

# Always Start in Small!

**Managing Small Project Funds (SPF) and micro-projects in Interreg  
January 30-31, Prague**

## Day 1

### Introduction

- As follow-up to the EC Communication on Border Regions a set of pilot activities has been launched by the EC;
- One of the initiatives by DG Regio was seed money to small projects meant to overcome legal and administrative obstacles;
- The first call is over; projects have been selected; the pilot might be continued;
- Overcoming border obstacles could be a good focus for SPFs.

### **European Grouping for Territorial Cooperation (EGTC) Rába-Dunaj-Váh / Rába-Duna-Vág (RDV) (Flora Monzolai, EGTC RDV)**

#### Institutional setting

- 2 EGTCs are active in the programme area, each of them managing an SPF;
- The SPFs address the Investment Priorities (IPs) 6c and 11;
- The MC for small projects has a structure similar to that of the MC at programme level but members are different;
- The EGTC did not apply as sole beneficiary for the project SPF but together with a partner from HU (the body performing also management verifications at programme level) and the SK region (Trnava) covered by the EGTC;
- Currently there are 4 staff members (2 from HU; 2 from SK) + 2 Directors.

#### Project requirements

- Projects in the SPF have to comply with the Lead Partner Principle (LPP);
- Eligibility rules for the SPF projects are essentially the same as for standard projects;
- It takes about 240 days (8 months) for call and assessment.

### **Role of EGTCs in the Upper-Rhine Programme [Alice Richert, Managing Authority (MA)]**

#### Institutional setting

- No more SPFs as such but small projects are directly contracted by the MA; this is a suitable approach when the overall number of small projects is limited (30 to 50); for larger numbers of projects the staff numbers would have to be increased;
- The call for small projects is ongoing, the MA is supported by four Eurodistricts, some of these Eurodistricts are EGTCs;
- The role of Eurodistricts is to provide guidance to applicants and the districts are involved in the assessment;
- Assessment of projects is done by the evaluation committee of the respective Eurodistrict; decision is taken by the Steering Committee at programme level;
- Financing of the Eurodistricts is based on contributions from the institutions which are represented in the Grouping; e.g. in case of the Eurodistrict Strasbourg-Ortenau (Communauté Urbaine de Strasbourg, Kreise and municipalities in Germany; half of the annual membership fee is paid by the French institutions, half by the German ones; the annual membership sets up the budget which allows to operate the EGTC on a permanent and stable basis; the amount is divided in each side by the number

of population leading to a membership fee per capita in FR and DE; thus the membership fees of the communauté respectively the German municipalities is calculated; finally subsidies from projects allow for expanded activities).

#### Project requirements

- Small projects have to comply with almost the same requirements as standard projects; project size is up to EUR maximum duration is 1 year;
- Small projects are based on real cost approaches, currently the SCOs offered include the flat rate for staff cost acc. Article 19 of the ETC Regulation (as alternative to calculation on real cost basis and the flat rate for office and administrative cost (only option if such expenses are claimed);
- Application Form is a pdf to be filled in and sent to the MA.

### **Umbrella projects with evolving partnership in Interreg V-A Germany-Netherlands [Albert Jan van de Griend, Joint Secretariat (JS)]**

#### Context

- The model for umbrella projects such as DigiPro seeks to attract SMEs as partners to Interreg projects (see project homepage in DE and NL under <https://www.digipro-interreg.eu/de/>);
- SMEs are usually hesitant to join Interreg projects owing to the heavy administrative burden.

#### Approach

- In these umbrella projects an initial partnership of SME agencies and chambers of commerce is set-up; the initial partnership gets a budget (frame) approved by the MC; the initial partnership provides the option for SMEs to join the project and implement SME cooperation projects at a later stage (evolving partnership);
- The cooperation projects are set-up as micro-projects following a modular structure allowing various steps from feasibility studies (labelled as module 1) to piloting & testing (module 5); meaning the modular structure follows largely the steps when implementing a product or process innovation; SMEs can start with any of the modules;
- At the approval stage the MC knows the outline, frame and intent as well as the initial partnership and the envisaged number of SME-partners; the MA/JS have regular contact to the project but do not interfere in the assessment and selection of SME-partners;
- In formal terms the SMEs join the project partnership but it could be labelled as a 'partnership light' since a lot of the administrative load is taken off their shoulders;
- The key point of the model is that the initial partners provide a 'full service concept' for the SME-partners which means in practice a simplified application procedure for the micro-project in SME cooperation and support to reporting and submission of reports for management verification (FLC) and support in required clarification procedures.

