

Neighbourhood external cooperation programmes in the Interreg Regulation

Key features of Interreg NEXT and main changes compared to the ENI CBC Implementing Rules

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List of highlights

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Highlight N° 1	The opportunities of joining the Interreg family
Highlight N° 2	The importance of the implementing acts
Highlight N° 3	Specific pre-financing and co-financing rate
Highlight N° 4	Enhanced participation of programme partners
Highlight N° 5	New tool: small project funds
Highlight No 6	Harmonised procurement rules
Highlight No 7	Challenges in procurement by project beneficiaries
Highlight No 8	Financial contribution from participating countries transferred to the MA as part of the "national co-financing"
Highlight No 9	Specific provisions for cross-border cooperation in the NDICI Regulation



The **highlights** and **changes** are easily accessible through **bookmarks**. Use **ctrl + click** on the number of highlight or changes and **go directly to the concerned box!**

List of main changes

No	Title
<u>Change N° 1</u>	No adjoining regions or major centres
<u>Change N° 2</u>	Flexible approach for financing activities outside the programme area
<u>Change N° 3</u>	Thematic concentration
<u>Change N° 4</u>	Deadline for submission of cooperation programmes to the Commission
<u>Change N° 5</u>	New type of projects: the operations of strategic importance
<u>Change N° 6</u>	Exceptions to financial flows to partners
<u>Change N° 7</u>	Flat rates for technical assistance
<u>Change N° 8</u>	Changes in the composition
<u>Change N° 9</u>	More frequent transmission of data to the Commission
<u>Change N° 10</u>	Compulsory common result indicators
<u>Change N° 11</u>	New requirements for communication
<u>Change N° 12</u>	No gold-plating on eligibility of expenditure
<u>Change N° 13</u>	Obligation to set up a Joint Secretariat
<u>Change N° 14</u>	New rules for exchange rate
<u>Change N° 15</u>	New approach for control in partner countries
<u>Change N° 16</u>	No additional verifications at project/beneficiary level by the accounting function
<u>Change N° 17</u>	Common sample for audit on operations
<u>Change N° 18</u>	Responsibility for recoveries from private beneficiaries by partner countries
<u>Change N° 19</u>	Revised role for national authorities
<u>Change N° 20</u>	Simplified procedure for large infrastructure projects
<u>Change N° 21</u>	Changes in rules of nationality and origin
<u>Change N° 22</u>	Unified deadline for signature of the FAs

Introduction and preliminary considerations

Interreg NEXT is now embedded into European Territorial Cooperation (ETC), which constitutes an opportunity for the current ENI CBC programmes. The aim of this document is to present the main challenges and key considerations deriving from the Interreg Regulation and the related legislative package for cooperation programmes along the borders of the EU with its neighbouring countries, the so-called **Interreg NEXT** programmes. The document underlines the most relevant novelties for the new programmes, which we call “*highlights*”, as well as the main changes compared with ENI CBC.

The analysis is based on:

- Interreg Regulation (Regulation 2021/1059), Common Provisions Regulation (Regulation 2021/1060, hereinafter CPR), the ERDF Regulation (Regulation 2021/1058) and NDICI Regulation (Regulation 2021/947),
- A comparative analysis made by TESIM experts between the Interreg Regulation and the ENI CBC Implementing Rules (ENI CBC IR),
- The standard presentation by TESIM on the new programming period for the members of the Joint Programming Committees of Interreg NEXT programmes.

The main principles followed for the definition and management of ENI CBC programmes will remain in 2021-2027. These principles show **a high degree of continuity but**, at the same time, there are a number of **significant changes**, which will have to be applied by the post-2020 programmes.

In the context of this **continuity with a twist**, the main challenges and key considerations deriving from these changes must be taken on board by the programmes and by the participating countries during the programming process.

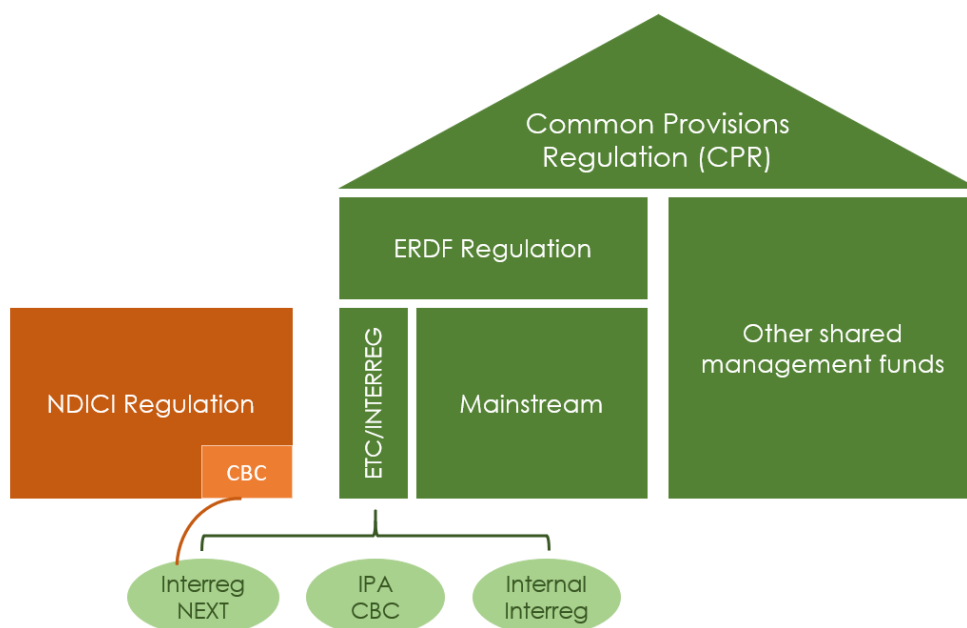
In summary, the new legal framework is characterised by:

- A sound dose of **continuity** with a significant number of **simplification** measures,
- **Harmonisation** with the other **CBC instruments under shared management**, all under the responsibility of DG Regional and Urban Policy,
- A **single umbrella regulation**, but the maintenance of the **unique character** of the cooperation with partner countries, thanks to the application of key specific rules in connection with the NDICI Regulation.

