

# SPF...

## Let's continue

21 November 2022 | Online, Zoom

Welcome!



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## Why?

### Objectives

- to update and exchange on the current status of SPF preparation in programmes;
- to discuss the most challenging stumble blocks;
- to discuss and share ideas on simple MV system in SPF, RBMV, subsidy contract;
- continue discussions on SCOs in SPF (small projects and management costs).
- to share plans for 2023.

### Format

21 November, 09.30 – 12.45 CET  
32 participants <-> interactivity

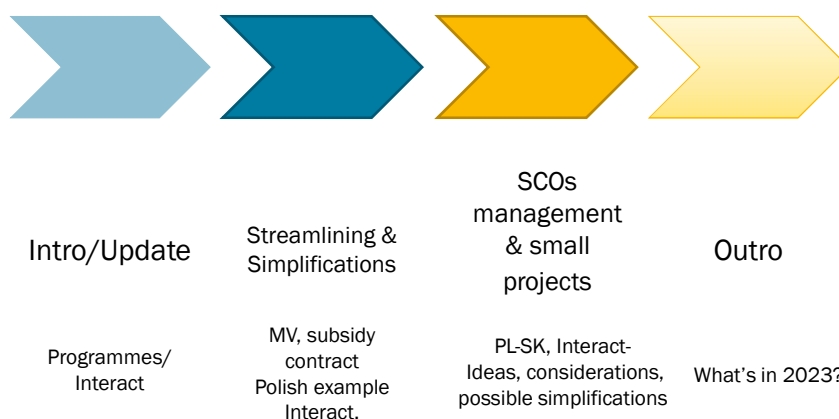


## Code of conduct

- Stay 'muted' unless talking
- Interactivity - contribute & share (all ideas are welcome!)
- Be open (no recording, no notes of who-said-what)
- Be patient with others
- Questions/contributions in plenary: raise your hand



## Agenda for today



## State of Play

What is the current status of works on SPF(s)?



## Today in the Zoom room...

### Programmes:

- 14 CBC Programmes;
- 2 IPA CBC;
- 2 ENI;

### Planned SPF(s) for :

- SOs: 1.3; 2.3, 2.6, 4.2, 4.6 and ISO 1&2;
- P2P activities, follow-up projects, SMEs;
- CLLD strategies;
- seed money.

## Today in the Zoom room

### Budget allocation:

- 10-15% of total programme budget ;
- 5-10% of total programme budget .

### Calls planned for:

- I half of 2023;
- still in 2022;
- II half of 2023.

## Stumbling blocks:

SCOs for both small projects and SPF beneficiaries - application of OTS  
SCOs for project management;

Simplifications – to keep administration of the fund, selection & MV in  
particular, simple;

Drafting contract / grant letter with SPF beneficiary;

.....

## Reminder from the SPF community...

### SCOs in grant agreement

It is possible to use off-the-shelf SCOs (from CPR and Interreg Regulations) for small projects in SPF:

- An SPF beneficiary should **propose tailor-made SCOs for small projects** based on off-the-shelf SCOs from Regulations;
- They should **be listed** in the **grant agreement** and signed off by the MA and the SPF beneficiary!



## Reminder from the SPF community...

### 20% ceiling for the management costs

It is a ceiling not a flat rate !

- respected in principle throughout the whole period of implementation of the SPF's activities but ....



## Updates from the SCOs community on the draft budget method...

June 17, dedicated [event](#) – [Zoom in on the draft budget method](#);

The latest [publication](#) – [The briefing note on the draft budget method](#).

Draft budget method in the project life cycle – [Miro](#)

## The briefing note.... What's in?

- addresses key questions that should be covered in a manual on draft budget method;
- helpful for both –applicants and programme institutions;
- divided in sections:
  - rationale;
  - explanation of procedure;
  - eligibility of expenditure;
  - DB in a project life cycle;
- living document – will evolve along with real life examples coming from programmes;



## Draft budget – other useful resources

- Draft budget method – [Factsheet](#)
- Slides from previous events – [June 2021](#), [November 2021](#)
- SCO Network Meetings materials – [3rd meeting Valencia \(July 2019\)](#) , [2nd Q&A \(9&10\)](#)
- Interreg SCOs Community – [Draft Budget folder](#)



## Updates from the SPF community...

### List of programmes with SPFs in 2021-2027

Currently 23 .....

