

2007–2013 programmes' spending level

May 2017

Survey results — Methods used and to be used to increase overall programme spending



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Table of Contents

1. Summary	5
2. Programmes spending level	6
2.1 Average per programme	7
2.2 Spending per priorities	8
3. Factors influencing programmes spending	9
3.1 Operational programmes approval	9
3.2 Application procedures	11
3.3 First calls, reports and reimbursements (except for TA funds)	11
3.4 The percentage of budget allocations to first call	14
3.5 Planning calls	15
3.6 Additional calls	16
3.7 What kind of additional calls were organised?	16
3.8 The % of ERDF offered in additional calls	17
3.9 Over-commitment	17
3.10 Waiting list(s)	18
3.11 Changing co-financing rates	18
3.12 Additional allocation to already approved projects	19
3.13 Other methods used by programmes to ensure high spending	20
4. Implementation – project level	20
4.1 Projects spending forecast	20
4.2 Projects reporting – additional reports	21
4.3 Projects budgets cuts	21
4.4 Projects modifications	22
4.5 Project reporting	24
5. Implementation – programme level	26
5.1 Management and control system	26
5.2 De-commitment	26
5.3 Error rate	27
5.4 Programme interruptions	27
5.5 Main bottlenecks in claiming funds from the EC	28
5.6 Modifications of the Operational Programme	29
5.7 Programme closure	30
6. Measures planned to be used for 2014 – 2020 programming period to ensure a high spending level	31
7. Conclusions	32

Introduction

The findings presented here were gathered through a survey on 2007–2013 spending and measures, to ensure high spending rates. The aim of this exercise is to sum up the experience from the previous programming period and provide recommendations on how to ensure high spending level rates during 2014–2020 programme implementation.

Even though the primary aim of any programme is to support quality projects and make a positive impact on the cooperation area, the most efficient use of all or most of the allocated funds is very important as well. This summary is meant to support programmes in better/more effective use of the allocated funding by learning from previous experience.

This paper summarises:

- the spending level of programmes achieved during 2007–2013;
- the main bottlenecks identified;
- the methods used to overcome challenges and to increase overall spending levels.

1. Summary

The survey was conducted in February 2017 and all (77) co-operation programmes were invited to participate in it. Its main objective was to reflect on spending levels reached by Interreg IV programmes and identify different practices and methods used in order to ensure a high spending rate.

26 (34%) programmes participated in the survey: 18 cross-border, five transnational, one interregional, one networking and one ENPI programme.

Interregional / Networking	Transnational	Cross-border	ENPI
ESPON INTERREG IVC	Alpine Space Baltic Sea Region Central Europe MED NWE	Central Baltic (Finland, Estonia, Sweden, Latvia) Czech Republic – Republic of Poland Estonia -Latvia Flanders-The Netherlands France (Channel)-England Germany-Netherlands Hungary-Romania Hungary-Slovakia Italy-France Italy-France Maritime Lithuania - Poland POCTEFA (Spain, Portugal) Poland – Brandenburg Poland-Slovak Republic Romania-Bulgaria South Baltic (Poland, Germany, Lithuania, Denmark, Sweden) Sweden-Danmark-Norway (ÖKS) Syddanmark Schleswig K.E.R.N. (Germany, Denmark)	Black Sea Basin

This paper summarises the results, provides information on measures used and trends detected to ensure a high spending level. However, it is very important to put these results into a wider perspective. The spending level has never been considered as one of a programme objectives nor output indicators, thus has never been a goal itself. The programme spending needs to be assessed in the context of programme durable results and impact generated.

It is also important to underline that programmes are very different, work in differential environments and cooperation areas and what works well in one programme might not be the best solution for another one. This document is meant as a suggestion of

possible effective measures, but each programme needs to analyse advantages and disadvantages taking into account its specificities and options.

The basis of the analysis is the data provided by the 26 programmes who participated in the survey. This is around 34% percent of all programmes that were implemented in the 2007-2013 period. There could therefore be some interesting experiences that are not reflected in this study. This study is mostly based on the subjective opinions of stakeholders involved in the programme implementation of certain Interreg programmes. This document is not meant as scientific research and even though there is a good chance most of the Interreg experience is reflected in this study; there is no statistical basis to extrapolate results to the entire Interreg population.

Participating programmes represent many different types of cooperation, including bilateral cooperation in the vast majority of cross-border programmes. Transnational programmes involving multiple Member States and interregional and networking programmes covering all Member States. There was also one ENPI programme participating in the survey implementing cooperation between Member States and neighbourhood countries, which in some aspects follows different rules. Despite the fact that only one ENPI programme and no IPA programmes took part in this exercise, this study can still be an inspiring document for the 2014-2020 ENI and IPA programmes, but it must be underlined that their specific situation is not reflected in this document. Participating programmes differ in many aspects, for example in terms of their budgets, the total budgets of programmes filling in the survey varied between 45 million EUR up to over 400 million EUR. Other significant differences are the level of development of the cooperation area as well as types of supported actions.

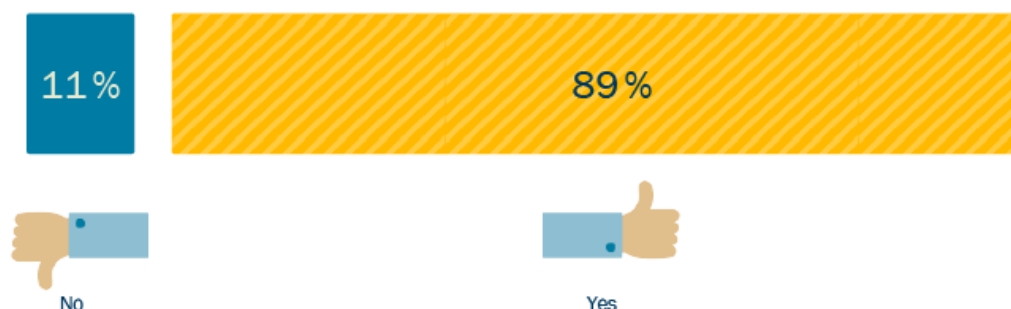
All these differences influenced measures and methods used to ensure proper and on-time programme spending.

2. Programmes spending level

Programmes were requested to specify final spending rates per programme, per priority and per fund. They were also asked if the levels reached were considered a success by their programme stakeholders. The final spending rates of 26 participating programmes vary from 73% to almost 100%.

Most of the participating programmes considered the reached levels as a success; only three of them considering it being acceptable or below expectations. For some of the programmes, the spending level achieved was even higher than initially expected. One programme admitted that its stakeholders have mixed feelings about the spending level reached; some believe that it is a success and some expected more. One programme admitted that their Monitoring Committee decided to aim at a 95% spending level because of the 5% retention by the European Commission until the final closure of the programme.

Graphic
Was spending rate of your programme considered as success?

