or 3 times a year to 1, or even less, depending on the duration of the project. The reporting would focus more on content and results.
- When the advance payments to projects would be regarded as “proper” payments, the programme could claim those in the Payment applications towards the EC to:
 - generate TA and make it possible for MA to pay to other programmes authorities and
 - improve the spending at the beginning of the programming period and having more constant spending, and positively contributing to avoiding decommitment.

- This would also have impact on the whole cash flow system and annual accounts.
- Currently, Interreg is heavily leaning on the beneficiaries to first finance the project and the Commission is the “most protected” financially. Turning this the other way round could contribute to the aim of attracting and including new beneficiaries and local communities.

Regulations and articles of particular significance

Interreg Regulation Article 51

Technical Assistance (TA) payed as a flat rate.

This is the significant simplification that contributes to a reduction of administrative burden. The reporting does not require a detailed reporting and can be done using the existing accounting reports. However, for some programmes the MS have not been ready for the simplification and still require the expenditure to be checked by national control. This has caused problems in electronic monitoring systems as the programmes have needed to add TA as project in the system.

Regulations and articles of particular significance

Interreg Regulation Article 27

Cash Flows

When discussing TA, many programmes mentioned they had agreed with Member States to receive the national co-financing in the beginning of the period instead of the annual installments.

An advance payment system payment, as explained above, would significantly improve the programme cash flows.

Simplified Costs Options (SCOs)

There is a common understanding that SCOs are perceived as a huge simplification. More, Interreg specific, off-the-shelf options in particular for the staff cost category (the most popular and cost 'heavy') will be welcomed in the future (e.g. a country specific unit cost). That would further increase the certainty and reduce significantly the administrative burden. More exchanges on implementation issues among programmes will be welcomed in forthcoming years. Additional publications prepared in cooperation with the EC colleagues, (such as recent Verification of SCOs) are very helpful in unifying the approach, exchange of good practices, reduce the admin burden and increased the certainty among programmes' institutions.

Clear, stable rules from day 1, regarding design and implementation of SCOs are crucial for further successful dissemination of SCOs.

Regulations and articles of particular significance

Common Provisions Regulation Articles 53, 74, 94

Risk-based management verifications (RBMV)

Discussion centred on evaluating the effectiveness and shortcomings of risk-based management verifications (RBMV). Participants noted RBMV's success in simplifying controls and task division but identified areas for improvement, including the need for clearer rules and greater attention to existing best practices.

Participants envisioned a future with updated methodologies, reduced complexity, and standardized approaches across countries. The necessity for courage in methodology design and improved collaboration with authorities were highlighted. Overall, the discussion emphasized the ongoing evolution and collaboration required in financial management practices.

Regulations and articles of particular significance

Common Provisions Regulation Article 74

State aid

Interreg should be fully exempted from the State aid regime, the fact of cooperation between undertakings over the border should be the decisive factor liberating the project/beneficiaries from the State aid provisions. Even though that Interreg was granted a block exemption lots of capacities and efforts are needed for State aid assessments, meeting aid intensity provisions, further reporting of granted State aids, as well as explaining the beneficiaries the concept of State aid and what it means that State aid was granted.

A similar conclusion, that the Cohesion Policy needs a derogation on State aid is drawn in the Report of the HLG on the future of Cohesion Policy (p. 40). Interreg joins this proposal and requests a derogation from State aid provisions.

Regulations and articles of particular significance

Enabling Regulation, General Block Exemption Regulation, De minimis Regulation

Audit and common sample

The system of drawing a common sample will be most probably partly tested in 2024 and fully tested in 2025 therefore it is too early to express the opinion. Generally, the guiding principle to limit the unproportioned number of audit of operations is welcome and should be continued.

Regulations and articles of particular significance

Interreg Regulation Article 48,

Accounting function

The idea to have the body performing accounting function closer to the programme (or in the Managing Authority itself) seems to be the correct approach, but it is still too early to have a conclusive opinion. At the moment only 8 programmes submitted the first payment applications. The assurance package (including the accounts) has not yet been submitted by any of the programmes.

Regulations and articles of particular significance

CPR Article 76

Revenue provisions

It is welcomed that the net revenues do not have to be quantified if the project meets all the requirements, however this principle should be enshrined in the future regulations. This would add up to the legal certainty for both beneficiaries and Managing Authorities.

Public procurement, irregularities

As many programmes (yet) do not have expenditures verified or with the claims and verifications of expenditures in progress, it was premature to discuss the topics. However, the topics must be tackled for the IKF 2025, including financial corrections.

Monitoring systems and working with Annex 17

In the table on ideas for the future for financial management in Monitoring systems and working with Annex 17. The key points brought up were:

- The benefits and interest to continue a community developed Monitoring system were clearly expressed on the table. Even programmes having their own monitoring system in 2021-2027 indicated that it was important to have a community led monitoring system.
- HIT should be the basis for establishing the Annex XVII required fields for ERDF. 27 programmes agreed on the data fields needed for Interreg and yet some fields like the recording of ultimate beneficial owners seem to be an administrative burden. Due to the obligation in 2021-2027 the data is often recorded twice, since most programmes rely on the member states to register and retrieve this data in National registers and not the beneficiaries to record this data. As long as the VAT number is available this data is easily accessible in other databases.

Regulations and articles of particular significance

Common Provisions Regulation Annex 17

Conclusions, plans for followed up

The meeting gave an overview of opinions shared on financial related issues. In some cases, new ideas for simplifications have been identified, but in most cases it is still too early to fully comprehend the results of current simplifications.

Therefore, in the nearest future close monitoring of measures accompanied by frequent exchanges among practitioners will be welcomed.

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