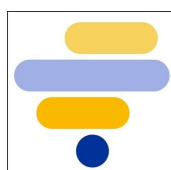
Programmes planning to apply the Small Project Fund (SPF) acc. article 25

Internal CBC	Confirmed
Interreg V-A Czech Republic - Poland	Y
Interreg V-A Germany - Denmark	Y
Interreg V-A Germany (Sachsen) - Poland	Y
Interreg V-A Germany (Mecklenburg - Vorpommern - Brandenburg) - Poland	Y
Interreg V-A Germany (Sachsen) - Czech Republic	Y
Interreg V-A Germany (Bavaria) - Czech Republic	Y
Interreg V-A France - Belgium - Germany - Luxembourg (Grande Region)	Y
Interreg V-A Belgium - Germany - The Netherlands (Euregio Maas-Rijn)	Y
Interreg V-A France - Germany - Switzerland (Rhin Supérieur)	Y
Interreg V-A Belgium - France (France-Wallonie-Vlaanderen)	Y
Interreg V-A Belgium - The Netherlands	Y
Interreg V-A Slovakia - Austria	Y
Interreg V-A Austria - Czech Republic	Y
Interreg V-A Italy - Austria	Y
Interreg V-A Slovakia - Hungary	Y
Interreg V-A Poland - Slovakia	Y
Interreg V-A Slovakia - Czech Republic	Y
Interreg V-A Italy - Slovenia	Y
Interreg V-A Italy - Croatia	Y
Interreg V-A Greece - Bulgaria	Y
Interreg V-A Spain - Portugal (POCTEP)	Y
IPA CBC	Confirmed
IPA CBC Croatia - Bosnia and Herzegovina - Montenegro	Y
IPA CBC Bulgaria - North Macedonia	Y



## SPF in/with Jems

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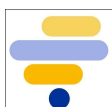


## SPF in/with Jems: options

Jems will *not* have a built in layer for small projects

Whole SPF project is in main Jems / MA system

3 options:

1.   Separate (other) system
2.   Separate Jems instance
3.  All in one Jems: separate Call for SP

## Option 1: separate system other than Jems

- Data transfer (export+import) from SPF system into main MA system
- MA access for SPF system for risk based management verifications

### PRO:

- Full flexibility to tailor of application form and procedures to small projects

### CON:

- System needs to be developed/acquired at own expenses



## Option 2: separate Jems instance

- Data transfer (export+import) from SPF system into main MA system
- MA user role for SPF system for risk based management verifications

### PRO:

- Synergies
- System is available for free
- AF translations fully customisable (as opposed to option 3)
- Certain flexibility in terms of adaptations of AF and procedures (see below)

### CON:

- Procedures are predefined (assessment, reporting)
- AF configuration for standard projects (HIT)



## Option 2 synergies



### Legal:

- Sub-licensing from MA to SPF beneficiary is included in the license agreement
- Include use of Jems and certain conditions in subsidy contract

### Technical:

- Hosted on MA servers
- Minimal additional support

## Option 3: All in one Jems



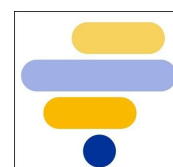
- Dedicated call for SP
- SPF beneficiary has 2 roles: beneficiary and monitoring user

### PRO:

- System is available for free

### CON:

- SPF beneficiary to be assigned to every SP by an MA user
- Least flexibility in terms of adaptations:
  - Procedures are predefined (assessment, reporting)
  - AF configuration for standard projects (HIT)



## Option 3 important



- MA to ensure system performance – how many users/projects are expected (standard + small)?  
(current developer system copes well with 14.000 projects and 3.000 users, tested up to 1.000 parallel users)
- Development? Tackle the issue of approved amounts, expenditure and payments occurring twice in aggregated tables
- Future development: Call related translations (not before mid 2023)

## Recommendations



1. If you have a ready functioning system for SP management -> use it
2. If not, option 2 (2 separate Jems instances) will be the clean solution
3. Option 3 is least configurable and bears risks of data duplication

## Open questions



Reporting needs: What data shall be transferred between SPF and MA system?