1. Key features of Interreg NEXT programmes

1.1. Overall legal architecture

Even though they will continue to receive EU funds from the same instruments than in the current period - that is, ERDF, IPA and NDICI (currently ENI) - the inclusion under the single Interreg Regulation leads Interreg NEXT programmes to a new legal framework within the family of the cooperation programmes of EU cohesion policy. Additionally, in order to keep its specificities, the provisions for cross-border cooperation mentioned in the NDICI Regulation will also apply. At regulatory level, and below the overarching umbrella of the Financial (Omnibus) Regulation¹, the architecture will be as follows:



Highlight N° 1

The opportunities of joining the Interreg family

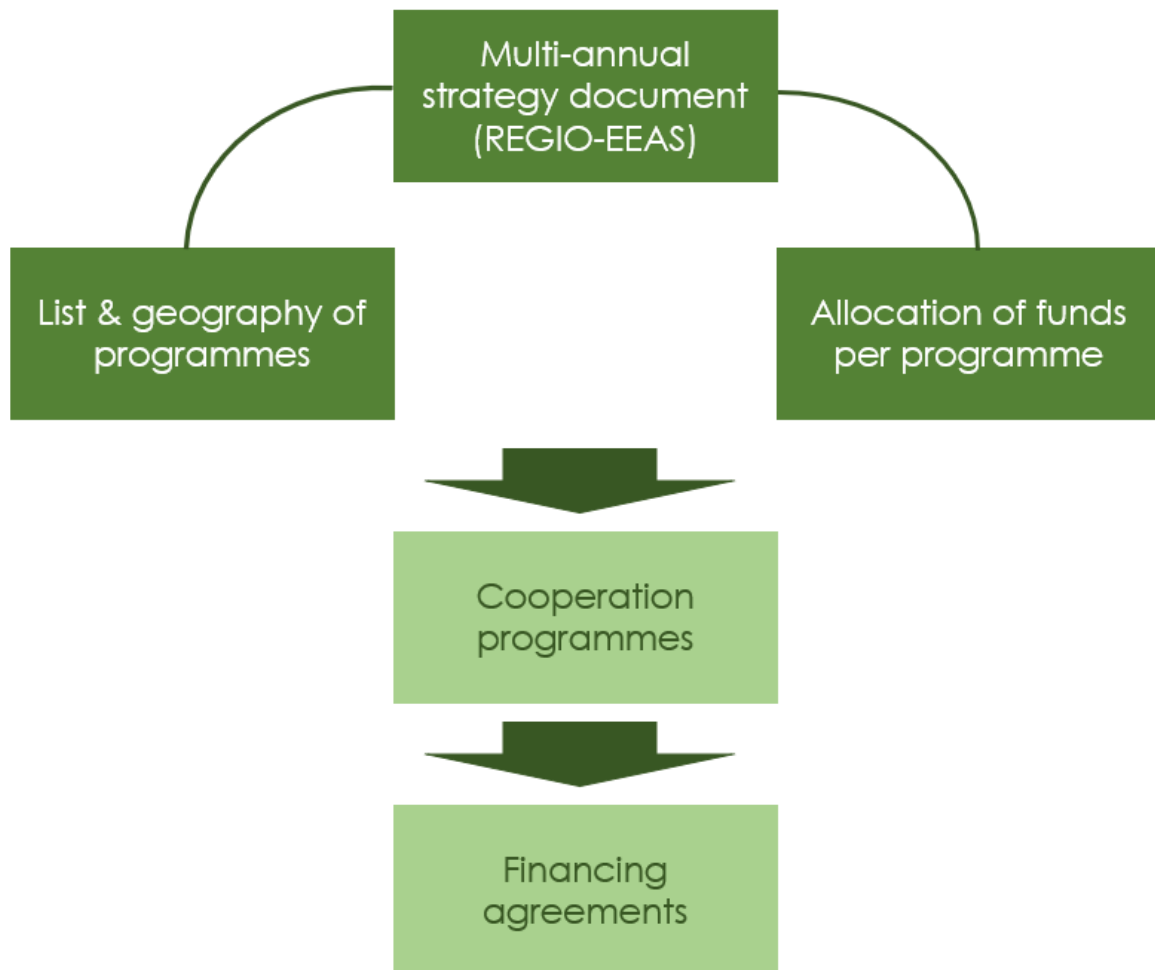
Joining the Interreg family ensures a common legal framework with the other CBC funds, but also builds an **open gate** to a common Commission management, synergies with IPA CBC and internal ETC programmes, a common methodological approach, templates of documents included in the Regulation and the possibility of participating in the development and use of common tools, such as HIT² and JeMS³.

¹ Regulation 2018/1046.

² Harmonised Implementation Tools (HIT) promoted by Interact <http://www.interact-eu.net/post-2020/hit-2021-2027>

³ Joint Electronic Monitoring System (JeMS) is an electronic platform for Interreg programme provided by Interact and currently used by some ENI CBC programmes.

Once the legislative package at regulatory level will be approved, the legal framework will be complemented with three **implementing acts**. The completion of these steps will allow for the future adoption of the cooperation programmes and the signature of the Financing Agreements (FA) with the partner countries.



Highlight N° 2

The importance of the implementing acts

The approval of the Multi-annual strategy document, jointly prepared by the Commission and the European External Action Service, will trigger the **deadline for submission** of the cooperation programmes. They must be submitted at the latest nine months from the approval of this strategy document.

1.2. Structure of the Interreg Regulation

The Regulation is structured in the following chapters:

- Chapter I – General provisions
- Chapter II – Interreg-specific objectives and thematic concentration
- Chapter III – Programming
- Chapter IV – Monitoring, evaluation, information and communication
- Chapter V – Eligibility
- Chapter VI – Interreg programme authorities, management and control
- Chapter VII – Financial management, accounts and financial corrections
- Chapter VIII – Participation of third countries or partner countries or Overseas Countries and Territories in Interreg programmes under shared management
- Chapter IX – Specific rules on indirect management
- Chapter X – Final provisions
- Annex with templates

This document will go into the detail of the above-mentioned chapters, following the same order.