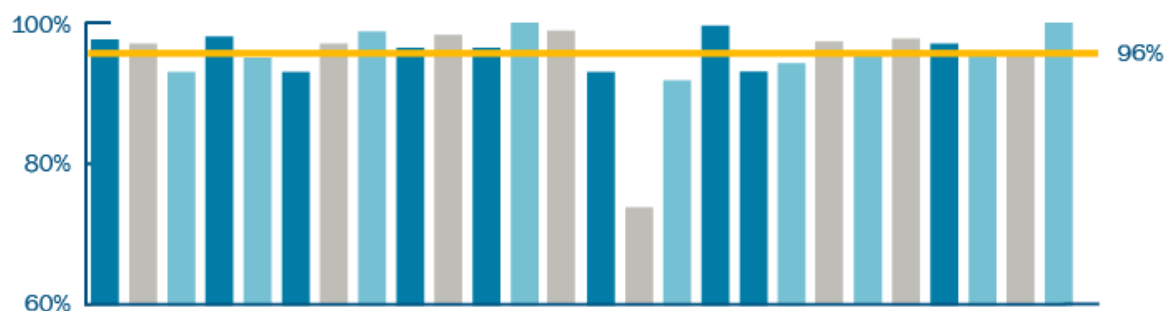


Some programmes believed that if not for the global economic crisis, they would have been able to spend more of the funds allocated.
Another programme mentioned that their spending level was never considered as one of the programme objectives and they consider a success the reached programme results and not the amount of money spent.

2.1 Average per programme

The spending level per programme is showed below. With one exception, all of the participating programmes spent over 90% of their allocated budgets, 68% of programmes had a spending level of over 95%. The average spending level over the sample is also over 95%.

Graphic
Percentage of spending of total eligible budget



2.2 Spending per priorities

For the period 2007 – 2013 the priority axes were more or less freely chosen by programmes, therefore it is impossible to compare spending levels per topics across programmes.

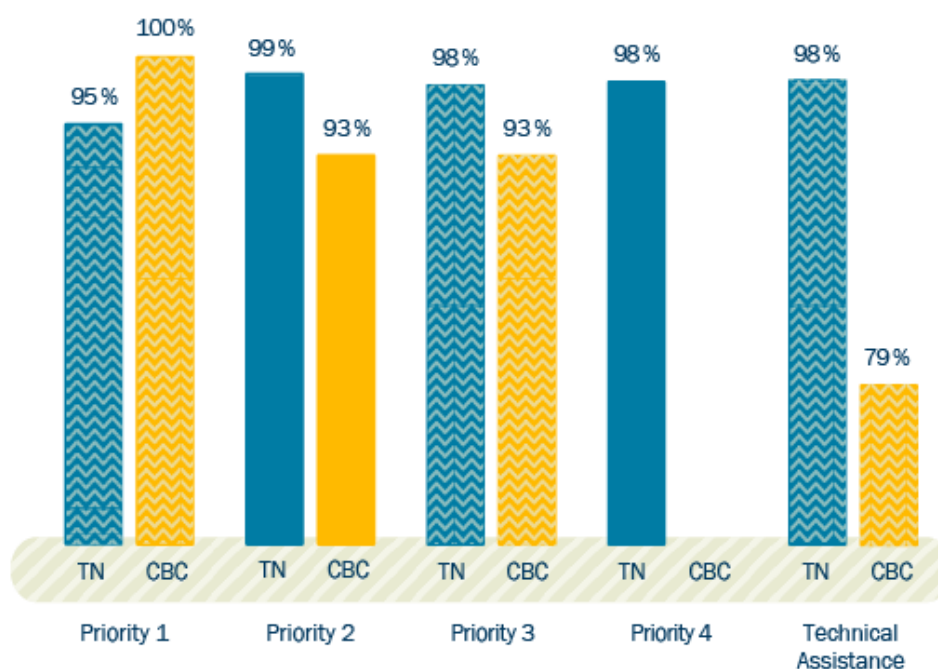
However, one trend can be concluded, that for the 2007 – 2013 period the majority of participating, cross-border programmes slightly underspent their Technical Assistance priority axis when comparing to other priority axes.

In transnational and interregional programmes, the percentage of spending per priority axes was distributed more evenly.

There are multiple factors that could have influenced the final spending level, mostly connected with how quick the programme was ready to spend allocated funds and how was the projects inflow.

Graphic

Example of spending level per priority axes in CBC and TN



3. Factors influencing programmes spending

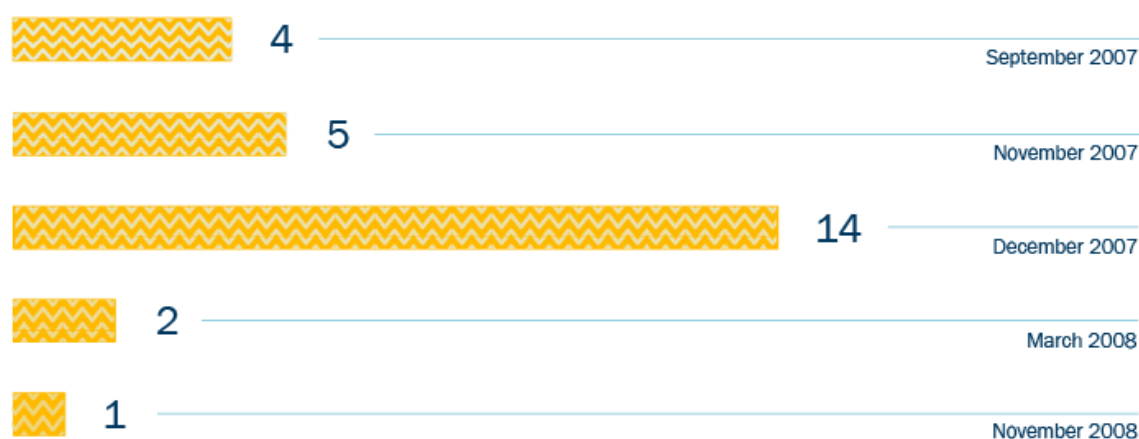
3.1 Operational programmes approval

Most of the Operational Programmes were approved during autumn 2007; two programmes were approved in spring 2008 and two in autumn 2008. There is no significant difference in spending level when comparing programmes approved in autumn 2007 and those approved several months later.

Please note however, that none of the programmes were approved before the start of the eligibility period, i.e., 1 January 2007. Therefore, programme allocations for 2007 could not be used as scheduled unless programmes started implementation before approval by EC. This was possible but meant certain risk for participating Member States and not all of them decided to do so.

Graphic

When was the OP approved by the European Commission?



Main reasons for late programme approval

Programmes were asked to mark possible reasons for late approval of their OPs. Ten of the participating programmes indicated they are newcomers (no 2000-2006 experience) and this caused some delays in approving the OP. Other serious bottlenecks were long Member States discussions and complicated regulations on the description of the management and control system. Some programmes also believe that overlapping periods (2000-2006 and 2007-2013) made programme approval more complicated.