#### Practicalities

- State-aid is tackled with General Block Exemption Rules (GBER);
- Support rate from ERDF amounts to 40 to 50%;
- Link to Smart Specialisation Strategies (S3) is safeguarded due to the fact that the initial partnership consists of SME-agencies which are key intermediaries and enablers in S3.

**Q:** How to read the new article for <100,000 € threshold (67 (2a), Omnibus Regulation), where operation and project is mentioned? Does this mean it has to be applied at partner level?

**A:** According to the interpretation in Interact on the basis of the definitions provided by the Regulation (2(9), CPR), the mentioning of project seems to be a doubling, therefore the amount seems to apply at operation level.

### **Micro-projects in Community-Led Local Development (CLLD) in Interreg V-A Italy-Austria (Christian Stampfer, Land Tyrol)**

#### Overarching objectives

- Using CLLD means to invest into a longer-term strategy- and capacity-building venture; in technical jargon the main goal is to establish cross-border functional areas.

#### Techniques and legal aspects

- Initially the approach comes from the LEADER community initiative which was first mainstreamed into the EU Agricultural Funds and in a second step for the period 14-20 into all ESIF as Community-Led Local Development (CLLD);
- The so-called multi-funds approach allows to establish cross-funds approaches; one of the Funds acts as lead funds and might be used to fund expenses in other EU policies; see also preamble to the draft CPR, recital 24 ([...] In order to facilitate coordinated support from different Funds to CLLD strategies and to facilitate their implementation, the use of a 'Lead Fund' approach should be facilitated.)
- AT has opted for the multi-funds approach; the EAFRD acts as lead fund: in practice it means that also CLLD management (meaning the cost for the management of Local Action Groups (LAGs) as part of the Interreg-programme is paid from the EAFRD; the multi-funds approach is an important step towards simplification; proceedings and (eligibility) rules differ between EAFRD and ERDF in AT; it would become quite complicate for CLLD managers and recipients to cope with different settings;
- IT has opted for the mono-funds approach: in practice staff of the LAG management has to have time sheets and costs are reimbursed partly from ERDF (for LAG activities in the Interreg programme) and partly from EAFRD (for LAG activities related to agricultural policy).

#### Other pre-requisites

- To bring CLLD into CBC can work but never start the process focussing on technicalities! Always ask what do you want to achieve or how can this help to support cross-border development? The ESPON Targeted Analysis ULYSSES was very important for us (see report attached; pp. 10-11 on the added value of CBC; p. 52 on the set-up of a decentralised CB development strategy
- You need to have a (long-term) strategy plus there needs to be a willingness at national level to give power to the local level. Plus, you need to get the representatives of different funding schemes to talk to each other. Admittedly, all of this is not easy to achieve.
- The push of the Commission to the multi-funds approach provided an important momentum to convince persons from EAFRD and ERDF in AT administration

#### Implementation

- On AT side so-called Regional Managements [institutions financed from regional and local level – their work is similar to the work of Regional Development Agencies (RDAs)] take over substantial part of the administrative work for the recipients in the SPF – in particular small private NGOs are being supported; they have to apply and provide the match-funding; upon approval the Regional Management takes over the tendering for the required services and also pays the invoices and compiles the

reports and documentation for the management verification; the recipients can focus on content work and delivery of quality outputs; (only for private partners; for public institutions this type of pre-financing is not offered)

- The pre-requirements for LAGs come from the EAFRD and have been taken over by the draft Interreg Regulation (see Article 21 on CLLD: *a LAG shall be composed of representatives of public and private local socio-economic interests, in which no single interest group controls the decision-making, ....*). In practice the diversity of actors is an important asset but can be demanding in terms of coordination.

