Diminishing the risk of decommitment
Repository of Interreg programme management practices
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The decommitment mechanism is a tool to activate programmes' spending, to avoid situation when the EU funds are 'frozen' at the programmes' accounts and are not being used for a long time, and to encourage long-term programmes' spending planning. In the programming period 2014-2020, it is based on the so-called N+3 rule: the annual allocation to the programme must be spent within 3 years following the year of its commitment.

A challenge with a decommitment mechanism lies in a programmes' obligation to achieve certain financial targets by the defined deadlines (submitting sufficient payment applications for reimbursement to the European Commission[1]). If it is not a case, a certain amount of the EU funds allocated to the programme is lost, and is no longer available to the programme. In turn, the latter impacts programmes' financial planning, cash flows and forecasts.

What causes decommitment?

A low programme spending level/ absorption of programme funds could be rooted in the problems at programme and/ or project level.

Problems at programme level:
- delays in the programme set-up (setting up management and control system (MCS);
- e-cohesion (developing an own monitoring system, electronic monitoring system (eMS);
- low quality of project proposals;
- low inflow of project applications;
- low project approval rate;
- slow certification and processing of submitted project progress reports;
- programme's interruption (due to an error rate exceeding 2%);
- problems in the cooperation between programme bodies;
- liquidity problems of the programme account.

Problems at the project level:
- unrealistic project's spending plan – too high spending targets at the project start;
- e-monitoring systems and e-reporting (time required for set-up and learning);
- novelty of intervention logic and shift to result orientation;
- delays in contracting phase (extensive administrative procedures);

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[1] The decommitment targets can be calculated using Interact's template for N+3 targets calculation, available under the following link.

European Regional Development Fund

• Monitoring Committee's (MC) approval of project applications under conditions – time required to meet them;
• too many project modifications.

How do Interreg Programmes manage decommitment risk?

In order to stimulate sufficient programme's spending level to meet decommitment targets, programmes may consider to use the following methods[2].

Methods at the programme level:
• overcommitment of programme funds;
• additional and/ or targeted calls for project proposals;
• seed money calls for proposals, small-scale projects;
• waiting (reserve) list(s) of projects;
• planning Technical Assistance (TA) budget spending in a way to claim major costs (e.g. IT equipment) at the first year(s) of the programme implementation.

Methods at the project level:
• close monitoring of projects' spending and mid-term assessment of projects' spending;
• decommitment of projects' budgets with low spending level;
• additional project claims outside the usual reporting periods/ partial claims;
• additional allocations to already running projects;
• fast reimbursement to projects;
• changing co-financing rates.

Interact made a survey[3] with the involvement of several Interreg programmes to study their practices of tackling decommitment risk. The results, as well as advantages and challenges in application of different methods, are presented in the following sections.

Overcommitment of programme funds

Programmes planning to use overcommitment of programme funds in the programming period 2014-2020: • RO-BG, HR-BA-ME, RO-HU, ÖKS, BE-NL, EL-BG.

Advantages	Challenges
Utilization of programme's funds: projects do not normally spend 100% of their allocated budget – ensuring programme's higher spending level	Risk of actual overspending: the programme has to ensure other sources of financing should the projects use their allocated budgets as initially planned at a full capacity

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[2] The detailed description of the methods mentioned in this factsheet can be found in the Interact's publication '2007-2013 programmes' spending level' under the following link.
[3] A survey was conducted in preparation to the Interact's event 'Halfway through the programming 2014-2020 – halfway through the programme spending'. Presentations from the event are available under the following link.

More projects contracted to meet programme's objectives	Decision of the MC, check-up for national legislation is required
	Thorough calculations of overcommitted funds

Additional and/or targeted calls for proposals and/or seed money call for proposals

Programmes using/ planning to use additional/ targeted calls in the programming period 2014-2020: • RO-BG, IT-HR, HR-BA-ME, SK-AT, ÖKS, NWE, BE-NL, SB.

> **SB – Seed Money Facility (SMF)**
> - Project type: preparation of project concepts, which can be financed by the programme, provided the respective applications are approved by the MC.
> - Support to beneficiaries to develop their project ideas, establish partnerships, undertake research to prepare a full application and apply to a regular call.
> - Total project budget: 40 000 EUR (75% or 85% ERDF co-financing).

Advantages	Challenges
Utilization of savings from the already closed/ ongoing projects	These calls are usually ad-hoc – require active preparation and specific procedures (i.e. drafting specific Terms of Reference)
Targeting specific beneficiaries group(s)	

Waiting list(s) of projects[4]

Programmes using waiting (reserve) list(s) of projects in the programming period 2007-2013:
- LT-PL, PL-SK, BSR, ALCOTRA, CB, RO-BG, CZ-PL.

Advantages	Challenges
Utilization of the unspent financial resources if available (from the already finalized/ ongoing with a low spending level projects)	High uncertainty for a project whether it will ever be approved– possible changes in the project idea as compared to a submitted application (change in the partners' interest and motivation to participate; change in the political/ economic situation in a given region etc.)

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[4] Since at the date of publication of the factsheet the majority of Interreg programmes are only in their halfway of implementation, the reference to Interreg practices with waiting (reserve) list(s) of projects is made to the programming period 2007-2013.