2007-2013 programmes' spending level

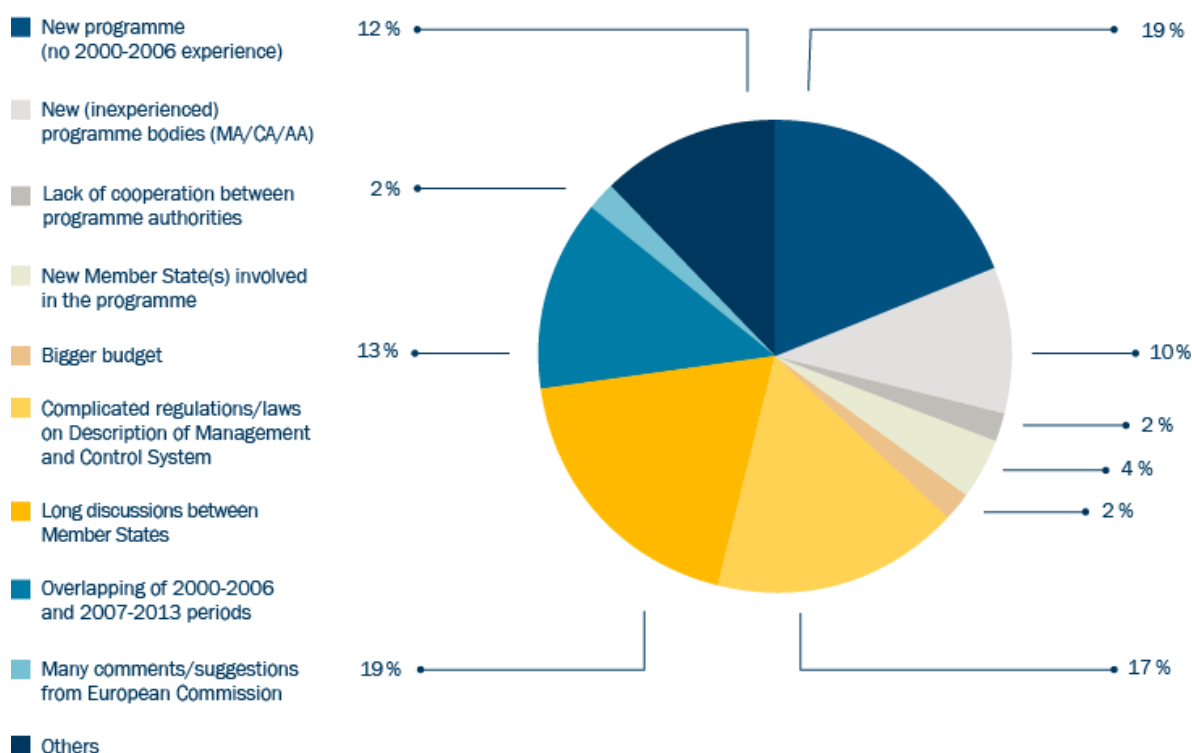
May 2017

Some programmes did not face any bottlenecks in getting the programme approved. At the same time others mentioned challenges that they came across including late EU decisions on budgets and regulations, late EC guidance on codes of intervention, difficulties in obtaining comparable data for all the countries for preparation of the socio-economic analysis, and the inconvenient timing of possible external evaluations of all programmes.

Another programme reported that the integration of ENPI funding and two non-EU countries was challenging; the main reasons were legal uncertainty concerning the eligibility of ENPI funds.

Chart

Main reasons for late OP approval



3.2 Application procedures

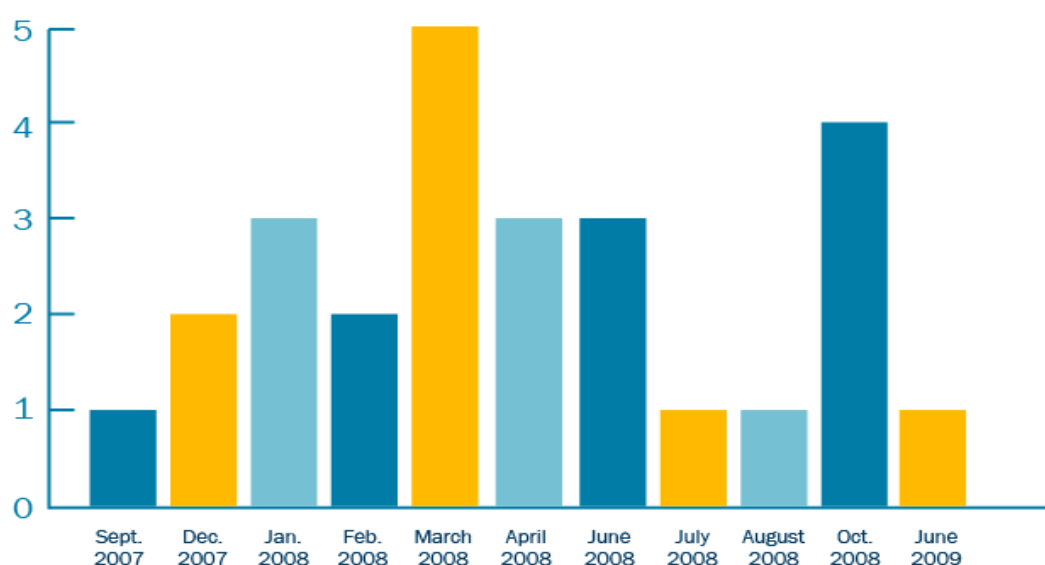
Graphic
How was the projects' application procedure organised?



3.3 First calls, reports and reimbursements (except for TA funds)

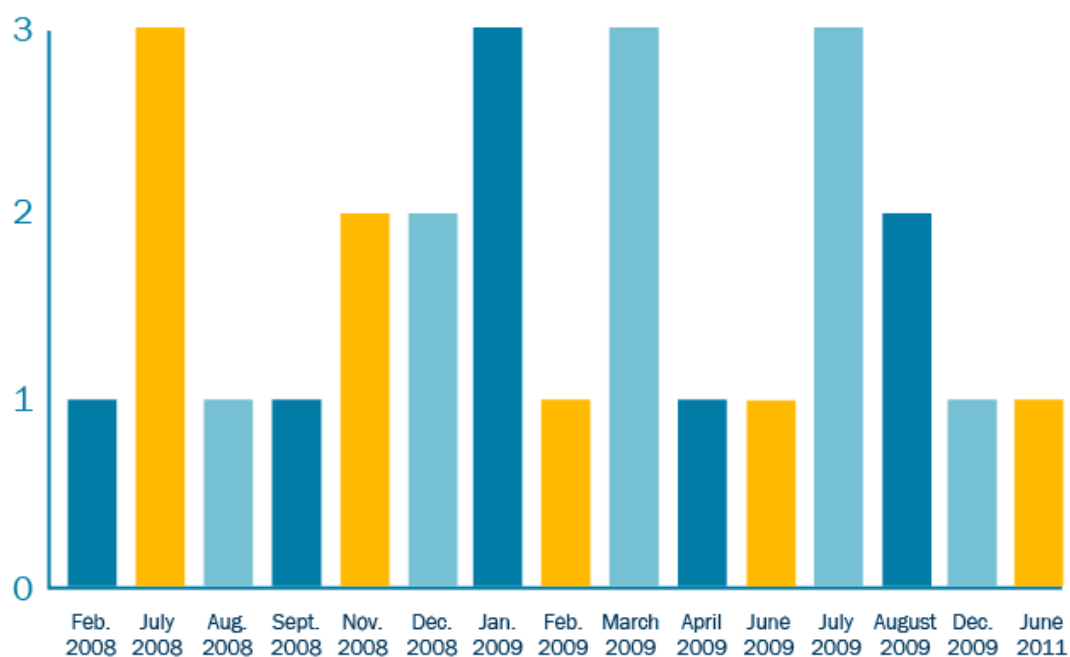
Five programmes had ongoing submission of applications, one had an ongoing application for micro projects only, and one started with an ongoing procedure, but due to the low number of applications the application procedure was changed to open and targeted calls. The rest organised the application procedure via open calls for submission.

Graphic
When was the first call for proposals opened?



The first calls or first openings of ongoing submissions were organised in September 2007. The latest first call was opened in June 2009 for a programme, which was approved by the EC in November 2008 only. For other programmes, the first calls/ongoing submissions were open between September 2007 and October 2008.

Graphic
When were the first projects contracted?