- Annex XXIII CPR from SPF to MA system – aggregated amounts
- Anything more?
- What data needs the SPF beneficiary in its system?



## Streamlining and simplifications



## Role & responsibility of the MA:

### Developing the SCO system

- Setting a clear frame for the SPF beneficiary (which ones to be used and agreement on 'compulsory use of SCOs' – max. number of real cost items when using FR ...)
- Checking outputs / results of small projects should be in the hands of the SPF beneficiary

### Developing the method / MS standards for risk-based management verification (RBMV)

- Considering / integrating the SPF into it!
- In most known examples of methods SCOs are perceived as 'safe options' hence as 'low risk.'
- Fair view on risks linked to recipients (reimbursement, payment on delivery of results)

## Risk-based management verifications

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### Audit and control



## Management verifications 2021-2027



Effective and efficient  
implementation of  
Funds



Related administrative  
costs and burdens



Risk-based management verifications (administrative and on-the-spot) - Article 74(2) CPR

Recital 62 CPR:

... the **frequency, scope, and coverage of management verifications should be based on a risk assessment** that takes into account factors such as the number, type, size, and content of operations implemented, the beneficiaries as well as the level of the risk identified by previous management verifications and audits. **Management verifications should be proportionate to the risks resulting from that risk assessment and audits should be proportionate to the level of risk to the budget of the Union.**

## Management verifications 2021-2027



- **WHAT**

- **administrative** and **on-the-spot verifications** are risk-based and proportionate to the risks identified;

- **WHEN**

- **risk assessment methodology** should be prepared **ex-ante** and **in writing** and address how **proportionality will be put into practice** (criteria for having verifications that are proportionate to the types and levels of risks);
- management verifications included in the ex-ante risk assessment for the accounting year are carried out **before submission of accounts**.

- **HOW**

- the ex-ante risk assessment defines risk factors/ criteria for the selection of projects and payment claims;
- the MA/ MS may define a certain coverage of the management verifications; conditions and factors for a regular revision of the methodology.



## RBMVs 2021-2027 – roles and responsibilities



### MA/ MS

- MA – develops risk assessment methodology, bears full responsibility;
- MS performs management verifications – MA to ensure equal treatment of beneficiaries by providing MS with min requirements for management verifications.

### AA

- Does system audit of the risk-based management verifications + audit of operations (and audit of accounts);
- Gives recommendations for the update of the methodology if needed;
- Performs common sampling (fundamentally different from risk-based management verifications of the MA!)

### Controllers

- Perform verifications of items based on the methodology developed by the MA/MS ex-ante and in writing – verification of the risky items, no 100% verifications if not justified!



## SPF specificity:

1. It is an operation;
2. Sole SPF partner (Article 25 IR);
3. Supports small projects from more than one MS, Third country or Partner country;
4. MS, Third country, Partner country shall identify a controller (Article 46);
5. Two pots: management activities & small projects;
6. Mandatory use of SCOs for small projects below € 100 000 of public contribution;
7. Specificities (one or more SPF projects, control systems, programme's and SPF beneficiary's experience);

## Sharing approaches to MVs in SPF

- ❖ Polish example, Magdalena Rudzińska;
- ❖ Other colleagues are invited to share...

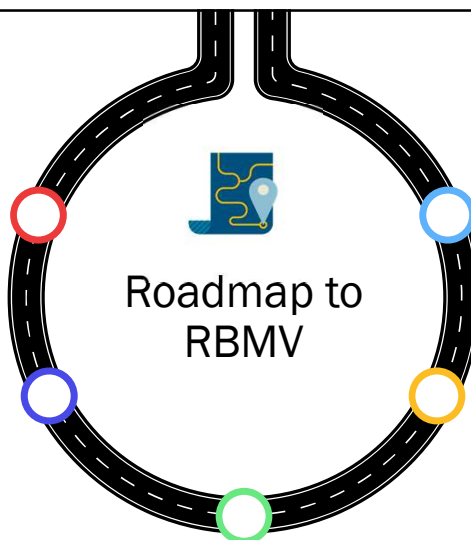


How and when to revise the methodology?

How to take into account **audit findings, results** of risk-based approach, new risks?

