

Regional Network Meeting of CBC programmes of Central and South-Eastern Europe

**6-7/December/2017
Munich, Germany**

Summary

Introduction

This year the Regional Network of CBC programmes of Central and South-Eastern Europe met for the 10th time. As it was the case in the past, this annual network meeting was dedicated towards exchanging Interreg-related experiences and information among participants. Experienced managers from JS and MA joined two-days intensive dialogues for joint learning and problem solving. Together, we explored current challenges in implementing Interreg programmes and took cooperation to the next level.

This network meeting aimed at joint learning and exchange of experience and information among manager of CBC programmes in the Central and South East Europe area. There are many topics of joint interest to CBC programme managers such as clarifying financial issues and processes, working jointly on content-related matters of capitalisation and pursuing a constant strive for more and better visibility of Interreg CBC programmes in Europe.

Many programmes have also experienced a very intense start-up phase of the 2014-2020 period, trying to navigate the fine line between ever increasing complexity of Interreg programmes and the actual needs of the cooperation territory. The 'new' programmes have hardly started, some 'old' programmes are not yet closed and yet we have already started to prepare the new post 2020 programming period. Therefore, another objective of this network meeting was to provide room for reflections on the larger picture of balancing limited programme resources against growing demands.

This summary focuses on key discussion points raised during the meeting. It does not aim at repeating presented content as all the presentations are available at Interact website: <http://www.interact-eu.net/#o=events/regional-network-meeting-cbc-programmes-central-and-south-east-europe>

Latest Interreg news By Nathalie Verschelde, European Commission

Personal changes in the unit

European Commission has a policy to move its employees among units and DGs and therefore there is some rotation also in the CBC unit. There is a new head of the unit

other colleagues also left to different units and new replacements already started or are coming soon. New people have experience with EU funds/programmes but usually need some time to understand the cooperation world.

The unit also got a totally new position, responsible for communication on the border focal point. So altogether recently six changes in the unit staff. No changes in higher level positions.

Closure and designation

There is significant progress in comparison with when we met last year. Already 20 programmes have received closure proposals. Few will be closed in the upcoming weeks. Designation is unfortunately looking less bright. Still around 15 programmes are not designated. Few were expected to be designated before the end of the year but it looks like all remaining programmes will be designated only in 2018. The issue is very serious for Interreg programmes, it is very visible in the statistics and due to designation delays also payment levels are very low. Interreg has not reach yet 5% of its budget. It doesn't affect programmes so much yet, but it is not good for ETC reputation. At the same time de-commitment targets are really high (over 50% in terms of global commitment) so spending must increase significantly very fast in order not to face troubles by the end of 2018.

Post 2020

A very ambitious time table was recently presented where draft proposals should be on the table in May. It means that the inputs must be presented very soon, we need to speed up the process. The idea is to relax a bit the common regulation, it is more complex and detail than ever and some deletion of rules is needed. General plans also cover some relaxation of national control rules and audits. We must however remember that legislative process is very complex and final regulations might differ a lot from the initial drafts.

For Interreg input the plan is to bring two communities together – Interreg programmes and community of border practitioners (working on topics like cross border employment, health, transport). Allocation to Interreg programmes is still unclear, all programmes expressed their wish to keep the current level of financing but a lot depends on Brexit situation.

Performance framework

How to work with upcoming deadlines? The European Commission plans to establish an internal process on how to handle the performance framework in January. It was a hard exercise to agree on indicators and their values/targets and therefore some follow up is necessary. Unfortunately many programmes did not treat it very seriously when establishing the targets and even worse, when selecting projects. There are programmes that cannot reach their targets as they do not fund appropriate operations.

We all agree that in the case of under-performance, suspension of payments might be a very contra-productive measure to be taken. It feels a bit disproportional that Interreg with its very complex structures faces the same punishment threats but without any option for reward in case of good performance (no performance reserve).