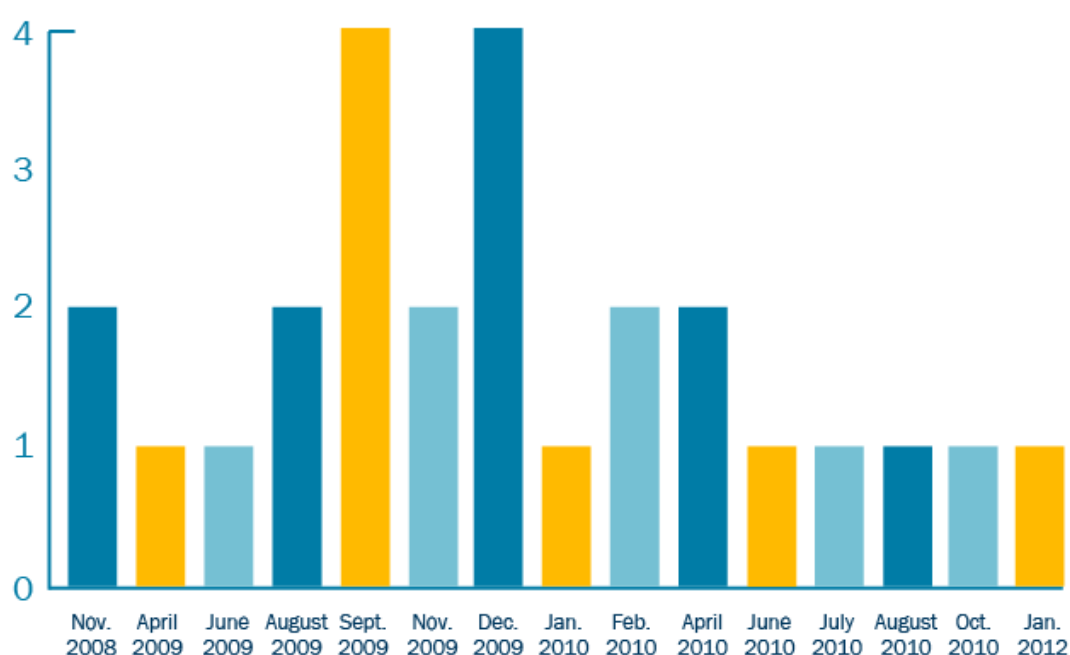
For most of the programmes, the first projects were contracted in February 2008 earliest and latest in December 2009. The one programme who was approved with a significant delay contracted the first projects in June 2011.

Project reporting started between November 2008 and June 2010 in most of the cases and in January 2012 for the programme who contracted projects in June 2011.

Two programmes managed to reimburse the first projects already in 2008, most of the programmes transferred first funds between November 2008 and October 2010. The

programmes who contracted projects much later than the rest transferred first reimbursement funds in January 2012.

Graphic
When did the first projects get reimbursed?



The timing of processes, including opening call, contracting, submission of reports and reimbursement of the projects, vary significantly in programmes.

The following table summarises the time programmes need to implement these processes. The differences are mainly caused by the size of the programme budget, amount of applications received, amount of projects approved, complexity of programme rules and reporting system in place.

As it can be seen in the table the time between the first call opened and the first reimbursement of the project approved in the first call can vary between less than one year and almost two years.

However, this difference, again, did not influence the final spending level of programmes in a significant way.

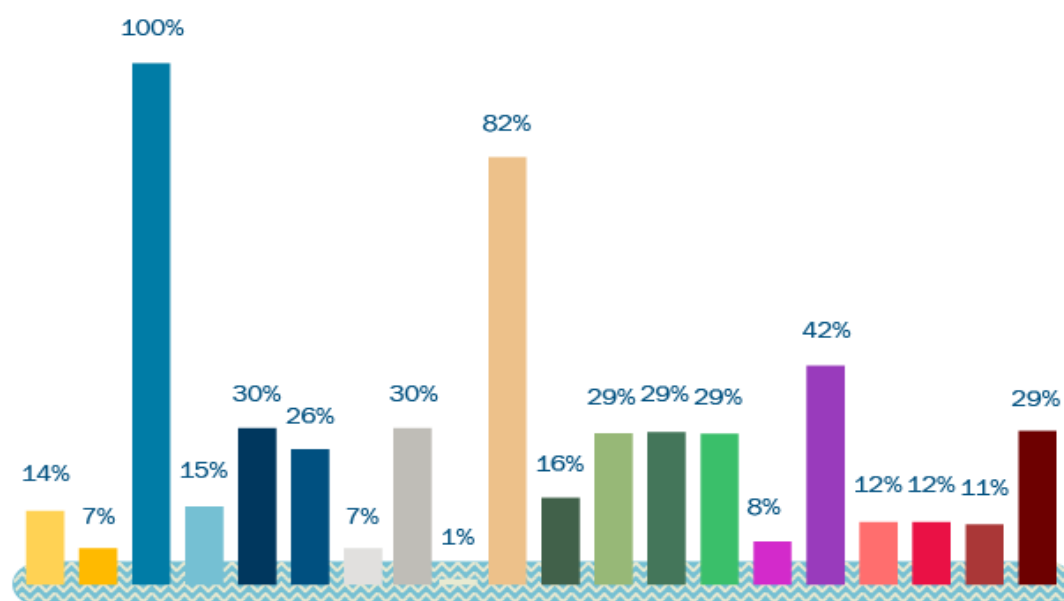
Period	The shortest	The longest
Time between first call opened and first projects contracted	4 months	14 months
Time between first projects contracted and first reports submitted	3 months	11 months
Time between first reports submitted and first reimbursement	Less than 1 month	12 months
Time between first call opened and first projects reimbursement	11 months	23 months

3.4 The percentage of budget allocations to first call

The percentage of total budget allocation to first calls varied between 1 to 100%. In transnational and networking programmes the first calls allocation was on average 35% of the budget and for other programmes the average was around 20%.

Graphic

What percentage of the budget was allocated after the first call



3.5 Planning calls

Some programmes planned 1-2 calls per year until all funds were be allocated; the majority of programmes planned four calls for the whole period of programme implementation. One programme planned 22 calls to be opened.

In reality, the amount of calls opened varied between 2 and 11, and one programme opened altogether 22 calls.

Seven programmes admitted the amount of calls was not planned.



Calls	Planned	Reality
Minimum	1/year	6
Maximum	22	22 (18 regular and 4 additional)

Five programmes reported the planned project approval rate was not achieved, due to the different reasons listed:

- The programme wanted to allocate funding earlier, but this was not possible due to the number and quality of received applications, i.e., there weren't enough good quality projects to be approved
- High number of irrelevant/not eligible applications (including administrative issues)
- During the first and second year of the programme implementation the difference between the plan and reality was high, but after that the approval rate was improved
- Enlargement of the eligible area where deeper communication work had to be done to attract new partners
- Work with organisations not used to EU projects management
- New, pilot programme
- Resources in some measures were used very early, while the quality of projects within other measures was considered low.

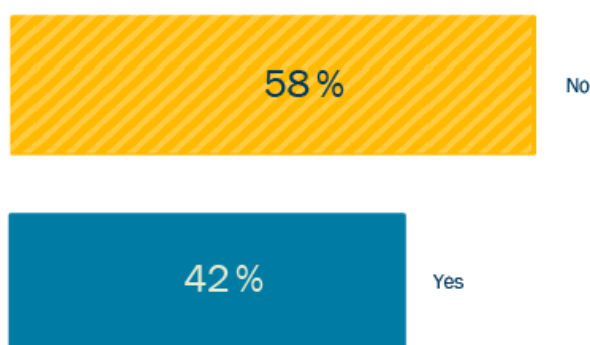
3.6 Additional calls

Usually programmes plan some amount of calls within its lifecycle but in case project inflow is lower than expected or there are substantial savings, they can decide to organise additional calls. It is also often used in case one priority or topic is not covered enough by existing projects, such calls are limited to some topics or beneficiaries only.

