



German Working Group within the AEER

## **Implementation proposals for INTERREG A**

25<sup>th</sup> October 2010

## Programme Management

<b>FUNCTIONS AND TASKS OF THE MANAGING BODIES</b>
<p><b>Problem:</b></p> <ul style="list-style-type: none"><li>• Setting up of the monitoring system requires much work and time that could be better used in another way.</li></ul>
<p><b>Proposal:</b></p> <ul style="list-style-type: none"><li>• The already existing SFC-systems<sup>1</sup> linking the Managing Authorities with the European Commission should be extended in order to avoid further expenses for additional not standardised monitoring systems.</li></ul>
<p><b>Justification:</b></p> <ul style="list-style-type: none"><li>• Simplification of the implementation procedure.</li></ul>

<b>FUNCTIONS AND TASKS OF THE MANAGING BODIES</b>
<p><b>Problem:</b></p> <ul style="list-style-type: none"><li>• Some tasks and functions of the responsible bodies defined in the regulations on INTERREG programme overlap, whereas others are not fulfilled at all. For instance, the managing, certifying and audit authority have no competences on the other side of the border, but bear full responsibility for the implementation of the programme on both sides of the border.</li><li>• Double work resulting from the fact that tasks are not clearly divided.</li><li>• Interpretation of legal foundations requires much work.</li></ul>

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<sup>1</sup> System for Fund Management in the European Community 2007-2013

**Proposal:**

- The tasks and functions of each body defined in the regulations should be better adapted to each individual INTERREG programme. Accordingly, more effort is needed while elaborating each individual programme. This additional effort is acceptable only if at the same time more autonomy in implementing INTERREG programmes is provided. This would be the case in particular if majority decisions provided the responsible bodies with financial autonomy and the public authority (at the same time managing authority) would limit its function to legal control.
- The regulation on INTERREG programme should lay down only the most important rules. However, they should be described in detail, so that there is no room left for national amendments or interpretations.
- The above-mentioned clear rules of the EU Commission must be binding for all programme areas without exceptions.

**Justification:**

- Clear and uniform legal provisions reduce administrative costs.

**MONITORING COMMITTEE:****Problem:**

- The monitoring committee doesn't work in an efficient way as in most cases state representatives pursue only national interests and not joint programme interests.

**Proposal:**

- In order to underline the role of the monitoring committee as a collegially working decision-making body majority voting in the presence of a quorum should be possible.
- While taking into account the differences in the governance structure, NUTS-III-areas should gain in importance. 50% of the members with voting rights should represent non-governmental bodies / Euroregions.
- In order to ensure legal conformity of the programme and with regard to the liability, the managing authority and the representative of the European Commission should have the right of veto.

**Justification:**

- The monitoring committee should be considered by all members as decision-making body responsible for the whole programme that acts for the benefit of the whole border

area.

### MANAGING AUTHORITY

**Problem:**

- The function of the managing authority as supervising body is highly limited in the neighbouring country.
- Some managing authorities are very active as regards their supervising and controlling functions and tend partially to exercise excessive control.

**Proposal:**

- The tasks of the managing authorities should not go beyond legal supervision of the monitoring committee and quality control of programme implementation. They should not be involved in project selection nor be responsible for programme implementation.

**Justification:**

- While dividing supervising and implementing (JTS) tasks it should be ensured that both tasks are fulfilled with a high degree of commitment.

### JTS – JOINT TECHNICAL SECRETARIAT

**Problem:**

- Many decisions are not taken at the cross-border level. Independent policy for border regions is not possible without the active participation of the JTS.
- Integrated cross-border projects are not realised. There is a risk that regular tasks of the public sector will be defined as cross-border projects, and thereby the financial resources of national states will be substituted by funds from the INTERREG programme.
- In several programme areas applications have to be submitted to ministries. In some cases NUTS-III-areas take notice of the applications only while receiving the invitation to the meeting of the monitoring committee. Moreover, project partners can be confronted with unreasonably long travel distances (e.g. from Brandenburg to Warsaw). As result, no partnerships can be established in the border region that could foster further cross-border initiatives.

**Proposal:**

- The JTS should not be a part of national public administration. It should be rather established at regional level. At the same time the monitoring committee should be responsible for the legal and technical control of the JTS.
- Main tasks of the JTS in its function as implementing body should be clearly described in the respective regulations.

**Justification:**

- The tasks of the JTS have not been included in the regulations so far.
- Independent JTS in border areas covering their costs from technical assistance can be easily contacted by project partners that attach much value to neutrality, transparency as well as qualification of the bilingual staff.
- While submitting an application / realising a project in the border region cross-border contacts are established that are helpful while elaborating new project ideas. The first opinion from the border region is already prepared bi- or trilaterally.