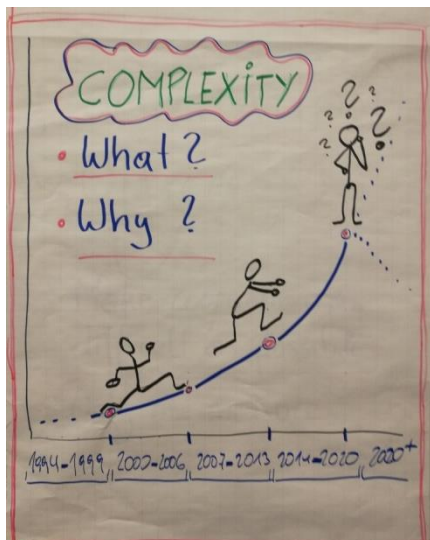
There are rumours around that Interreg might be allowed to use not yet fully reached projects indicators to report on programme achievements. Those were not confirmed by the Commission – there is currently no information that Interreg should receive any special treatments.

Evaluation

What is the best way to do the evaluation? External or internal experts or maybe a mixture of both (i.e. self-assessment plus external opinion). The Interreg world is quite small and limited, there is a high chance that even with an open procurement you can get the same company that drafted your OP so in fact they will be evaluating themselves. External experts are usually from one of the big audit companies, they are audit/evaluation experts but often lack specific EU/ERDF or especially Interreg knowledge. Procurement can be a real risk, but internal evaluation is also not easy. It is also necessary to keep in mind that impact evaluation and operational evaluation are very different and require different expertise, programmes who want to procure both with one procedure might have issues finding good experts to do both.

'Complication'

Simplification is a buzz word for years now but from one period to another rules have become more complex. Who thinks that current 2014-2020 period is as complex as it can get? Unfortunately many...



So let's all imagine we got a new work assignment: 'complication officer'. Your task is to come up with one new rule/procedure that makes your programme as complicated as possible. What would that be?

Measures to make Cooperation programmes as complicated as possible as suggested by Chief

Complication Officers (CCOs):

- To expand the MC in a way to have 100 and more members in it
- Establish a comprehensive Regulation on Simplification
- Minister + Parliament signs every single decision
- 100% follow national legislation; MA/NA, legal department set up the rules
- 100% desk check + on-the spot check on expenditures by FLC, NA, JS, MA, CA, AA, EC, Court of auditors; 100% external audit for expenditure declared to EC, 100% checks on everything
- Weekly reports and closure of accounts
- No simplified cost options
- DG Competition to run Interreg programmes and apply State aid strictly; involvement of national competition authorities and DG Competition representatives as assessors in the selection process
- Annual designation
- No n+3, only de-commitment

- No project changes
- All budget forecasts are binding – no flexibility

There is obviously no natural law that stipulates that cooperation programmes must become more complicated over time. Still, there are forces that have been driving ‘complication’. It will not be possible to simplify the system, without understanding these driving forces. What are they? When we look underneath the surface, and take a **deep dive** to inspect the parts of the Eisberg hidden under the water, we can see them:

- 100% assurance, no risk, anti-fraud attitude,
- Pseudo checks, generating paper
- Lack of trust, no trust, lack of confidence/trust, trust
- Fear
- No focus on results
- Lack of responsibility, no responsibility, golden plating
- Attempt for simplification results in more uncertainty
- Securing jobs in administration

Post2020 talking walls

The Post2020 discussions were organised in a form of talking walls. Based on a quick survey among participants, topics were identified. Reasons behind ‘complication’ identified in the previous session were matched with suitable topics in order to facilitate discussions::

1. Legal framework – Taking Responsibility
2. Future of the monitoring systems
3. Audit/control - Trust
4. State aid – Accepting Risks

Participants were invited to join any of the talking walls. They were allowed to move between the walls in order to cover as many aspects as possible.

Key points raised at all of the walls are summarised below:

1. Legal framework – taking responsibility

Issue	Points in discussion
<p>Proposals / ideas DG Regio</p> <p><i>(please note that at the current stage these are proposals brought up by the respective unit in DG Regio – it is not clear if these proposals will be applied or partially applied in the forthcoming period)</i></p>	
<p>Audit</p>	<p><i>Proposed approach:</i></p> <ul style="list-style-type: none"> ▪ Sampling and sample checks at level of the EC ▪ System audits done by national authorities <p><i>Issues raised by the participants:</i></p>