#### Outlook

- Intended to continue; there are also EGTCs active in the territory; as part of the 'Better Governance' Objective the coordination and cooperation between the EGTC and the CB LAGs could be strengthened
- In operational terms it is intended to continue with the multi-funds approach and to seek further alignment in the eligibility rules – with a strong focus on SCOs

#### **SPF and other micro-project facilities post 2020 (Dorota Witoldson, DG Regio)**

See ppt. 1, slides 8 to 23!

#### **Group Work: heading for lean management**

See ppt. 1, slides 29 to 33!

#### **Small projects are HIT! (Peter Rácz, Interact)**

Short input on the process to develop Harmonised Implementation Tools (HIT) for post 2020:

- The development process of HIT established and run by Interact
- To develop a set of templates for the forthcoming SPF according to Article 24 of the Draft Interreg Regulation has met significant interest during the kick-off conference in December 2018 in Berlin
- The development will be based on the existing HIT templates available for this period
- Setting up the HIT Core Group for the forthcoming period is due soon and the first meeting of the Group is scheduled for the first week of April (the list of HIT core group member programmes is available on the Interact website, under the tab *Events*)
- Ideas for any template, or guidance document helping the management of small and micro projects are welcome and can be sent to Interact or HIT Core Group member programmes.

For more detail please see ppt 1, slides 34-45!

## Day 2

### **Simplified Cost Options Why? What? How? (Katja Ecke, Interact)**

See ppt 5

- It is a golden rule to set-up one for all: use of alternative methods, exceptions – all that creates confusion for applicants, beneficiaries and bodies performing management verifications

### **Small projects in the Central Baltic Programme (Merike Niitepõld, MA)**

#### Approach

- In principle small projects (maximum 2 years and EUR 200,000) are possible under all Specific Objectives (SOs) but under SO 4.1 only small projects are allowed – the SO is dedicated to community improvement; which means addressing specific communities with specific problems;
- In such projects EUR 10,000 upon approval as lump sum for project preparation; then option to establish lump sum on basis of draft budget; check and assessment of the draft budget by the MA and JS; in the end the use of lump sums does not mean a huge additional work burden for MA and JS since checks of the draft budget have to be done in any case
- The use of several lump sums within a project is o.k.; lump sums might also stand next to budget items based on real cost
- Decision is taken within 3.5 months after application
- Pre-payments are done for small projects meaning that 60% is paid instantly upon arrival of the report without doing further checks; then it takes about 2 to 3 months to pay the remaining 40%
- The way to allow projects to develop their lump sum and propose corresponding indicators to verify delivery has been understood as the most appropriate approach in the context of the programme; using pre-defined elements seemed difficult given the diversity of projects; using unit costs seemed difficult given the huge gradient from rural LV to urban areas in FI (although different ones might have been used)
- Until now out of 97 projects only 10 have used the option; those using it confirm that it is a positive experience in reporting; a survey is planned to investigate further on that

#### Building acceptance

- Bodies performing management verifications (FLC): establishing shared understanding has been a longer-term iterative process (starting in 2012) – repetition & explanations help and once the general principle is established it gets easier for new SCOs
- Audit Authority (AA): anchoring the approach took place on basis of a good relationship built on regular meetings to exchange; discussions took place in a rather informal way

## **Small projects in the Northern Periphery and Arctic (NPA) Programme (Christopher Parker, JS)**

### Approach to small projects

- The option for small projects is meant for so-called preparatory projects: they serve to develop project ideas in a more specific and focused direction, to examine the need for the project outputs among end users and stakeholders and to build up transnational partnerships.
- Preparatory projects are approved by the JS and approval time takes about one month; projects normally run for up to 6 months. The call for preparatory project proposals is a continuous call.
- 54 out of the 145 projects in the programme are preparatory projects
- The programme offers three options for preparatory projects meaning small projects:
  - Projects as part of the regular ongoing call for preparatory projects (up to EUR 45,000 total and EUR 29,500 grant)
  - Micro-projects: are meant for building up capacity and experience for representatives for specific underrepresented groups (women, young people, and indigenous peoples) in relation to the NPA programme for capacity building
  - Clustering projects for joint efforts with neighbouring programmes (65% grant rate; for SMEs up to 50%)
- The programme uses lump sums based on draft budgets; applicants draw up their lump sum budgets for planning and consultation with the JS but in the end the JS checks only the output of such projects.
- The lump sum principle, allows for only real costs when budgeting for the preparatory project established through a 'fair, equitable and verifiable method.
- If the result/outcome is reached and approved, payment will be made. If the result/outcome should not be reached, there will be no payment at all. It is not possible to make a partial payment – so far all projects have reached their goals.
- Projects have to provide some evidence (evidence for meetings, surveys, feasibility study).