**FIRST-LEVEL-CONTROL<sup>2</sup>****Problem:**

- Due to an unsatisfactory quality of the FLC additional controls are carried out (partially the controls are very strict with >100%) resulting in much higher workload for the project leaders that partially show “unwillingness” to realise further INTERREG projects.

**Proposal:**

- Guidelines for an integrated FLC should be elaborated ensuring that the audit of the project is properly carried out on both sides of the border.
- An integrated control of the finances and project progress is necessary. Such cross-border control requires the inclusion of additional provisions in documents referring to the managing and audit systems. The responsibilities of the auditors / supervisors, also as regards their liability, should be described in detail in the regulation on INTERREG or at

<sup>2</sup> First Level Control = Article-16-audit

least in the legal foundations specifying the functions of the managing and audit systems.

- Controls should be carried out in accordance with the necessity principle (as much as necessary, as little as possible).
- The control system should be organised in a way allowing the payment of the requested funds within one month after the submission of the financial report including all necessary documents (as best practice example can be considered the FLC within the Euregio Maas-Rhein).

**Justification:**

- Without specified standards certified accountants and auditors tend towards personal and limited interpretations resulting in the exclusion of real and justified costs.
- As only one, instead of two national bodies, carries out the controls, the costs and workload are reduced. At the same time the extent and scope of controls have to be specified in detail (see also: Body authorised to carry out audits).
- In line with the principle of “good governance” project partners must rely on a smooth reimbursement of their project costs.
- Project partners will not be frustrated because of partially small-scale controls.

## NATIONAL AND REGIONAL CONTACTS

**Problem:**

- Unfamiliarity with the legal framework in the neighbouring country

**Proposal:**

- The involved national partners nominate a contact person together with a deputy that would provide all requested information on national legal provisions to the other partners in the INTERREG programme. This information would be binding throughout the whole implementation process and could not be differently interpreted later on.
- The function of the contact person should be described in the documents specifying the functions of the management and audit system.

**Justification:**

- The nomination of just one person helps to build trust at the staff level. Partners from the neighbouring country that are not familiar with the competences of the public authorities and the legal status on the other side of the border receive additional and reliable information.

**CERTIFYING AUTHORITY****Problem:**

- The division of tasks, e.g. in comparison to the Second-Level-Control (SLC).

**Proposal:**

- The tasks of the certifying authorities should be specified, e.g. in a workflow sheet.

**Justification:**

- Clear division of tasks helps to avoid misunderstandings and double work.

**BODY AUTHORISED TO CARRY OUT AUDITS****Problem:**

- Many auditors are familiar just with the national law and check only the validity of costs without taking into account the overall project context. As result of this deficit the JTS, the SLC and the certifying authority are confronted with extra work.

**Proposal:**

- Just one body or a group of auditors authorised to carry out audits should be nominated at programme or at least at project level that would work together with the managing authority (legal control).
- The scope and extent of controls would be clearly described in documents specifying the functions of the management and audit systems. The EU Commission would organise workshops in order to train the auditors.

**Justification:**

- The selection of just one cross-border body authorised to carry out audits (instead of at

least two auditors as is the case at the moment) would result in lower costs and workload.

- It is expected that thanks to the specialisation of the auditors the error rate would be reduced and at the same time other bodies involved in the programme would be relieved of additional work. Moreover, with a lower number of requests for further clarification the audits would be carried out more efficiently.
- As result of this new system a new group of auditors specialised in both the EU and cross-border programmes could be established. In the middle and long term also the EU will benefit from this new know-how, as the financial control will be improved in a sustainable way.

**Programme resources:**

<b>ALLOCATION OF EU FUNDS</b>
<p><b>Problem</b></p> <ul style="list-style-type: none"> <li>• The distribution of funds per priority has proved to be successful. However, a flexible reallocation of funds between priorities is not possible.</li> <li>• The allocation of the EU funds per member state results in increased national demands. Moreover, in some programme areas funds are split between participating federal states, regions etc. on both sides of the border.</li> </ul>
<p><b>Proposal</b></p> <ul style="list-style-type: none"> <li>• Funds should be allocated per programme area and not per member state.</li> <li>• Together with the national co-financing EU funds should flow into one joint budget. This budget approved by the monitoring committee should be at the disposal of the programme.</li> </ul>
<p><b>Justification</b></p> <ul style="list-style-type: none"> <li>• While bringing together the EU funds and the two national co-financings in one joint budget the management of the programme becomes easier and more efficient.</li> <li>• In this way, it is ensured that the programme is jointly developed and implemented.</li> </ul>

- Project partners will not be urged to specify work packages and costs on both sides of the border separately in order to divide the available EU funds between the involved national sides.