1.3. Terminology

In order to avoid confusion with the terminology, the following relevant differences with ENI CBC should be noted⁴:

- “**operation**” in Interreg is a term equivalent to “**project**” in ENI CBC,
- “**beneficiary**” means a public or private law body, an entity with or without legal personality or a natural person, responsible for initiating or both initiating and implementing operations. In the context of State aid schemes, the undertaking which receives the aid,
- “**final recipient**” means a legal or natural person receiving support from the Funds through a beneficiary of a small project fund.

⁴ These legal definitions may be found in article 2 of the CPR.

2. General provisions

2.1. Subject, scope and Interreg components

This chapter sets out the subject matter and scope of the Interreg Regulation. In particular, it describes the four Interreg components, two of which affect Interreg NEXT:

- Strand A on land border and sea-crossing regions
- Strand B on transnational cooperation

Transnational cooperation programmes may count on the participation of partner countries, as is currently the case for the Baltic Sea Region and Danube Programmes, but these cases will not be considered as Interreg NEXT programmes. Interreg NEXT transnational programmes will be the ones where NDICI amounts to at least the ERDF contribution. The classification of the sea basin programmes as transnational will have an impact on thematic concentration requirements.

The geography of the programmes will be defined in the previously mentioned implementing act on the basis of NUTS 3 regions or their equivalent in partner countries for strand A and NUTS 2 or their equivalent in partner countries for strand B.

Change N° 1: No adjoining regions or major centres	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
According to Article 4 of the ENI CBC IR, the description of the programme area may include, on top of the core regions, adjoining regions and major social, economic or cultural centres.	Section II of the Interreg Regulation (Articles 4 to 8) does not include any distinction between type of regions.

Change N° 2: Flexible approach for financing activities outside the programme area	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
Article 39.2 of ENI CBC IR stipulates that "the total amount allocated under the programme to activities outside the programme area does not exceed 20 % of the Union contribution at programme level". It only allows partial project implementation outside the area.	Article 22.1 of the Interreg Regulation stipulates that all or part of an operation may be implemented outside the programme area, inside or outside the Union. The selection of that operation requires the explicit approval by the MA in the MC.

2.2. Resources and co-financing rates

The resources devoted to Interreg NEXT programmes as a whole will not only depend on the provisions of the Interreg Regulation and the funds allocated to Interreg under cohesion policy, but also on the resources from NDICI, IPA⁵ and the participating countries. As previously explained, the EU amounts per programme will be determined in an implementing act after the approval of the legislative package, together with the multi-annual strategy and the list and geography of programmes.

Highlight N° 3

Specific pre-financing payments and co-financing rate

Article 13 of the Interreg Regulation allows for a **maximum programme co-financing rate** specific for Interreg NEXT, which may be kept at **90%**, as in the current programmes, according to Article 22 of the NDICI Regulation.

The term “co-financing” is used in this article as equivalent to the EU support, not national co-financing.

Article 51 also allows for a **specific pre-financing system**, as defined in Article 22 of the NDICI Regulation, that is, at the request of the managing authority, each financial year, the pre-financing rate may be up to 80% of annual commitments to the programme.

2.3. Objectives and thematic concentration

Article 14 of the Interreg Regulation sets the strategic context for the cooperation programmes, including Interreg NEXT. The policy objectives and Interreg-specific objectives are defined in the CPR, ERDF and Interreg Regulation so they mostly cover programmes implemented solely in the Member States. However, as indicated in the draft multiannual strategic policy paper for the NEXT programmes (“Joint paper”) they should be understood in the following way:

- **a more competitive and smarter Europe and its neighbourhood** by promoting innovative and smart economic transformation (**PO 1**),
- **a greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe and its neighbourhood** by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation and risk prevention and management, and sustainable urban mobility (**PO 2**),
- **a more connected Europe and its neighbourhood** by enhancing mobility and regional ICT connectivity' (**PO 3**),

⁵ For the Black Sea Basin and the Mediterranean Sea Basin programmes

- **a more social and inclusive Europe and its neighbourhood** implementing the European Pillar of Social Rights (**PO 4**),
- **a Europe and its neighbourhood closer to citizens** by fostering the sustainable and integrated development of all types of territories and local initiatives (**PO 5**),
- **a better cooperation governance for Europe and its neighbourhood (ISO 1)**,
- **a safer and more secure Europe and its neighbourhood (ISO 2)**.

Change N° 3: Thematic concentration	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
ENI CBC has 11 thematic objectives , out of which each programme chose a maximum of 4.	The programmes will have to choose from 5 policy objectives (PO) and 2 Interreg-specific objectives (ISO) . POs have a number of specific objectives and for ISOs, the regulation gives a number of actions, with some limitations for the sea basin programmes. PO2 is compulsory for all programmes.

3. Programming

3.1. Preparation and submission of Interreg programmes

The programming process is similar to the one used in 2014-2020 for ENI CBC, even though there are some simplifications and relevant novelties.

Article 16.3 of the Interreg Regulation includes one key novelty compared to the ENI CBC: the identification of so-called “**programme partners**”. These programme partners must be involved in the preparation of the programme and also in its implementation, for instance, by participating in the monitoring committee (MC).

The concept is defined in Article 8 of the Common Provisions Regulation (CPR):

“[...] The partnership shall include **at least** the following partners:

- a) Urban and other public authorities;
- b) Economic and social partners;
- c) Relevant bodies representing civil society, environmental partners, and bodies responsible for promoting social inclusion, fundamental rights, rights of persons with disabilities, gender equality and non-discrimination.”

Highlight N° 4

Enhanced participation of programme partners

The active involvement of the programme partners both in the programming and in the later MCs will oblige each country to identify them early in the process. The programming work plan will have to include adequate means for the compulsory involvement.

The word “at least” in Article 8 of the CPR obliges to identify entities falling within the three categories.

Change N° 4: Deadline for submission of cooperation programmes to the Commission

<u>ENI CBC</u>	<u>Interreg NEXT</u>
The programmes had to be submitted within one year of approval of the programming document.	The programmes shall be submitted no later than nine months after the adoption by the Commission of the strategic programming document.

3.2. New tools for programme implementation

PO 5, that is “Europe and its neighbourhood closer to citizens” by fostering the sustainable and **integrated development** of local initiatives has specific means for implementation, which are detailed in article 28 of the CPR:

- Integrated territorial investments (ITI),
- Community-led local development (CLLD),
- Any territorial tool supporting initiatives designed by the Member State.