Design methodology & principles proportionate to risks identified

For both admin and on-the-spot verifications: **focus on risky items!** Not risky elements are not checked!  
**Models:** all as random sampling, combination of 100% verification of risky items + random sampling, professional judgment...



**Mitigation measures**

What can you do to reduce errors? Where and how can do simplify?

**Risk assessment**

Analysis of programme historical data, irregularities, experience -> **define risk factors**

**Risk factors**

Analyse at which **level** risks appear – priority, project, project partner, payment claim...

## Risk-based management verifications – an SPF



- Analysis at programme level – is an SPF a risk element? (... and considering to which extent previous experience can be used ... SCOs ...)
- Decision for the level of management verifications – priority level? project level?  
*project partner level (in HIT methodology)?*

### SPF beneficiary level

- Management costs

### Small projects

- Costs/ outputs of small projects

Controller(s)

## Risk-based management verifications – an SPF



### Managing authority

- Develops a methodology for risk-based management verifications (e.g., for all projects, incl.; differentiated for an SPF ...) + documents the methodology!

### SPF beneficiary level

- Overall management of the fund;
- Monitors implementation and checks results of small projects;
- SPF beneficiary performs verifications of the outputs of small projects

### Small projects

- Implementation based on SCOs and their combinations (legal requirement)

Management costs  
Costs of small projects

Controller(s) verify ... applying risk-based methodology! : no 100% verifications!

It boils down to a question – **Are SCOs considered a risky element according to the risk assessment of the MA?**

\*According to HIT methodology, SCOs are not risky! -> random sampling!

## Mandatory use of SCOs in small projects

- for small projects (SPF), where public contribution to the project does not exceed EUR 100 000 (Article 25(6) Interreg Regulation), SCOs are mandatory!

### Exceptions:

- Projects with State aid (de minimis is not State aid) – SCOs can be used but not mandatory;
- Real costs can be used only where flat rates are used and only in basis costs for a flat rate!!!



## RBMVs – SPF and SCOs

### Small projects are implemented using SCOs only – result-based financing!

1. SPF beneficiary does verification of **outputs** of small projects
2. Controllers do verifications of the correct application of SCOs (not 100% - but applying the risk-based methodology: could be random check, certain % of items; certain projects...)/ real costs (possible only if basis for flat rates!)
  - for lump sums – checking outputs and conditions for payment;
  - for flat rates – correct percentage applied, basis costs, correct multiplication, costs that are hidden in flat rate are not reported elsewhere;
  - for unit costs – number of units delivered, correct multiplication, no double financing.
3. Controller (of the MS where an SPF beneficiary is located) does the verification of management costs of an SPF beneficiary:
  - applying the risk-based methodology of the MA; i.e., verifying only risky items!

## Conclusions



- 100% verification of an SPF (operation) is not justified in 2021-2027 – a risk-based approach should be used!
- For MA – verifications of an SPF should be reflected in the risk assessment and a methodology for the risk-based management verifications!
- Use as many SCOs as possible for small projects – result-based financing and verification of outputs mostly!
- Avoid using real costs!
- Controllers should use a risk-based approach to verify the costs of small projects (limited if SCOs are used – not relevant for lump sums as no costs) and costs of an SPF beneficiary!
- SPF beneficiary checks small projects' outputs.



## Questions

## Contracting SPF

### Necessary elements of SPF contracts



## Contracting the SPF - 1/3

*Starting from the HIT contract template: initial reflections what needs to be considered when contracting the SPF (beneficiary)*

Section	Issue	Comment
All	LP equals SPF beneficiary	To be clarified for complete contract
All	Mention of PP	Take out
Art. 7(4)	No need for partnership agreement	Cut out
Art 7(6)	Duty to inform MA	Accountability for SPF/ small projects requires more – a coherent MS and data archive – <b>separate agreement?</b>
Art. 8	Recoveries	SPF beneficiary has to make attempt but considering SPF in provisions on liability at programme level; provision Art. 8(2) out (PP); adequate provision in contract with recipient

## Contracting the SPF - 2/3

*Finances and cash flow ...*

Section	Issue	Comment
Art. 2	Award of co-financing	Advance payment to SPF beneficiary – e.g. from national funds?
Art. 2	Award of co-financing	Conditions for match-funding for small projects – <b>separate agreement with programme partners?</b>
Art. 4	Reporting requirements	Any specific provisions for the SPF? E.g. option for shorter intervals

## Contracting the SPF - 3/3

Section	Issue	Comment
Art. 9	Information, publicity	Responsibility for actions of final recipients would be an undue burden; make sure that adequate provisions are anchored in contract / grant letter to final recipients
Art. 12	Termination	Careful not to create any undue burden for the SPF beneficiary .. E.g. the SPF beneficiary cannot be liable for fraud committed by final recipients etc.