Eleven programmes organised additional calls for proposals. The additional calls were organised mainly to utilise the savings generated by ongoing and already closed projects, as well as to involve specific target groups. Programmes wanted also to offer the possibility of implementing additional activities that were closely related to the original objective of the project and represented added value in relation to the outputs and results originally established for the project.

One programme mentioned the organisation of additional seed money call to prepare projects concepts for the new programming period (2014–2020). Additional calls were organised at the end of the programmes implementation between 2012 and 2015.

Graphic
Have additional calls been implemented?



3.7 What kind of additional calls were organised?

There were many different types of additional calls depending on programme situation/needs. The following types of additional calls were mentioned:

- restricted to just some beneficiaries
- restricted to just one/some of the programme priorities or topics
- calls for clusters, 100% ERDF financed, there were three themes: maritime environment; economic development and eco-construction/energy-efficiency
- seed money calls and calls for extensions for the ongoing projects
- calls for short projects with limited budget
- regular additional calls, with no budgetary or thematic restrictions.

3.8 The % of ERDF offered in additional calls

The % of funds allocated to additional calls varied between 1, 7 up to over 8% of the overall programme budget.

3.9 Over-commitment

Graphic
Was overcommitment of programme funds used?



Overcommitment of programme funds is often used by programmes to ensure high spending rates. In practice it means that programmes approve more projects, i.e., allocate more funds than available in the programme budget. Projects usually do not use the entire budget and have savings, so this way programme overall spending rate can be kept at higher level with minimal risk of overspending of programme funds. 12 out of 26 programmes decided to use overcommitment as a measure to ensure high spending rates.

Overcommitment of funds comes with a risk of actual overspending. Programmes need to be prepared to finance eventual overspending. Programmes were asked how they would finance possible overspending. As seen from the answers below, no programme actually took into account the possibility of spending more funds than allocated to the programme. It was assumed that the underspending will compensate overcommitted amounts.

- the overcommitment was set at a level so as to guarantee that no actual overspending would be possible
- it was realistic to assume that the overcommitment would be compensated by underspending
- the decision was made based on the analysis of the underspending of the still ongoing project.

The percentage of total programme budget overcommitted ranged from 2 to almost 18%. The programmes that did not decide to use the overcommitment as a measure to increase spending rate justified their decisions by the fact that the Member States or programme authorities were resistant of financial risks or national legislation made it not possible.

3.10 Waiting list(s)

In the case of high project inflow, when there are not enough funds to allocate to all the quality projects, programmes may decide to put some projects on a reserve list. This way, once funding becomes available they can quickly allocate it to already prepared and assessed projects.

12 programmes (only CBCs and ENPI) used projects waiting list(s) in order to ensure high spending.

The number of projects placed on the waiting list varied between 5 up to 136. The amount of funds requested by waiting listed projects was between 2 million EUR and 109 million EUR. In the majority of cases, the projects from the waiting list were contracted.

Five programmes encouraged the projects from the waiting list to go on with their activities without co-financing, one of the explanations given was: *1 project was contracted in the phase when financing was not yet available, the others signed the contract when financing was available.*

Graphic

Did you have a waiting list of projects to be approved once funding available?



3.11 Changing co-financing rates

Changing co-financing rates could be used as a method to boost spending rates on a programme level. It can work both ways; in case of high project inflow programmes could consider lowering the co-financing rate in order to finance more projects or substantial investments.

On the other hand, in case there are not many quality projects, increasing the co-financing rate in order to give more ERDF to the projects at hand could be considered. Changing the priority of co-financing rates requires a modification of the OP, so it is not an easy and quick solution.

Only two programmes changed the co-financing rates of priority axes during the programme implementation period. One programme changed the TA co-financing rate, the other reduced the co-financing rate to 50% in 2012 (before it was 74%) however it was increased again in 2014 and 2015.

Some programmes believe that changing the co-financing rates during the programme implementation would be unfair to previously approved projects and therefore it wasn't considered.

3.12 Additional allocation to already approved projects

At some point in the implementation lifecycle, programmes realise they have some savings. Giving additional money allocations to existing projects could be a way of using the savings for quality operations.

Exactly half of the programmes (13) decided to grant additional funds to the already approved projects.

Graphic

Did you give additional funds to approved projects?



The following solutions were implemented by programmes:

- Projects could apply for additional funding to cover some additional activities, which had to contribute to the original targets of the projects
- Projects could get additional funding for capitalisation activities
- In justified cases, projects received additional allocations to cover overspending of their budgets.
- Special calls for extensions for the ongoing projects were open.

3.13 Other methods used by programmes to ensure high spending

The number of other methods used by programmes to ensure high spending that were mentioned in the survey:

- Constant and close monitoring of the projects implementation and budgets spending (including constant reminders about the deadlines)
- Offering the flexibility of budget spending within the projects
- Ensuring that the reimbursement to the projects is on time even if the programme is facing cash flow problems
- Planning the call in such a way to ensure all savings generated are re-used
- Cutting the partners budget in case of non-reporting partners (after 4 claims) and re-allocating the funds to other operations

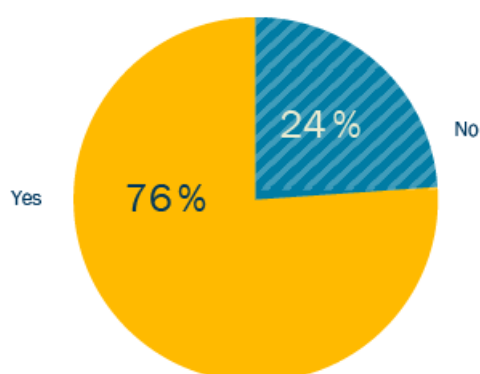
4. Implementation – project level

High spending rates are an outcome of many factors, including timely and effective reporting and payments. There are a number of different measures that could be implemented in order to ensure on-time projects reporting and spending.

4.1 Projects spending forecast

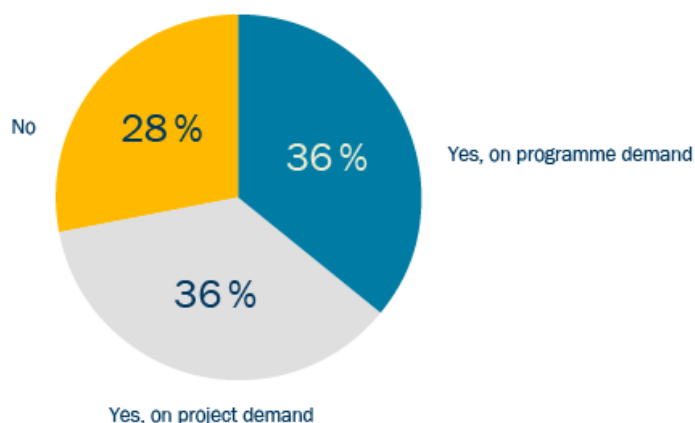
An accurate spending forecast can help programmes estimate their spending level per period. It can be used to ensure the positive cash flow, minimise the risk of de-commitment as well as react quickly by re-allocating savings to other operations/activities. The majority of programmes require the projects spending forecast to be planned already in the Application Form. As the forecast in the AF is usually not very precise and trustworthy, some programmes require the spending forecast to be updated in the periodical reports submitted by the projects.

Graphic
Was the project spending forecast requested in the application form?