	<ul style="list-style-type: none"> ▪ Pre-requirement would be one Monitoring System consistently applied by all programmes ▪ Consequences in case the error rate exceeds the materiality threshold should not affect all programmes
FLC for public bodies	<p><i>Proposed approach:</i></p> <p>Following the principle of subsidiarity, FLC for public bodies would no longer be mandatory. It would be in the responsibility of the Managing Authority (MA) and it would rely on national legislation.</p>
Designation	<p><i>Proposed approach:</i></p> <p>Following a more proportional approach, designation would no longer be required if the institutional setting of programme bodies remains unchanged (the option existed already in this period but was hardly used).</p> <p><i>Issues raised by participants:</i></p> <ul style="list-style-type: none"> ▪ If the approach for a designation 'light' (i.e. no designation for those elements which remain unchanged) does not work out an alternative idea could be to go for a more flexible, stepwise approach; thus the designation procedure could be better integrated into the actual sequencing in the development of the institutional settings in a programme (i.e. starting with the system elements relevant for the MA at programme start (in particular Selection / Approval / Contracting) to risk management and the development/adjustment of the Monitoring System, then developing the FLC approach, from there over to Payments and Audit
Functions of the CA transferred to the MA	<p><i>Proposed approach:</i></p> <p>Making the option in the current period a general approach in the forthcoming period</p>
<i>Issues brought up by participants</i>	
<p>Thematic Objective (TO) Tourism</p> <p>Thematic Objective (TO) Accessibility</p>	<p><i>Issues raised by the participants:</i></p> <ul style="list-style-type: none"> ▪ Tourism is considered as one of the backbones in many CBC programmes; the current approach with TO/Investment Priority (IP) 6c has brought about competition between nature projects and tourism development in many programmes ▪ Roads and railway connection crossing borders and having a more local respectively regional importance should be eligible, regardless of their position related to TEN-T <p><i>Approach intended by DG Regio:</i></p> <ul style="list-style-type: none"> ▪ To define a set of Policy Objectives, which are more comprehensive, and less thematic; and ▪ to work towards a policy objective on Cooperation

'Mainstream' IPA to ERDF / ETC	<p><i>Issues raised by the participants:</i></p> <ul style="list-style-type: none"> ▪ Implementation rules for IPA harmonised with those applied to Interreg would make implementation much easier
Eligibility Rules at EU level	<p><i>Issues raised by the participants:</i></p> <ul style="list-style-type: none"> ▪ To continue to expand and deepen the approach taken in this period with the Delegated Act 481/2018, i.e. to come to a set of concise rules at EU level and to reduce, respectively omit, the necessity for Rules at programme level; thus implicitly also narrowing the room for interpretation respectively the need for provisions developed at national level
COESIF / EGESIF for Interreg	<p><i>Issues raised by the participants:</i></p> <ul style="list-style-type: none"> ▪ Issues in Interreg are to some extent different from those related to mainstream programmes <p>Thus:</p> <ul style="list-style-type: none"> ▪ In the work of COESIF, Interreg should either become (more) visible on the agenda, or ▪ The introduction of a separate Committee should be considered
Thematic concentration	<p><i>Issues raised by the participants:</i></p> <ul style="list-style-type: none"> ▪ Thematic Concentration was considered as helpful during programming since it allowed to prioritise needs to some extent and to develop a more clear perspective on the intended focus. In the best case it supports the development of a critical mass in cooperation. <p><i>Annotation:</i></p> <ul style="list-style-type: none"> ▪ This should be taken into account when working towards the above-mentioned intend to define broader policy objectives instead of TOs
Indicators	<p><i>Issues raised by the participants:</i></p> <ul style="list-style-type: none"> ▪ The current approach to indicators – in particular to Result Indicators – has led to limited achievements in terms of the initial key intent, i.e. to mirror key results of the programmes at priority level <p><i>Annotation:</i></p> <ul style="list-style-type: none"> ▪ DG Regio is currently revisiting the indicator system – interested programmes might get more information in the frame of the Interact Working Group on Indicators

2. Future of monitoring systems

The purpose of this talking wall was to dream a monitoring system for the post 2020 period. No limitation on eMS or authorities was provided in advance – the participants could articulate all wishes or dreams. Technical issues and aspects of the current implementation of eMS have on purpose been excluded from the discussion.

Most participants dreamt a continuation of the joint monitoring system – most talked about eMS.

Some participants stated, that such a community monitoring system should be built upon existing monitoring system (eMS). The community monitoring system should possibly be made mandatory for all Interreg Programmes. It was mentioned that if there are no major changes in the legislation, eMS should be used also for the next programming period.