CLLD requires the participation of local action groups⁶, which only exist in Member States, so this tool is not usable by Interreg NEXT programmes.

Another new tool at the disposal of the programmes will be the “**small project funds**”, described in Article 25 of the Interreg Regulation. The total allocation to this tool may not exceed 20% of the total allocation of the programme. In addition to provisions for small project funds, the regulation refers also in Article 24 to “support for projects of limited financial volume”.

Highlight N° 5

New tool: small project funds

This tool will foster the participation of small local authorities or grassroots organisations in the programme area, as they will be able to implement small projects. When these small projects are below € 100.000, simplified costs are compulsory⁷. The beneficiary of the fund has to be a cross-border legal body, a body which has a legal personality or a European Grouping of Territorial Cooperation (EGTC).

Article 24 stipulates that the programmes have to support **projects of limited financial volume**, either directly or through small project funds. There is no legal definition for such type of projects. When the sea basin programmes are unable to fulfil this requirement, they must state the reasons in the programme.

3.3. Operations of strategic importance

On one hand, Article 57 of the Interreg Regulation defines the large infrastructure projects (LIP) (see section 8.3) and, on the other, article 2 of the CPR defines the concept of projects of strategic importance:

⁶ A Local Action Group (LAG) is a non-profit-making composition made up of public and private organisations from rural villages having a broad representation from different socio-economic sectors. Mainly through the European Agricultural Fund for Rural Development (EAFRD), LAGs can apply for financial assistance in the form of grants to implement the Local Development Strategy of their respective territory.

⁷ Article 272.27 of Regulation 2018/1046, amending article 67 of Regulation 1303/2013.

“operation of strategic importance” means an operation which provides a key contribution to the achievement of the objectives of a programme and which is subject to particular monitoring and communication measures.”

<u>Change N° 5: New type of projects: the operations of strategic importance</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
The ENI CBC IR confirmed the possibility of implementing LIPs, in line with the large-scale projects financed by ENPI CBC 2007-2013.	The new Interreg Regulation includes the operations of strategic importance , which - as defined in the CPR - <u>do not</u> necessarily involve an infrastructure component. The planned list of such projects must be included in the cooperation programme. The regulation keeps the concept of LIP, but there is no automatic link with the concept of operations of strategic importance.

3.4. Tasks of the lead partner

There are no big changes in the tasks of the lead partner compared with ENI CBC. The main novelty is the combination of the provisions in Articles 26.2 and 47.2 of the Interreg Regulation in regards to payments.

<u>Change N° 6: Exceptions to financial flows to partners</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
Article 46 of the ENI CBC IR stipulates that the lead beneficiary receives the financial contribution from the MA for the implementation of project activities. There is no exception to this rule.	In duly justified exceptional cases, the Interreg regulation allows for payments directly to the partners by the MA. This option must be decided case by case and cannot become a rule.

In the case of the transfer of recoveries, which should happen from the lead beneficiary to the MA, in exceptional cases a direct transfer from the partner to the MA might be possible mutatis mutandis, even if not explicit in the Regulation. This exception may currently be implemented in ENI CBC programmes, following an interpretation of the rule used in ENPI CBC, for cases such as bankruptcy or disappearance of the lead beneficiary.

3.5. Technical assistance

There is a big change in the way that the technical assistance shall be calculated in Interreg in general, including Interreg NEXT.

Change N° 7: Flat rates for technical assistance	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
<p>A maximum of 10 % of the Union's total contribution may be allocated to technical assistance. In duly justified cases, in agreement with the Commission a higher amount may be allocated. The usual practice is 10%.</p> <p>Technical assistance reported and audited in the programme annual accounts.</p>	<p>The technical assistance funds shall be reimbursed as a 10% flat rate of the eligible expenditure included in each payment application to the Commission.</p> <p>This switch to a flat-rate automatic approach will mean no management verifications and no audit, thus a significant reduction of the administrative burden.</p> <p>The combination of the flat rate approach with the higher levels of prefinancing for external cooperation programmes should render this issue less problematic than for internal cooperation programmes. Prefinancing will act in general as cash flow throughout the whole life of the programme, but will particularly assist programmes in getting up and running. Making use of it for technical assistance is precisely one of the rationales behind the concept of prefinancing.</p>

4. Monitoring, evaluation and communication

4.1. Monitoring Committee

There are a number of changes related to the composition, functions and functioning of the MC⁸:

- There may be a **representation** of the **programme partners** (see section 3.1);
- **Transparency** is enhanced, as the MA has to publish on the website the information approved by the MC, on top of its rules of procedure;
- Functions are more strategic and linked to examining the programme progress and performance;
- **Full responsibility on the selection** of operations, including LIPs.

<u>Change N° 8: Changes in the composition</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
Article 22 of the ENI CBC IR stipulate that “whenever possible and appropriate, participating countries shall ensure suitable participation of all actors concerned and in particular local stakeholders, including civil society organisations and local authorities, in order to ensure their participation in the implementation of the programme”. In practice, very few JMC counted with the participation of the local stakeholders.	The participation of the programme partners in programme implementation becomes compulsory, which will imply a big change in the composition of the national delegations to the MCs, if this is the chosen mechanism.

The novelties in composition and in the right of vote bring a new paradigm in the functioning of the MCs. The identification of the programme partners during the programming phase and the decision on how some of them may be present at the MC becomes a key challenge.

4.2. Transmission of data

There is a radical change in the mechanisms for transmission of data from the programme to EC, which will require thoroughly revising the capacities and functionalities of the current management and information systems.

⁸ The Regulation removes the word “Joint” used in ENI CBC. The acronym JMC is used when referring to the current period.

Change N° 9: More frequent transmission of data to the Commission	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
A report is prepared and submitted to the European Commission annually, following approval by the JMC.	The data is to be transmitted electronically four times per year in accordance with a template. The data is to be published on the website.

4.3. Indicators and evaluation

ENI CBC programmes currently include common output indicators and the new legal framework adds also result indicators, as well as the need for milestones during the programme implementation period, on top of final target values. Baselines for output indicators shall be set at zero. In both cases, milestones have to be set for the year 2024.