### NATIONAL CO-FINANCING

**Problem:**

- In some cases, the co-financing rate initially offered by the federal states, can be granted only with some delay or has to be decreased due to e.g. lacking resources or a budget freeze. This has a negative impact on the projects' implementation, in particular as regards the n+2/3-rule. Generally, an efficient programme management becomes difficult under such conditions.

**Proposal:**

- The national co-financing rates specified in the Operational Programmes have to be binding.

**Justification:**

- It is in the interest of the federal states that the programmes are implemented without considerable delays and that all available EU funds are spent. This means that project partners can rely on a timely payment of the national co-financing. Otherwise, there will be no trust in the programme management that plays a very important role for the project planning and implementation.

### HIGHER EU GRANT

**Problem:**

- Due to a difficult financial situation an increasing number of potential project leaders in Eastern Germany is not in the position to raise own financial resources supplementing the EU funds and the national co-financings.

**Proposal:**

- In exceptional cases, the EU funding rate could be higher. This should be decided when the programme is submitted for approval. Moreover, specific criteria have to be defined justifying the approval of a higher EU funding rate.

**Justification:**

- Generally, the difficult financial situation and the necessity to consolidate public budgets will have a negative impact on the realisation of INTERREG projects. In structurally weak areas programme managers have to worry, how the programme can be implemented at all. In case that the programme managers and the monitoring committee accept it, there should be a possibility to allocate the EU funds to a lower number of core projects that would, however, benefit from a higher EU funding rate.

**N+2 AND N+3 RESPECTIVELY****Problem:**

- It is not comprehensible, why different rules (N+2/N+3) are applied within the EU. It is, certainly, desirable that the programmes are terminated as soon as possible. The experience shows, however, that with a few exceptions no funds are spent for projects in the first two years. The problem is apparently the programme start.

**Proposal:**

- N+3-rule applies for the whole programming period and to all programmes and member states. Alternatively, a more efficient, that means quicker, programme start at the European level.

**Justification:**

- Less problems, lower workload and administrative costs.

## TA - TECHNICAL ASSISTANCE

### **Problem :**

- The administrative costs of programme implementation have risen. In some programme areas, due to necessary additional spending, the initially planned limit for technical assistance has been exceeded. The situation becomes even worse, if relatively small programmes are confronted with a high number of realised projects.

### **Proposal:**

- In no case the share of funds for technical assistance should be reduced. It should be specified that the costs for the above-described integrated FLC should be covered from the project costs.
- While submitting the documents describing the management and audit systems to the European Commission the public authorities should declare that the necessary funds for the technical assistance, inclusively the national co-financing, will be provided in the programmes.

### **Justification:**

- In line with the lead-partner-principle the costs for the FLC go very well with project costs. They can be clearly calculated from the beginning on.
- All other bodies involved in the implementation of the INTERREG programme will, thus, benefit from a lower workload.
- To ensure a quick start of the programme, it is very important that the bodies involved in the implementation of the INTERREG programme perform their executive tasks from the beginning of the programming period on. They have to be, of course, paid for that. This proposal ensures that with the submission of the programme to the European Commission also the availability of national budget funds is declared.

## Programme implementation:

<b>PROGRAMME APPROACH</b>
<p><b>Problem:</b></p> <ul style="list-style-type: none"><li>• In many programme areas the focus was laid on major projects and streamlined programmes, e.g. on the promotion of research and development within the Lisbon Strategy. This doesn't necessarily correspond with the real needs of the border area. Moreover, it seems that there are other programmes promoting e.g. research and development that should be used instead.</li></ul>
<p><b>Proposal:</b></p> <ul style="list-style-type: none"><li>• Taking into account the specific situation in the member states the EU strategy 2020 should further on allow flexibility as regards the programme approach and its priorities.</li></ul>
<p><b>Justification:</b></p> <ul style="list-style-type: none"><li>• The SWOT-analysis has provided just general results so far. There is a tendency to describe just desirable developments corresponding with the regulatory framework. For that reason the SWOT-analysis is not a reliable instrument. It is proposed to concentrate rather on the real needs of the border area irrespective of the way, how they are explained.</li></ul>

<b>APPLICATION PROCEDURE</b>
<p><b>Problem</b></p> <ul style="list-style-type: none"><li>• The projects' and programmes' results must be quantified. For that purpose, with high effort special indicators are defined and used. However, they remain without a consequence both at programme and project level as long as the financial management is correct. Additional work can be only justified, if it provides added value. If something remains without a consequence, then it has no added value.</li><li>• It can be observed that projects promising smooth and easier implementation (also</li></ul>

with regard to the N+3-rule) are discussed at first.