4.2 Projects reporting – additional reports

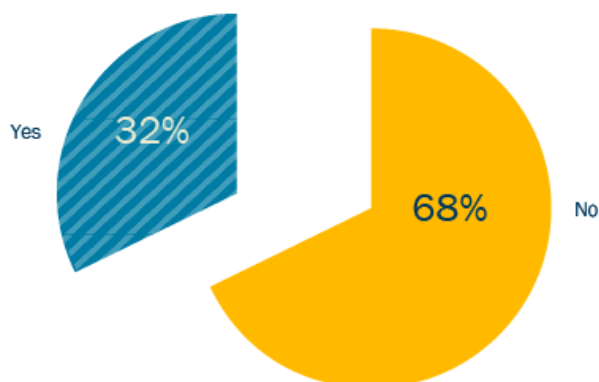
Graphic
Were additional / interim reports allowed?



Programmes need to take a strategic decision on how often their projects should be reporting costs. Too many reports per year may lead to too high of an administrative burden on projects and programme authorities, especially the FLC, but too few reports are also not good as it slows the programme spending and puts programmes at the risk of de-commitment. In case of the programmes in question, projects were obliged to report 2, 3 or 4 times a year. In the majority of cases, additional / interim reports were also allowed.

4.3 Projects budgets cuts

Graphic
Have you cut project budget allocation in case of underspending?



Close monitoring of project spending is a key to plan programme financing properly. Early noticed underspending can be re-used for other projects in order to ensure the highest possible spending rate at programme closure. Eight programmes decided to cut the project budgets in case of underspending.

The circumstances under which the project budget would be cut were:

- if project underspends during the first 4 reports, its budget would be cut accordingly
- after the third project report, in case of significant underspending budget cuts were discussed with the lead partner and were approved by the MC
- underspent amounts were checked close to the end of projects and cut.

The budget cut would be done:

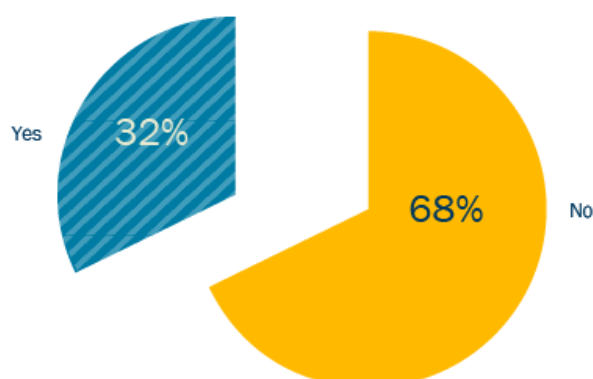
- Approximately half-way in the project implementation, after discussions between the MA/JS and the project
- In connection with the annual reporting or if the project applied for a cut themselves
- after the exceptional monitoring at the middle term of the projects

4.4 Projects modifications

The projects modifications are commonly allowed and can also be a way of ensuring most efficient use of project funds. It needs to however be ensured that no modifications compromise the project results and therefore some programmes introduce different limits to what can be modified or how many modifications are allowed per year or project lifetime.

Graphic

Did you have any limits on how many modifications projects could have per year or project lifetime?



The exemplary limitations are listed below:

- projects could only undergo one 'major' budget change (minor changes were covered by a flexibility rule to be reported with the progress reports),
- one budget modification per lifetime,
- only 2 modifications per project lifetime,
- once a year,
- maximum 3 modifications two times a year,
- as a rule, one major (significant) change once in the project lifetime.

16 programmes allowed modifications between budget lines and work packages without programme notification, 25 programmes allow modifications between budget lines, and work packages with programme approval, 24 programmes allow reallocating funds between partners with programme approval.

The limits, expressed in the percentage of total project budget of modifications used by the programmes are listed in the table below.

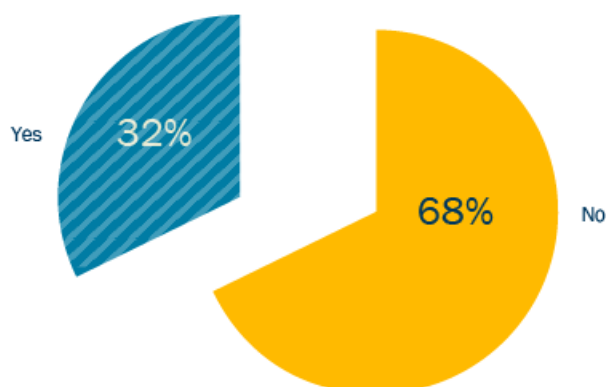
Modification	Minimum	Maximum
Modifications between budget lines without programme notification	10%	20% or 40 000 EUR
Modifications between work packages without programme notification	10%	20% or 40 000 EUR
Modifications between budget lines with programme approval	20%	30% (or 40% staff costs)
Modifications between work packages with programme approval	20%	30%
Limits to how much partners could reallocate funds between partners (with programme approval)	5%	25%

Other modifications allowed by some programmes were:

- prolongation of the project duration,
- changes of target values of indicators (up and above 20%),
- changes in project partnership,
- possibility to reallocate funds between partners without notifying the project 10% or 20.000 EUR.

In the majority of cases, there were no limits in regards to reallocations between partners, but such a modification was assessed and approved or rejected case by case. Ten programmes allowed the projects budget to be increased, but only in duly justified cases and with the approval of the Monitoring Committee.

Graphic
Was it allowed to increase the project budget?



Only one programme allowed to apply for additional funds once the project was closed (within the framework of the same project, e.g, in case of additional activities or over-spending). However, in some programmes many projects increased the length of the project implementation period before closing.

One programme allowed for follow-up projects (but they were treated as separate/individual projects, not always within the same partnerships), and in another one, at some point all projects were questioned regarding the necessity of the additional funding.

Main reasons for necessity of the budget increase that were mentioned:

- Need for additional activities/costs/involvement of more partners
- Miscalculation, differences caused by exchange rate
- New measures. growing costs
- Possibility to use programme savings with aim to strengthen project results

4.5 Project reporting

It is important to know how often projects are reporting but it is also crucial to see how fast the programme authorities are able to process the payment requests. If projects are not reimbursed timely they might face liquidity problems and not spend funds as planned. The average time to process one report (from submission to JTS/MA to payment) ranges from 1 to 10 months, but in the majority of programmes around 3 months.