The ENI CBC IRs include the obligation for the programmes to develop monitoring and evaluation plans. The Interreg Regulation introduces the possibility of the evaluation plan covering more than one programme. The evaluation plan is to be submitted to the MC no later than one year after approval of the programme and the MA has to assess programme impact by 30 June 2029.

Change N° 10: Compulsory common result indicators	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
ENI CBC introduced common output indicators, but the result indicators were decided by each programme. Most result indicators were collected at programme level, either with surveys or other means.	In the context of the enhanced performance framework, the Interreg Regulation stresses the importance of evaluation and introduces also common result indicators. An important change in the result indicators is that their values are to be collected and aggregated from the projects , not on the programme level.

4.4. Communication

New requirements are set for programme communication in Article 36 of the Interreg Regulation, such as:

- The compulsory identification of a communication officer;
- A deadline of six months to have a website available;
- A pre-established financial correction for beneficiaries not complying with visibility requirements;

- The specific responsibilities of the MA, as defined in Article 49 of the CPR.

A significant number of changes on communication are envisaged for the next programming period for all programmes governed by the CPR, including Interreg, *inter alia*:

Change N° 11: New requirements for communication	
ENI CBC	Interreg NEXI
No role on communication mentioned in the responsibilities of the national authorities.	The Member States must appoint a national communication coordinator for all funds. The obligations of partner countries are tackled in section 8.2 .

Communication has become an element of utmost importance for the EC and, as a consequence, more [requirements and support tools](#) are developed for the 2021-2027 period.



5. Eligibility

5.1. Rules on eligibility of expenditure

These rules are regulated by a combination of Articles 63 to 67 of the CPR and Articles 37 to 44 of the Interreg Regulation. The CPR and the ERDF-CF Regulation allow for national rules to be applied, except when they are in contradiction with the fund-specific rules.

<u>Change N° 12: No gold-plating on eligibility of expenditure</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
<p>The programmes may declare some categories of cost ineligible, on top of the ones indicated in article 49 of the ENI CBC IR.</p> <p>The programmes set their own additional eligibility rules on the categories of expenditure described in article 48 (staff, travel, etc.)</p>	<p>The MC may not establish additional eligibility rules for expenditure on categories covered by the CPR and ERDF Regulation, that is, staff costs, office and administrative costs, travel and accommodation costs, external expertise and services costs, equipment, infrastructure and costs. Any additional rules have to cover the Interreg programme as a whole</p>

Other significant changes in the Interreg Regulation are:

- **Removal of the limit** of 20% of the expenditure **outside the eligible area**;
- **National rules apply** for matters not covered by the eligibility rules in the CPR and the ERDF-CF Regulation;
- In the event of a difference of opinion between the MA and the AA, the **MA's opinion shall prevail**;
- **No restrictions to preparatory costs**;
- **Staff costs justified** as currently done in Interreg programmes;
- **No thresholds on accommodation costs**, the so-called "per diems" until now;
- Possibility to use off-the-shelf **flat rates** defined in CPR/Interreg regulation – for **administration** costs, for **travel and accommodation** costs, **staff** costs, as well as other SCOs;
- **Supplies for non-office** equipment not explicitly mentioned;
- **No mention of rules of nationality and origin** anymore.

6. Programme authorities, management, control and audit

6.1. Programme management

The management functions are described in Articles 71 to 75 of the CPR and must cover the whole programme area, as stated in Article 46 of the Interreg Regulation. These functions are similar to the current ones in ENI CBC. However, some key elements of Article 46 bring significant changes:

Change N° 13: Obligation to set up a Joint Secretariat	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
The participating countries may decide to set up a Joint Technical Secretariat (JTS)	The MA [...] shall set up a joint secretariat (JS).

Change N° 14: New rules for exchange rate	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
<p>According to article 67 of the ENI CBC IR, expenditure incurred in a currency other than the euro shall be converted into euro by the Managing Authority and by the beneficiary using the monthly accounting exchange rate of the Commission of one of the following: (a) the month during which the expenditure was incurred; (b) the month during which the expenditure was submitted for examination in accordance with Article 32(1); (c) the month during which the expenditure was reported to the lead beneficiary.</p> <p>The method chosen shall be set out in the programme and shall apply throughout the programme duration. Different methods may be applied to technical assistance and to projects.</p>	<p>The rule for exchange rates will be the use of the monthly accounting exchange rate of the Commission in the month during which that expenditure is submitted for verification to the managing authority (Article 38.5 of the Interreg Regulation).</p> <p>Interreg NEXT programmes have no choices on the exchange rate rule, while three options are allowed in the current period.</p>

The **management verifications** were carried out in ENI CBC by the Managing Authority, with the support of the Control Contact Points (CCP), on the basis of expenditure verification reports performed by independent auditors or competent public officers.

<u>Change N° 15: New approach for control in partner countries</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
<p>Article 32 of the ENI CBC IR stipulate that "For the purpose of carrying out verifications throughout the whole programme area, the Managing Authority may be assisted by the control contact points."</p> <p>The concrete functions have been decided at programme level and apply to both Member States and partner countries.</p>	<p>The Control Contact Point (CCP) disappears in its current configuration and new responsibilities may arise, as each <i>Member State, third country, partner country or OCT</i> may decide to be responsible for verifications carried out on its territory.</p> <p>If the country decides to assume this responsibility, the designed controller is to be the body responsible for this task and the managing authority has to satisfy itself that the expenditure of each beneficiary participating in an operation has been verified.</p> <p>The programmes may also decide to keep the current system, that is, the managing authority is responsible for management verifications.</p>

The **accounting function** was performed either by the managing authority or by a certifying authority in the internal Interreg programmes in the current period, but was embedded in the MA in ENI CBC. The new Interreg Regulation leaves each programme to decide how to carry out these functions, but introduces an important change in the description of tasks, which are described in Article 70 of the CPR.

<u>Change N° 16: No additional verification at project/beneficiary level by the accounting function</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
<p>The ENI CBC IR stipulate that the MA must carry out the management verifications, but do not mentions the role of the authorising and accounting functions for these verifications. Some</p>	<p>Article 76 of the CPR clearly stipulates that "the accounting function shall not comprise verifications at the level of beneficiaries". Therefore, the payments to projects will be made on the basis of</p>

programmes have a double verification by both units.

the results of only one level of verifications.