## Additional provisions for contract – 1/2

*... Obligations of the SPF beneficiary acc. to Article 25 IR necessitate some additional agreements going beyond the contents of a standard contract ....*

### Simplified Cost Options

- Use of off-the shelves in small projects – see working document
- If relevant: Draft Budget Manual (coherence!!!)

### Key documents requiring prior approval of the MA

- Assessment and selection criteria
- Rules of procedures for selection
- Manual for applicants including option for complaints
- Contract / grant letter

## Additional provisions for contract – 2/2

### Accountability and audit trail

- Internal Manual – in particular monitoring, checks of outputs / results and release of payments
- Use of Monitoring System
- Audit trail for small projects, data archiving
- Support to management verification if requested

## Agreements with programme partners

### Optional points for agreements between SPF beneficiary and programme partners

- Advance payment to SPF beneficiary for start-up phase
- Provisions for match-funding for small projects
- Anchoring SPF in provisions for liability at programme level (NB: small projects are not projects in the meaning of the Regulation hence better to mention them explicitly)
- Anchoring SPF in approach to RBMV ( ... same ...)
- Complaints procedure for applicants / final recipients

## PMC & duties & obligations

required but not in art. 25 IR

required acc. art. 25 IR

- capitalization among final recipients.

- list of the final recipients;
- ensuring that the final recipients comply with the transparency and communication requirements

### Communication

- making payments;
- being accountable for the implementation of the operation, and keeping - at beneficiary level - all supporting documents required for the audit trail

- monitoring
- checking outputs & results; on-site visits
- supporting management verification

### Implementation

### Contracting

### Guidance to applicants

- required but not in art. 25 IR
- attracting final recipients;
- providing guidance to final recipients;

### Application

### Submission

### Assessment

- assessing applications;
- applying objective criteria for the selection
- avoiding conflicts of interest;

### Decision-making

- selecting small projects
- fixing the amount of support for each small project;
- establishing a non-discriminatory and transparent selection procedure for small projects;

## SCOs in SPF

updates



## SCOs options for management costs

Off-the-shelves – COMs reply still pending;

Alternative approaches:

- Programme specific SCOs – PL-SK example of management costs FR;
- Copy Paste from the other Programme – work in progress;
- Other ideas?



## SCOs options for small projects

Off-the-shelves – possible, but might not be enough to simplify enough assessment and implementation phase;

Dedicated session on 40% FR – [presentation](#) from the recent SCO event in Prague

Unit costs

Draft budget approach – PL-SK – [presentation](#) from June's event on the draft budget;

Copy Paste from the other Programme – work in progress;

Other ideas?



## SPF next steps

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**Outlook for 2023**



## Our plans:

- Update the SPF according article 25 publication;
- Mapping exercise + fact sheets:
  - systems (assessment, MV, RBMV methodologies);
  - scope & thematic focus;
- 40% flat rate manual, update of the briefing note on the draft budget method;
- Continue work on SCOs in SPF, interpretations, collection of practices;
- Application form HIT update for SPF and small projects /suitable for small scale projects/;
- Jems – complete AF overviews, add SPF figures to data exports, reporting, export and import between main and SPF system;

## Our plans:

- Online course on SPFs;
- Bi-annual events on SPF;
- Peer reviews and advisories on demand;
- Communities SPF and SCOs
- any other requests from your side?

## Stay in touch!



Please fill in our evaluation survey – link in the follow-up email. Thank you in advance!



Join our e-Interreg communities SCO & Small projects communities

**sco@interact-eu.net**  
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## Cooperation works

All materials will be available on:

[www.interact-eu.net](http://www.interact-eu.net)