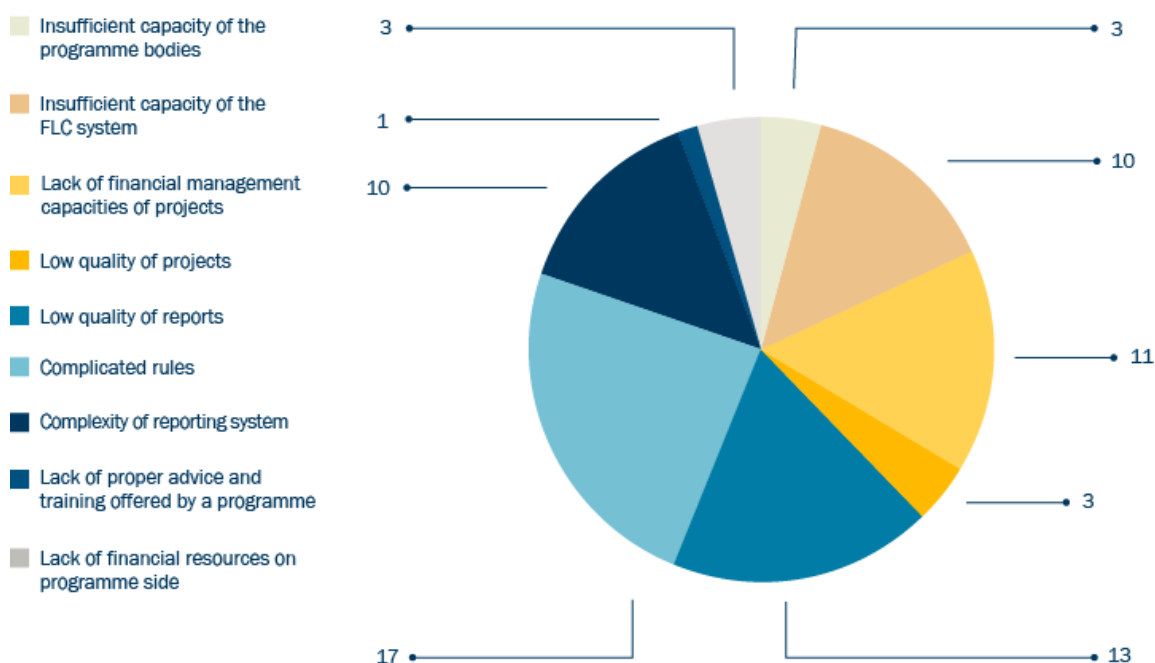
The vast majority of programmes managed to keep the legal deadline of 3 months for FLCs checks. For four programmes the regulatory deadline for verifications by the FLCs was not kept, due to the slow start of FLC system and lack of capacity at peak workloads for centralised FLCs. Also solving issues at the end during project closure extended the time of the control process.

Other mentioned reasons for a prolonged control period were too restrictive rules e.g., related to the description of accounting documents, bureaucracy, complicated eligibility rules (needed interpretation), and the necessity to send/re-send the documents between the projects and their controllers.

Fourteen programmes admitted that their projects were facing some cash flow problems, which had a negative impact on the projects spending rate. The financial crisis influenced some partners' liquidity and they lacked the resources for pre-financing.

Especially smaller institutions had some cash flow issues, they were not able to wait too long for reimbursement and therefore did not spend their budgets fully in order to avoid financial difficulties. There were numerous cases of a lack of proper cash flow at a project level because of delays in public procurement procedures, inexperienced partners (small organisations), poor planning of cash flow, etc. Additionally, some programmes faced cases of bankruptcy of the lead partner or bankruptcy of one of the partners.

Chart
Bottlenecks in project reporting



5. Implementation – programme level

5.1 Management and control system

The overall spending rate highly depends on the programme setup and functioning of the programme management and control system. All, except one of the programmes were satisfied with the quality of management of control systems setup.

5.2 De-commitment

When discussing the overall spending rate, the topic of de-commitment itself should not be forgotten. Ensuring appropriate and timely spending is an ongoing challenge and should not only be considered at the end of the programming period. Also the overall spending rate has to be seen in the relation of programme de-commitment; if a programme was de-committed during the implementation, the high spending rate at closure might not be considered an overall success by programme authorities. From the other perspective, if funds are not used properly it seems to be reasonable to return the money to the common budget of the European Union and allocate it to other purposes.

What always matters is the reason for de-commitment, if it is linked to delays and all programme funds could be used at a later stage. If this is a case of lack of quality projects or high level of irregularities it is justified to reallocate unused funds.

Four of the participating programmes faced de-commitment during the 2007-2013 programming period.

The amounts of funds de-committed varied:

- 11 668 404
- 1 400 000
- 26 051 093
- 656 439.

The reasons given for de-commitment:

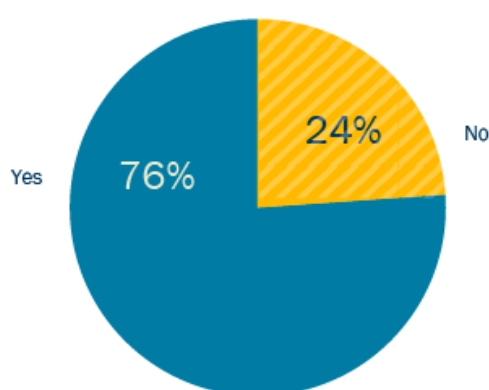
- high commitment targets set for a new Programme, targets the programme could not reach within the programming period,
- few initial applications (slow income of projects),
- late approval of the programme by the EC and therefore late beginning of projects submission.

The de-commitment did not affect the implementation of contracted projects in any of programmes.

5.3 Error rate

As mentioned before, the spending itself should not be an objective of a programme and needs to be seen in relation to the achieved results as well as to the error rate. The aim is to use the most funds for the best results and with the least errors. This is why the participants were asked to indicate if they ever exceeded the 2% error rate. Six programmes exceeded at least once the error rate limit of 2% at the programme level.

Graphic
Have you ever exceeded the 2 per cent error rate?



The error rate was exceeded for five programmes only once. However, one programme faced the situation of exceeded error rate five times in the row, starting in 2011 and continuing till 2015.

Most of the irregularities were associated with public procurement errors but also incorrect use of staff costs, or spending funds without reaching project objectives (no value for money).

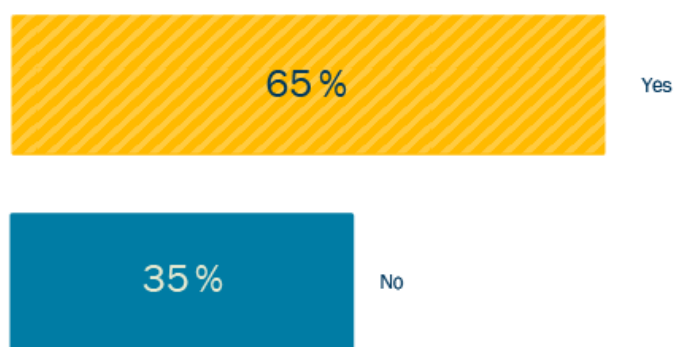
The error rate at closure of the eleven programmes is already known and varies between 0, 11% up to 1,92%. No programme reported error rate exceeded at closure.

5.4 Programme interruptions

If during the programme life cycle, the Commission decides to interrupt the programme and stop all reimbursements the programme can have liquidity problems, which in result may lead to decrease of overall spending rate.

Nine programmes faced interruption at least once during programme implementation.

Graphic
Did your programme face interruption?



The reasons for interruptions were an exceeded error rate at the programme level, system audit findings like First Level Control system failures, and a general deficiency of the management and control system. In one case the reason for interruption was delay on the side of the Audit Authority who waited too long to perform and conclude the system audit.

The programme interruptions caused the delays in project reimbursements only for one programme, however did not influence the overall programme spending level.

5.5 Main bottlenecks in claiming funds from the EC

Only six programmes indicated that they faced some bottlenecks in claiming reimbursement from the EC. Three of them faced a difficult cooperation with their Audit Authority, two pointed at understaffing at programme bodies and one programme regarded the FLC system as negatively influencing claiming from the EC.

The rest of the programmes, as the main reason of problems with getting reimbursement from the EC recognised the shortage of liquidity at EC level - Programmes faced situations where payment was due (claim already accepted by the EC) but could not be executed by the EC due to liquidity problems on their side. Moreover, shortage of staff at Certifying Authorities was mentioned, also poor quality of the claim to the EC.