6.2. Programme audit

The audit function is similar to the current ENI CBC, but there is a significant difference in the way that audits on operations are conceived.

Change N° 17: Common sample for audit on operations	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
<p>The Audit Authority of the programme shall ensure that audits are carried out [...] on an appropriate sample of projects [...]. These audits take place each year for each programme.</p>	<p>In order to get statistically significant samples, the EC aims to select a common sample for all Interreg programmes. Therefore, audit authorities are to perform the audits on operations, according to the selection done by the EC.</p> <p>EC <i>“may stratify groups of Interreg programmes according to their specific risks”</i>. There is the possibility to have a sub-sample for Interreg NEXT programmes. Even in this case, not all programmes will necessarily be included in the sample every year.</p>

7. Financial management

Article 51 of the Interreg Regulation sets the rules on payments and pre-financing from EC to the programmes. However, as mentioned in section 8.7, Interreg NEXT will have a specific mechanism, in accordance with Article 22 of the NDICI Regulation. Moreover, payments of pre-financing will need to be cleared by the Commission at the latest at the programme closure which is similar to the rules applicable for the ENI CBC programmes.

The key change in this chapter is linked to recoveries. Procedure-wise, the system is similar to the current one, but the responsibility of partner countries is increased.

<u>Change N° 18: Responsibility for recoveries from private beneficiaries by partner countries</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
Partner countries are responsible for unsuccessful recoveries of public beneficiaries.	<p>According to Article 52 of the Interreg Regulation, in case of an unsuccessful recovery, the participating country has to reimburse the amounts to the MA and pursue the procedure under national law.</p> <p>The responsibilities of all countries are the same and the Regulation makes no distinction between public and private bodies.</p>

This change will have an impact in the negotiation of the FAs, as well as in the recovery procedures at national level in partner countries, due to their increased responsibility. It is also important to state that **“with regard to amounts not reimbursed to the managing authority by a [...] partner country [...], the offsetting shall concern subsequent payments to programmes under the respective external financing instruments of the Union.”**

The Interreg Regulation sets a **threshold for waivers at € 250**.

8. Participation of partner countries in Interreg programmes

8.1. Chapter structure and basic definitions

The Interreg Regulation includes a specific chapter on the participation of non-EU countries in Interreg programmes, which includes the following articles:

No	Title
53	Applicable provisions ⁹
54	Interreg programme authorities and their functions
55	Management methods
56	Eligibility in time
57	Large infrastructure projects
58	Procurement
59	Financial management
60	Conclusion of financing agreements
61	Contribution other than co-financing


Before going through these articles, we must remark some basic concepts used in the chapter and throughout the whole Regulation, as it uses a very specific terminology in the **classification of the countries** and some of the definitions are different from the ones used in ENI CBC. The countries outside the EU included in the cooperation programmes are divided in three groups:

- **Third countries:** countries which are not a Member State of the Union and do not receive support from the Interreg funds, such as **Norway** or Switzerland¹⁰;
- **Overseas Countries and Territories (OCTs):** countries concerned by the so-called “Overseas Association Decision”¹¹;
- **Partner countries: IPA countries,** countries covered by the **Neighbourhood** geographic area and the **Russian Federation**, and which receive support from the external financing instruments of the Union.

⁹ All chapters in the Interreg Regulation apply, except number IX on indirect management.

¹⁰ The whole list of third countries may be found in Article 5.3 of the Interreg Regulation.

¹¹ Currently in force the Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union.

	<p>The former use of the term “third countries” has to be disregarded, as it has a very specific meaning in the context of the Interreg Regulation. The only third country participating in Interreg NEXT is Norway¹²; all other countries outside the EU enter into the generic term of “partner countries”.</p>
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8.2. Programme authorities and role of partner countries

According to Article 46, the Managing Authority (MA) is to carry out its functions in the whole territory of the programme, but there is a mention to national authorities in Article 54, with a differentiated approach in comparison with Member States.

<u>Change N° 19: Revised role for national authorities</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
<p>The role of the NA, both for Member States and partner countries is defined in article 31 of the current ENI CBC IR, and the following functions must be fulfilled:</p> <ul style="list-style-type: none"> • coordination of all institutions involved at national level in programme implementation, • responsibility of ensuring the set up and effective functioning of management and control systems at national level, • representation of the country in the JMC and, • ultimate responsibility for implementing the provisions set out in the FA. 	<p>The NA is not identified as such in the Regulation for Member States.</p> <p>The partner countries shall identify a national or regional authority as contact point for the managing authority (the ‘contact point’).</p> <p>There is only one task explicitly identified for the contact point in the Regulation indicating that this body, a body equivalent to the Interreg programme communication officer [...] or the branch office, shall support the managing authority [...] with regards to the communication tasks.</p>

¹² The potential participation of the United Kingdom depends on the outcome of negotiations on the future relationship.

8.3. Large infrastructure projects

LIPs have the same definition in the Interreg regulation as in the current ENI CBC IR, but a simplified procedure for their approval is established. According to Article 57, the MA:

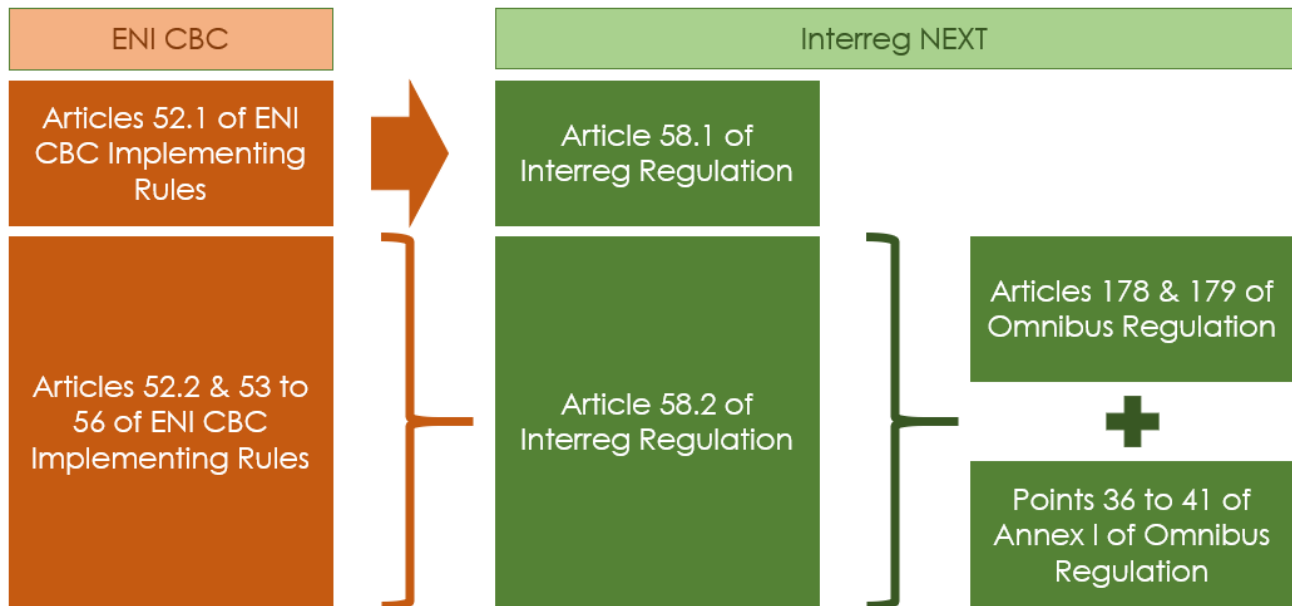
- is obliged to transmit a concept note of maximum three pages to the EC;
- the concept note must be sent at least two months before the date of the MC;
- the MC is responsible for the approval of the LIPs.

<u>Change N° 20: Simplified procedure for large infrastructure projects</u>	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
<p>Article 41 of the ENI CBC IR stipulates that the projects proposed for selection without a call for proposals shall be approved by the Commission based on a two-step procedure.</p> <p>A final list of LIPs proposed for selection without a call for proposals shall be included in the programme.</p>	<p>The EC does not need to approve the project summaries nor takes the final decision. This change will allow for a faster approval process in case of direct award. The responsibility will fully lie on the MC, even though the EC still has to be informed with sufficient time to check the concept notes and give an informed opinion, when relevant.</p> <p>The LIPs do not have to be listed in the cooperation programme, but when transmitting the signed copy of the financing agreement.</p>

8.4. Procurement

There is only one article on procurement in chapter VIII of the Interreg Regulation. Nevertheless, this article must be complemented with the provisions on procurement in external actions of the Omnibus Regulation.

The chart below shows a comparison between this article and the articles on procurement in the ENI CBC IRs:



The rules are similar to the ones applicable for contracting authorities and bodies governed by public law in the European Union. The public bodies of the Russian Federation may continue using their national rules if national co-financing is transferred to the MA¹³.

For other beneficiaries, the rules are similar to the current ones, but the legal construction includes numerous cross-references between the applicable regulations. Therefore, the concrete applicable rules to the beneficiaries will require an **ad-hoc** composition of provisions in the relevant points in annex I of Omnibus Regulation.

Highlight No 6

Harmonised procurement rules

The provisions for procurement are described in two articles of the Omnibus Regulation and in some points of one of its annexes. There is no specific rule for Interreg, but a harmonised approach with other instruments.

¹³ See section 2.2 on co-financing.

Highlight No 7

Challenges in procurement by project beneficiaries

There is no explicit mention on procurement by private bodies, neither in Member States nor in partner countries.

In the case of public bodies in partner countries, the current legislation in ENI CBC sets general criteria but leaves a door open to the use of national legislation, with some adaptations to ensure full compliance with the IRs.

Two **challenges** derive from this situation for Interreg NEXT programmes:

- The possibility to continue requiring PRAG as a main source of procedures and templates for private bodies,
- The possibility for public bodies from partner countries to use their national procedures and templates considering the provisions in Article 57 of the CPR, as far as they are in line with the rules stipulated in Article 58.2

In any case, the FAs may provide a clear framework for procurement by project beneficiaries.

Change N° 21: Changes in rules of nationality and origin	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
Nationality of suppliers and origin of goods in the procurement by project beneficiaries have to be in conformity with articles 8 and 9 of the ENI CBC CIR (Regulation 236/2014).	<p>The rule of origin is not mentioned either in the Interreg Regulation or in the Omnibus Regulation. Therefore, no restriction on the origin of goods is applicable¹⁴.</p> <p>The rule of nationality is stipulated in Article 179 of the Omnibus Regulation. Considering that no restrictions are applicable in the Interreg instrument, <u>procurement procedures are open to all legal and natural persons without limitation</u>.</p>

8.5. Financing agreements

Article 59 of the Interreg Regulation stipulates the provisions for the FAs with partner countries, but also includes the possibility of the signature of the so-called “implementing agreement” between the MA and the partner countries. These implementing agreements are compulsory where the MA does not sign the FA. The Interreg Regulation stipulates that the FA is **not** to be considered as **an international agreement by the Member State hosting the MA**, but as a **tool to implement the Union budget**.

The main change compared with ENI CBC is in the **deadline for signature** of the FAs in the programmes with **more than one partner country**.

Change N° 22: Unified deadline for signature of the FAs	
<u>ENI CBC</u>	<u>Interreg NEXT</u>
In the case of multi-partner country programmes, there is no deadline for signature after the signature of the first one ¹⁵ .	FAs must be signed at the latest on the 31 December of the year following the year when the first budget commitment was made, except in the case where more than one partner country is involved. In

¹⁴ There may be some exceptions linked to sanctions to specific countries.

¹⁵ For example, Algeria negotiated the signature of the financing agreement after a late adhesion to the Mediterranean Sea Basin Programme.

	<p>this case, at least one will be signed at that date and the other ones may be signed at the latest on 30 June of the following year.</p>
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The expenditure is eligible for a contribution from the external financing instruments of the Union if it has been incurred and paid in the preparation and implementation of Interreg operations from 1 January 2021, but may be claimed from the programme after the date when the financing agreement [...] was concluded. However, this rule does not affect expenditure for technical assistance by programme authorities located in Member States.