A future monitoring system should put focus on legal certainty, usability and flexibility as well as interlinkage with SFC, KEEP and other external applications.

Other Programmes emphasized the importance of being able to decide on the monitoring system and the importance of a diverse monitoring system landscape allowing for more flexibility and tailor made solutions for countries, regions or Programmes.

The question, who should implement a community monitoring system (e.g. Interact, European Commission, someone else) and if such a system should be mandatory stayed without final agreement.

3. Audit and control – Trust

Issues raised by participants and solutions proposed:

- There are too many institutions and too many levels of control.
- Fewer controls, less money spent on controlling expenditure in the future. System based on trust and some control is needed in order not to multiple layers of controls, each of them afraid of the next level and therefore overdoing their work.
- Administration is on one hand creating unnecessary work but at the same time also creating jobs. Many people would worry about their positions in case the system would really be simplified. So there is need for simplification and fewer controls but with clear indication of new, more useful tasks – e.g. more support to projects.
- Clear definition of tasks and responsibilities is necessary. Currently no one wants to take the responsibility and therefore there are so many levels of control and they all repeat the same work in fact.
- Simplify control by limiting number of supporting documents. It should not be allowed to ask for more documents than necessary.

FLC:

- Proposal to abandon first level control for public institutions, as they have internal audits anyways.

CA:

- There is no need to keep certifying authority control functions.
- Not many programmes used the option to join the MA and CA. It could be considered to make such merger obligatory for all programmes in the future. Even if CA control functions are not abandoned, it is easier to communicate and cooperate within one institution.

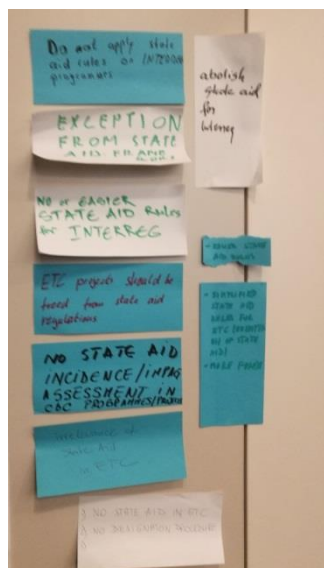
AA:

- There should be some measures to stop authorities to over-do their work. Maybe the EC should have an opinion on the audit strategy to make sure the measures planned are proportional to the programme.
- Audit Authority should not be allowed to do audits before approval of the audit strategy.
- Why is the Audit Authority needed if the next control level is anyways the European Commission audit?
- Audit Authorities should have a mandate to advise programme bodies during implementation on preventive measures. They should be part of the system and not the judges. JS was given a role to advise projects and it did not compromise the quality of projects, rather to the contrary – it could work the same way with auditors.
- Recommendations by Audit Authority should only be recommendations and not obligatory measures.
- Audit Authorities should be responsible for their decisions towards projects. In practice they have power but no responsibility. It is always MA responsible towards beneficiaries, even if they disagree with the decision of the AA. There were cases where MA needed to represent the programme in court against beneficiary even though MA did not agree with the AA findings.

EC:

- European Commission should take a role of re-conciliating body in case of disagreements between AAs and MAs. Currently EC always seems to take the opinion of Auditors and does not consider the position of MAs.

4. State aid – Accepting Risks



Issues raised by participants and solutions proposed:

As regards State aid in Interreg, the big question is whether or not it will be possible to exempt Interreg from having to apply State aid rules. State aid has become a number one priority for simplification, and solving the State aid issue is a key priority for most programmes.

Participants note that complete exemption from State aid rules is needed urgently.

➔ EC urgently needs to work on finding a way how to exempt Interreg from State aid.

In case a complete exemption should not be possible, far reaching simplification measures have to be taken to ensure that Interreg programmes and projects can reach their programme goals:

GBER (Article 20): This has helped to simplify, but a much wider scope is needed:

- Include large enterprises and all economic sectors, etc.
- IPA programmes need to be covered by this Article as well.
- Most important is to raise the aid ceiling to 100% (currently it is 50%). 100% is necessary because national public contribution can count towards the aid ceiling as well.

De minimis: The problem is that *de minimis* is not always possible. It would allow to cover the needs of programmes in terms of co-financing rate but many partner have already reached the *de minimis* threshold. *De minimis* for indirect aid (e.g., training) is very cumbersome to administrate.