Graphic

Bottlenecks in programme claiming reimbursement from the Commission



5.6 Modifications of the Operational Programme

Modifications of the OP are used to adjust the programme setup to the changing conditions in order to ensure the best functioning of the programme. Some modifications can also influence overall spending rate, e.g. the already mentioned change of priority axis co-financing rate or reallocation of funds between priorities. Modifications need to be justified and in most cases supported by conclusions of programme evaluations.

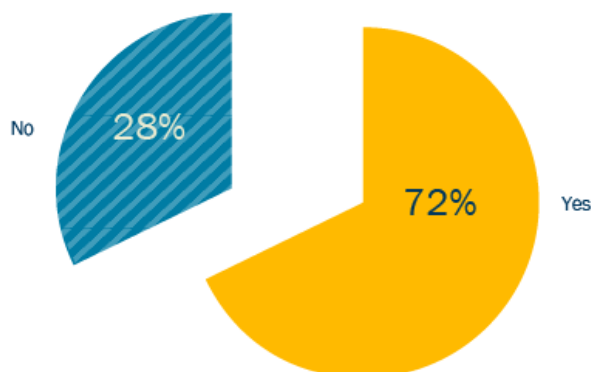
The vast majority of programmes modified their operational programmes and the modifications included budget reallocations between priority axes. In twelve programmes, modifications of the operational programme influenced the programme budget.

The examples of changes introduced covered change of ERDF rate for some priorities, integration of IPA funds, and in one programme additional allocations to the OP were assigned in 2013.

Majority implemented OP changes once or twice, but there was also programmes implementing OP changes five times.

Graphic

Was the OP modified (including budget reallocations between priority axes?)



5.7 Programme closure

At the time of closure, programmes were given certain flexibility to report final spending per priority without modifying the OP. It was possible to exceed or underspend the priority by 10%. The overall programme budget could not be exceeded. 12 programmes used this 10% flexibility rule.

Graphic

Have you used the 10 per cent flexibility rule over priority axes at closure?



The European Commission reimbursed programme claims up to the 95% of the total programme allocation. The remaining amounts are reimbursed only after the programme closure. Programmes need to pre-finance the 5% retention amount (for programmes with overall spending over 95%). It was done via:

- Member States own budget.
- National co-financing for TA.

- Interest on the programme account.
- Regional funds.

Some programmes just spent less than 95% and in some beneficiaries will have to wait longer for the last reimbursement.

6. Measures planned to be used for 2014 – 2020 programming period to ensure a high spending level

Learning the lessons from the previous periods, programmes decided to use certain measures to ensure high spending rates during 2014-2020 period as well. Here is a summary of what they are planning to do:

Measures planned	Amount of programmes planning to use	% of programmes planning to use
Over commitment of funds	11	42 %
Waiting lists of projects	10	38 %
Additional/targeted calls for proposals	13	50 %
Additional allocations to existing projects	7	27 %
Close monitoring of project spending	16	62 %
De-commitment of project budgets in case of underspending	11	42 %

Other measures mentioned:

- n+1-rule with automatic decommitment for projects,
- limitation of project extension time: only once and in principle for maximum 1 year,
- mid-term project review,
- obligation to decrease budget when there are savings after the finalisation of major public procurement procedures in the projects,
- targeted calls for regular projects,
- 50% pre-payment to project partners after submission of partner reports,
- use of flat rates and lump sum,
- bridge financing from national state budget.

Majority of programmes have not decided yet on future project de-commitment level, as an analysis of the current project spending and cash flow at the programme level needs to be assessed first.

Some programmes already agreed to over commit 5 – 10 %, one programme has ambitious plan to over allocate by 25%.

Nine of the participating programmes would consider the use of possible de-commitment of projects budgets.

The programmes consider the following methods to be used:

- after reporting period number 3 (1,5 years into implementation) project spending rates will be assessed, if the spending is lower than a certain %, the difference will be cut,
- projects set a target (on their own) for the middle of the project. Miss it by more than 25% => 10% correction. Miss it by more than 50% => 25% correction
- in case project partners do not report any expenditure with the third progress report, the partner's budget will be cut accordingly,
- JS will advise case-by-case (partial) de-committing in case a project is not delivering (activities cancelled, no interests of target groups for project activities, project changes) and it does not seem to be a temporary problem. For projects with a project duration of more than 3 years, there will always be a go/no go decision close to the end of year 3, whether the extended project duration is upheld or not,
- check after 18 months of implementation (details to be decided by the monitoring committee),
- establishment of project with different modules (phases) with a check to go from one module to the next one. Those checks are not only based on financial issues, but also on the accomplishment of milestones and quality of activities and deliverables,
- in case failure to report project expenditure according to the project spending schedule, which results in under-spending of funds by 60% or more of the first year budget, the MA is entitled to reduce the project budget.

7. Conclusions

Programming period 2007 – 2013 was for some programmes participating in the survey their first opportunity to setup, implement and close a programme.

During that period, that was already difficult enough for beginners, the financial crisis hit the global economy from summer 2007, making it even harder for programmes and projects to ensure national and own co-financing.

There were also many other challenges recognised by participating programmes; late OP approvals, complicated regulations, slow inflow of suitable applications, limited capacities of centralised FLC systems, irregularities resulted from complicated public procurement rules leading to an exceeded error rate and programme interruptions.

Despite those obstacles the overall spending level of participating programmes should be considered a success, as it reached on average of over 95% of programme allocated resources. Such a successful achievement would not be possible without use of numerous, complementing methods.

Even though just spending allocated funds is definitely not an objective of Interreg programmes, programmes do care about effective use of EU funds. By effective, we mean best use of as much funds as possible for implementation of valuable and high quality projects. In order to ensure this, programme authorities must take some measures.

All participating programmes that reached over 95% of spending level admitted to have in place well-functioning management and control systems, only 2 faced de-commitment and 4 had an error rate, at least once higher than 2%, most of them had operational programmes approved in autumn 2007. Only one of these programmes changed the co-financing rate of priority axes and it was implemented as a reaction towards the economic crisis, and not as a method to boost spending. The vast majority of these programmes used spending plans for projects being obligatory already at application stage. All, but one allowed projects some flexibilities between work packages and budget line.

As most of the programmes participating in this survey reached high spending levels, it is hard to conclude which of the used methods were more effective, than others. It is however clear that some strategy towards high spending level is necessary and a good mixture of different methods is a key to success. We always need to keep in mind that programmes are very different and are dealing with different projects/beneficiaries and therefore, what works for one programme might not be good or even possible for the others.

It can be concluded from this survey that all of the programmes used some of the following methods to ensure high and timely spending levels.

Over 50% of participating programmes used the following methods:

- Additional funds allocated towards already approved projects
- Obligatory projects spending plans in the Application Form
- Allowing many projects modifications
- Allowing additional / interim projects reports
- Modifying their own Operational Programme.

Over 30% of programmes filling in the survey used also:

- Organisation of additional calls
- Over-commitment of funds
- Waiting list(s) of projects to be approved once funds are available
- Cutting the budget of under spending projects.

Together with 26 participating programmes, a number of methods that can boost the spending rate was identified. The main challenges and bottlenecks that can slow down or even decrease the level of spending also were recognized. Learning from the last period, it should be possible to decide what methods to consider for current Interreg programmes. However, being prepared for unforeseen external or internal factors and learning to react quickly to them is crucial. In the last period the economic crisis affected the implementation of programmes and only thanks to quick and strong reaction of programme authorities, it's possible to celebrate the successes of Interreg IV programmes.

It may be concluded though that the awareness of existing and available methods, the ability to react to recognised risks of under-spending in a fast manner and by the application of a combination of measures allowed programmes to succeed.



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