As in the current period, calls may be launched and projects selected before the relevant financing agreement is concluded.

The Commission is to provide the draft financing agreement when approving the external programme.

8.6. Partner country 'national co-financing' and 'financial contribution other than co-financing'

Article 60 of the Interreg Regulation concerns the third or partner countries transferring a financial contribution other than co-financing to the MA and sets the rules for additional contents on the implementing agreements in the cases where the MA does not sign the FA. However, the countries may also provide co-financing, both at programme level and at project level, the so called "**national co-financing**".

This national co-financing is indicated in table 8 of the template of the cooperation programme included in the annex to the Interreg Regulation:

- 1) EU financing goes to the column 'EU contribution';
- 2) all other funds (except Norway) are provided in one of the breakdown columns of *National contribution*;
- 3) Third country contribution other than co-financing has a separate column - *Contributions from the third countries (for information)*.

Highlight No 8

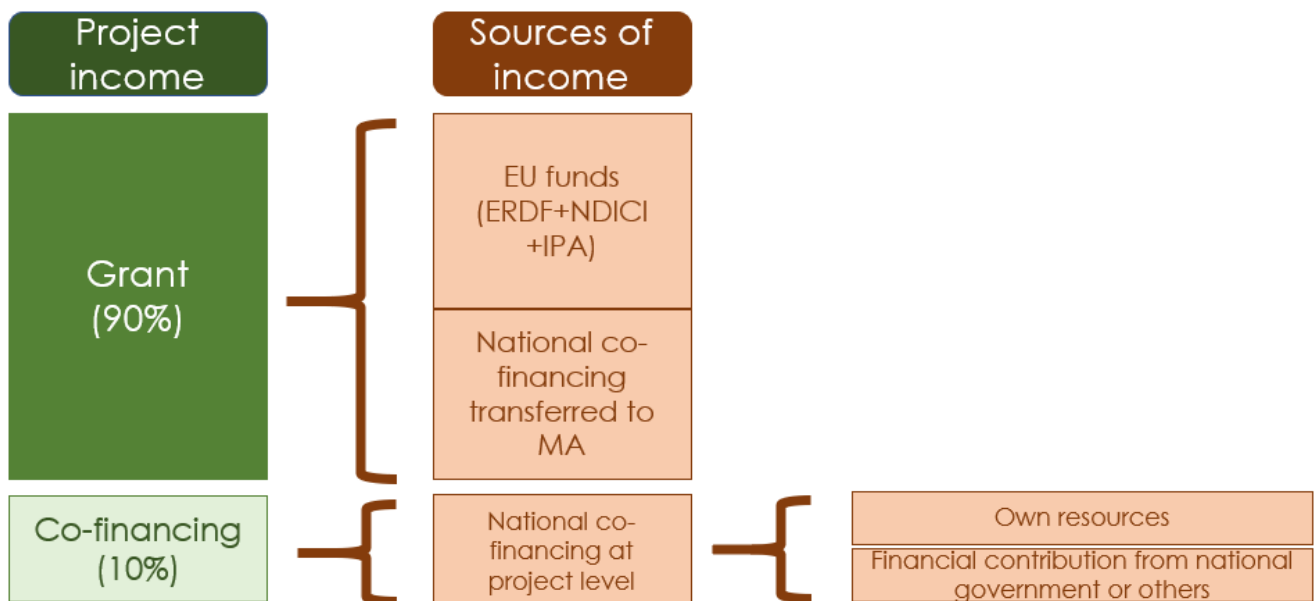
The financial contribution from participating countries transferred to the MA is part of the "national co-financing"

The equivalent article in the ENI CBC IRs refers to this financial contribution as "country's co-financing", while the Interreg Regulation refers to it as "national co-financing". Article 16.5 of this Regulation envisages that any partner country will provide national co-financing and, where applicable, financial contribution other than co-financing.

So, what is co-financing?

“Grants shall involve co-financing. As a result, the resources necessary to carry out the action [...] shall not be provided entirely by the grant. Co-financing may be provided in the form of the beneficiary’s own resources, [...] financial or in-kind contributions from third parties.” (article 190 of Financial Regulation 2018/1046).

Potential sources of income in the context of Interreg NEXT are:



The co-financing rate is set out for the programme level. The scheme above shows 10% co-financing at the project level as an example but it is possible to differentiate the co-financing rate at priority or operation level.

The **financial contributions provided by participating countries¹⁶ transferred to the MA in the programmes with Russia** will be pooled and **form part of the grant**. Therefore, the grant awarded to projects, currently called “*programme funds*”, will be composed of EU funds + contributions from participating countries. These contributions shall be called “national co-financing” in the next period.

In ENI CBC we find other cases (e.g., Romania or Hungary) where there is a financial contribution directly paid by the countries to the project beneficiaries. This contribution is not pooled by the MA and is considered as project co-financing. In the case of Italy for the Italy-Tunisia Programme, the Member State transfers this financial contribution for co-financing to the MA, who is responsible for its payment to the project beneficiaries.

¹⁶ With the exception of Norway.



The “**financial contribution other than co-financing**” will probably be used only for the **Norwegian contribution** to the programme, as the Norwegian partners have no right to receive EU funds.

8.7. Cross-border cooperation in the NDICI Regulation

Articles 18 to 21 of the NDICI Regulation are devoted to neighbourhood, while Article 22 is specifically tackling with cross-border cooperation in the neighbourhood area.

Article 22 is a key article, ensuring the maintenance of the unique character of Interreg NEXT, considering the specificities of the programmes and the cooperation with partner countries. It includes the following elements:

- Definition,
- Budget,
- Matching contribution,
- Co-financing,
- Pre-financing,
- Multi-annual indicative strategy document,
- Discontinuation of programmes.

Highlight No 9

Specific provisions for cross-border cooperation in the NDICI Regulation

The feasibility of Interreg programmes and projects depends on the continuity of certain provisions on financial flows, which differ substantially from the internal Interreg programmes. Therefore, the continuity of a co-financing rate up to 90% and pre-financing amounts higher than the one in the Interreg Regulation, which is similar to the current one, are **key for success**.