No risk of overcommitment of funds – financial resources granted only once available	Additional effort for a project to review/ adjust their application once again if approved (activity/ financial parts)
	Ad-hoc approval of projects from the waiting list to spend unallocated financial resources could potentially have an impact on their quality

Close monitoring of projects' spending and mid-term assessment of projects' spending

Programmes using/ planning to use close monitoring of projects' spending and/ or mid-term assessment of projects' spending in the programming period 2014-2020: • RO-BG,CE, NWE, DE-DK, PL-DE, HR-BA-ME, SB, RO-HU, HU-RS, PL-BY-UA, ÖKS, LV-LT, NSR.

CE – Mid-term reviews
Mid-term reviews will be conducted by the Joint Secretariat (JS) in the frame of a management meeting with the partnership. Only afterwards are project modifications allowed.

NWE – A yearly appraisal
The JS performs a yearly appraisal based on the quality criteria and standards for an effective and well-managed project, serving both the project (feedback to partners on performance and quality) and the programme (overall projects' performance).

DE-DK – Mid-term and final evaluation
External evaluation of the project (mid-term and final evaluation) will take place to check if the project delivered what it initially promised. The project should secure resources for this (0.5% of the total costs, at least 5 000 EUR and max. 15 000 EUR). Projects have to report on the output indicators and their status quo in the yearly reports.

Advantages	Challenges
Proactive approach: gives the JS/ Managing Authority (MA)/ MC a complete overview of the state of play of project implementation of its first half, allowing for restructuring/ modifications of project work plan/ budget to avoid risks/ problems/ delays	Additional administrative procedure for projects to follow (i.e. additional mid-term report to be submitted, meeting with the JS)
Better monitoring of the financial spending plan and forecast – based on physical and financial progress of the project	Additional preparations and follow up after the programme feedback on the mid-term review

Effective use of programme funds – early spotting of 'problematic' projects allowing for reductions/ cuts of project budget and its reallocation to other projects (new/ already running)	Another level of control for a project
Reinforcing and stimulating a close cooperation within the project	Additional financial resources for the activity

Decommitment of projects' budgets with low spending level

Programmes foreseeing decommitment of project budgets in the programming period 2014-2020 in case of underperforming: • PL-DE, HR-BA-ME, RO-HU, ÖKS, Adrion, BE-NL.

RO-BG – Project level decommitment

Decommitment of project funds in case of project's underperforming:
- 10% reduction of the budget of partners who have requested amounts for First level control (FLC) lower than 75% of the amounts included in the schedule for FLC requests;
- 25% reduction of the budget – amounts requested less than 50% of amounts included in the schedule.

Advantages	Challenges
Efficient use of programme funds and avoiding financing weakly structured projects and those that are not delivering promised outputs and results	Additional procedures to be developed and followed by the programme
	Close monitoring of project implementation

Fast reimbursement to projects

Programmes planning to use/ using fast reimbursement to projects in the programming 2014-2020: • CE, LV-LT.

> ### CE – Fast reimbursement to projects
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> Once the JS received the technically complete project report, 60% of the requested ERDF amount will be paid to the LP. After checks and certification of the costs have been made, the payment for the remaining (max.) 40% of the eligible ERDF amount is made.

Advantages	Challenges
Faster reimbursement to projects, better liquidity, and cash flow between the programme and projects	'Advance payments' made to beneficiaries cannot be claimed for reimbursement to the EC (expenditures are not yet verified and certified). This implies that the programme needs to have resources to pay before claiming money from the EC. There is a risk that the final total eligible amount is lower than the pre-payment to the project – additional burden of recovering overpaid amount
Diminishing the risk of delays in the project implementation due to the non-availability of financial resources	Financial capacity of the programme should be carefully assessed; cash flow estimates should be made ex-ante
	There is a risk that the final total eligible amount (after verifications) is actually lower than the pre-payment made to the project – additional burden of recovering overpaid amounts

Additional project claims outside the usual reporting periods/ partial claims, additional allocations to already running projects and changing co-financing rates can be also used as methods to stimulate programme's spending level to diminish the risk of decommitment. However, they are not tackled in this particular factsheet, as they were not part of the above-mentioned Interact's survey.

Abbreviations

Abbreviation	Meaning
Adrion	TN Adrion
AF	Application form
ALCOTRA	CBC –France – Italy
BE-NL	CBC Border Region Flanders – the Netherlands
BSR	TN Baltic Sea Region
CB	CBC Central Baltic
CE	TN Central Europe
CZ-PL	CBC Czech Republic - Poland
DE-DK	CBC Germany - Denmark
EL-BG	CBC Greece-Bulgaria
eMS	Electronic monitoring system
FLC	First level control
HR-BA-ME	IPA CBC Croatia-Bosnia and Herzegovina - Montenegro
HU-RS	IPA CBC Hungary-Serbia
IT-HR	CBC Italy-Croatia
JS	Joint Secretariat
LP	Lead partner
LT-PL	CBC Lithuania - Poland
LV-LT	CBC Latvia-Lithuania
MA	Managing Authority
MC	Monitoring Committee
MCS	Management and control system
NSR	TN North Sea Region
NWE	TN North West Europe
ÖKS	CBC Øresund - Kattegat - Skagerrak

PL-BY-UA	ENI CBC Poland-Belarus-Ukraine
PL-DE	CBC Poland - Saxony
PL-SK	CBC Poland - Slovakia
RO-BG	CBC Romania - Bulgaria
RO-HU	CBC Romania - Hungary
SB	CBC South Baltic
SK-AT	CBC Slovakia-Austria
TA	Technical Assistance