### Lump sum for regional contact points

- The institutions working as regional contact points receive EUR 7,500 per annum for their work (mostly guidance and support to applicants) (regional contact point is an ancillary task next to their daily jobs)

### Practical issues

- Preparatory projects use a simplified application form; adjusting eMS has been a major challenge; now proceedings are mostly done within eMS
- AA and thus also MA had to be convinced at the start when lump sums had been proposed as most suitable option; JS had developed tick lists to show that outputs are being checked
- The JS does not visit such projects – LPs are mostly known; regional contact points might be contacted if need be
- With the approval of the Omnibus Regulation the new option to use a 40% flat rate for staff might be used in future (for regular projects)

## **Small projects in the Interreg – IPA CBC Programme Italy – Albania – Montenegro (Aurora Maria Losacco, JS)**

### Approach

- A gap analysis had shown that participation of NGOs and social partners is quite low; thus an easier access to the programme allowing for preparatory projects has been developed
- Lump sums have been considered as a key step towards simplification for smaller beneficiaries.
- A targeted pilot call for such projects will be launched in February 2019
- Small projects can use lump sum for three types of actions as follows:
  - Preparation cost (EUR 5,000)
  - Workshop, seminars and conferences (EUR 17,000 per WS; with a minimum of 40 participants and lasting minimum one day)
  - Incoming missions & B2B meetings (EUR 21,000 for a minimum of 10 economic operators)
- For each lump sum it is clearly stated with related cost are covered.
- Maximum project budget amounts to EUR 100,000; projects can combine several lump sums.
- There is a general list of evidence for each of the three types but the list might be adjusted according to the specificities of the project.
- One of the main pitfalls when using lump sums, the 'binary approach', i.e. 1 or 0 (the latter in case the output could not be reached) can be avoided if beneficiaries act prudently. The methodology states that *if only one input or output to be financed via a lump sum is indicated and it is not delivered, no payment will be made. However, if a number of milestones (such as the 50% specified above) as intermediary steps for the input/output are defined, it is possible to make partial payments according to the delivery of these milestones.*

### Practical issues

- In order to establish the lump sums samples have been used (for preparation costs sample of other Interreg programmes), for the two other types data collected from the regional authority (region of Puglia), chambers of commerce, interest groupings, projects and Interact have been used; data have been adjusted by fixing some parameters (i.e. maximum amount of participants etc. in order make it comparable).
- In order to take into account, the different costs of living in the three countries, adjustments were made through the application of a country correction coefficient (Marie Skłodowska Curie Action Work Programme), and weighing the percentages compared to Italy.
- Preparatory projects use a simplified application form in eMS (using only the WP implementation)

## **Group work: developing a SCO**

See ppt 5, slides 35-39

- Example developed for the SPF in the CZ-PL programme: participation rate per pupil / student / child for typical exchange and summer campus projects as unit cost
- Compared to lump sums the unit cost approach might pose an advantage since it allows for proportional cuts in case the envisaged target numbers are not achieved

- The approach is developed in close cooperation with the AA and might be tested still in the current period (a pilot call is intended for next year)
- Calculation of the unit cost is based on a sample of 3,000 projects – according to the experience in previous and current period this type of unit cost might be used in about one third of the projects
- Audit authorities are in many cases hesitant to consult with MA but last but not least owing to the fact that the AA should work according to international accounting standards this is not per se a problem provided target and scope of consultation is clearly defined.

#### **Wrap-up**

- A similar event in about one year's time might meet the interest of participants since today a number of pilot approaches and ideas have been presented