- Raise the *de minimis* threshold for Interreg to at least 500.000 per partner and project.
- Eliminate completely the need to consider indirect aid (no grant letter, no *de minimis* threshold, no monitoring).

Central registers for de minimis: could be very useful especially to determine whether or not the aid ceiling has been reached. However, many countries do not have central registers.

A list of SGEIs per country is needed: Programmes feel that SGEI could be used more often, but it is almost impossible to find out for each participating country, what – in this country – is considered and SGEI, and what not.

- Every country should be required to maintain a list of what is considered an SGEI in this country.

It is very important to come up with a clear list of responsibilities for controlling State aid in Interreg.

Due to the many control layers in Interreg, every level is faced with the uncertainty that the levels above might interpret State aid rules differently. There are very few State aid experts in either of these levels (FLC, AMA/JS, CA, AA; EC auditors) but still they must control and take decisions. These decisions are often overly conservative.

- State aid is a national issue and there are significant differences between Member States. Programmes must be able to rely on national levels and transfer responsibility for State aid assessments and monitoring to the national level.
- MA or other bodies can retain some responsibility for State aid but only if this is clearly wished and accepted by MA.
- Eliminate the need for AA to audit State aid in individual projects.
- AA should instead ensure that programmes have a strategy in place how to deal with State aid. This is already reality in many programmes and it should officially be possible to do so.

The following questions were clarified by the European Commission after the meeting:

How the Commission will apply article CPR 22 in the absence of a performance reserve for Interreg. Programmes expect a clear line on this in the coming months (to be followed up – D1/D2 with B2)

Interreg does not have the reserve but the Art. 22(6) still applies.

As in CPR:

The Commission may suspend payments only where:

- *there is evidence from the performance review that there has been a serious failure (=65% by the end of 2018 ref.: CIR (EU) 215/2014) in achieving a priority milestone **and***
- *that failure is due to clearly identified implementation weaknesses which the Commission had communicated to the MS and*
- *the MS had failed to take the necessary corrective action to address such weaknesses.*

So while the serious failure is clearly defined, the elements triggering the suspension of payments are defined as the MS failure to take the corrective actions identified by the EC.

Thus the stress will be put on to the signalling and addressing any potential issues already in 2018 and then appropriate and accurate reporting in 2019, which will be a basis for the as the review. It is advised that a specific item on the progress of the PF should regularly appear in all monitoring committees. As for the possible changes to the PF in the CP, programmes are asked to submit dully justified requests for PF amendments no later than 30/06/2018 in order to avoid amendments close to the review deadline.

Annual clearing of accounts: Commission asked to clarify when MS choose between offsetting to the annual pre-financing to be paid for the following accounting year OR no offsetting?

Any balance after annual clearing of accounts will be either offset against the next annual pre-financing or settled via Recovery Order - the choice will be for the MS. NB: A formal note on this should reach the programmes soon.

Commission asked to clarify its position when it comes to using the traditional 10% flexibility rule at closure in the current system (will this option effectively disappear with the annual closure system) ?

The 10% flexibility is not yet defined as the closure guidelines for 2014-2020 are not yet in place. In any case annual clearing of account and the 10 percent flexibility are not interlinked. NB: also not to be confused with 10% retention during payments as assurance reserve.

Also a need to clarify the provisions of article CPR 132 related to the obligation to pay beneficiaries within 90 days (is that for ERDF only? also for national/regional co-financing ?).

Art. 132 of the CPR states that the Managing Authority shall ensure that a beneficiary receives the total amount of eligible public expenditure due in full and no later than 90 days from the date of submission of the payment claim by the beneficiary.

The Managing Authority has the responsibility over the managing and control system that should allow for monitoring and enforcing of the said deadline. Where the MA does not comply with its obligations under Article 132(1) CPR, this may indicate a deficiency of the management and control system. The MA is required to have a monitoring system set up in accordance with Article 125(2)(d) CPR. The information on data to be recorded and stored in computerised form for each operation is set out in Annex III to [Regulation \(EU\) No 480/2014](#). As established in this Annex III, the required data includes the fields, which enable the MA to: (i) monitor compliance with the deadline set out in Article 132(1) CPR^[1] and (ii) the reporting in the annual accounts on the amounts paid to beneficiaries in compliance with that deadline.