**Proposal:**

- Project selection should be based on qualitative criteria and take into account the specific situation in the respective border area.
- Project selection should focus rather on the expected results and not as much on the project feasibility. Depending on the project scope in some cases a project timeline should be required.

**Justification:**

- Growing requirements as regards project results and documentation should be met within the programme implementation. Therefore, in each programme qualitative cross-border criteria are needed.
- In order to be able to stick to the timeline the project leader will elaborate in cooperation with his project partners a professional project plan.

**CONTROL:**

**Problem:**

- The current control system at project level includes six steps:
  - Preliminary control
  - Control of the lead partner
  - Control of the managing authority and the JTS
  - Control of the certifying authority
  - Second control
  - Annual control of the organisation
- Moreover, further development, confirmation and ratification of Art.71, annual reports and evaluations are important as key elements to improve the framework and to provide additional inputs in the programme implementation.
- Every country defines its own control guidelines. This results in the application of

different terminology and in varying interpretations of the corresponding regulations.

- The current audit system is characterised by work multiplicity, unreasonably high workload and not justified additional costs resulting in over-bureaucratisation and withdrawal of potential project partners.

**Proposal:**

- The overall aim of the audit system must be clear. The current audit system must be completely revised in order to avoid double-controls. States with well-functioning national audit systems covering also EU funds should not be obliged to introduce additional audit systems for the control of EU projects and programmes.
- A functioning First Level Control, a Second Level Control with a 5% sample and a system control are sufficient.
- Generally, it should be possible to improve the financial documentation before the request for payment is rejected. Moreover, the FLC should have the possibility to reject a request for payment without indicating irregularities. This should apply all the way up to the European Court of Auditors.
- The aim and the added value of each component should be reconsidered in order to find out, how to optimise the system. For example, the added value of the audit carried out by the Certifying Authority in projects covered by the national audit systems is not really clear.

**Justification:**

- The reason, why additional controls are carried out, is the lack of trust. If one of the involved bodies doesn't fully rely on the competence of the other bodies, it carries out additional audits resulting in additional costs. This refers also to the behaviour towards project leaders.
- If the individual audit tasks were specified in detail and the FLC better functioned, the workload and costs would be lower and the audit system would work more efficiently.

- The proposal refers to well-functioning national audit systems, as with their support additional audit costs and additional workload could be eliminated without causing negative effects at the European level.

#### AUDIT

**Problem:**

- Different audit rules in the member states.

**Proposal:**

- Generally accepted EU-Standard, Proposal: Annex VI of (EC) No. 1828/2006.

**Justification:**

- Easier audit of cross-border projects.

#### FLAT RATES

**Problem:**

- Reporting and audit of relatively small amounts goes along with high workload and high costs. Sometimes the collection of all necessary documentation explaining and / or justifying differences as regards travel costs, office equipment, catering or office rent results in unreasonably high administrative costs.

**Proposal:**

- In exceptional cases flat rates are allowed in order to facilitate the reporting, e.g. flat rate covering overhead costs calculated as certain percentage of gross personnel costs. Further documentation doesn't have to be submitted in case of the flat expenditure.

**Justification:**

- The flat rate is specified by the decision of the monitoring committee or in the operational programme.

- Considerable reduction of administrative costs.

#### **FIXED AMOUNT GRANT**

**Problem:**

- The added value of INTERREG becomes visible for citizens in border areas in particular in small people-to-people projects realised by the civil society. Organisations implementing such projects, which quite often work on a voluntary basis, are overstrained with the current administrative procedure.

**Proposal:**

- Introduction of a fixed amount grant for small projects, e.g. in case that the total grant including EU funds and national co-financing doesn't exceed € 25.000. The financial report would include in this case only the proof of project realisation and list of expenditure certified by the authorised body.

**Justification:**

- While implementing this procedure administrative costs are reduced.

**Additional reflections/questions**

- General increase of INTERREG funds in order to be able to realise infrastructure projects (roads / bridges) in all border areas.
- Removal of the need for extensive paperwork that results from the involvement of at least two coordination and audit bodies.

**Imprint:**

**The Association of European Border Regions**

**-German Working Group-**

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AEBR can not guarantee the completeness or correctness of the information provided herein.

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