



Technical support to the implementation and management of ENI CBC programmes

Payments to projects in ENI CBC programmes

An overview of practices

September 2020

DISCLAIMER

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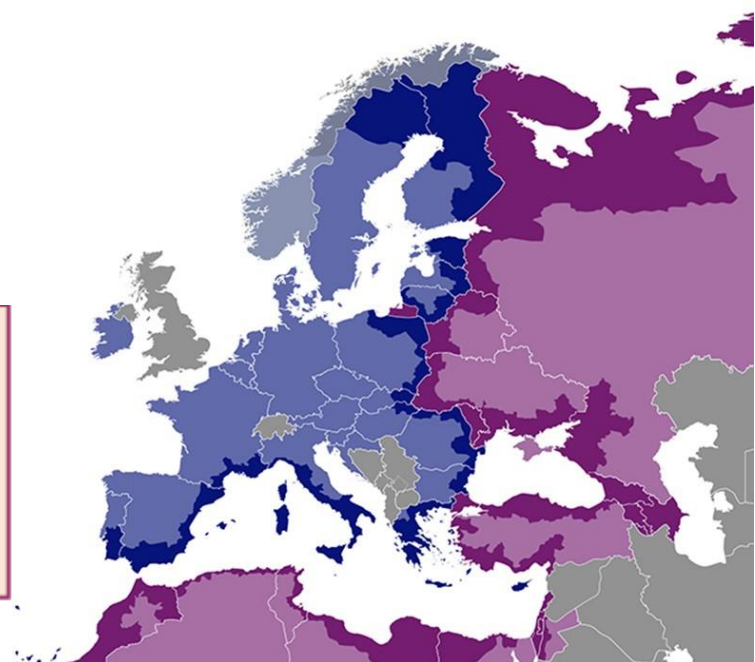


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1. Introduction

This document contains the overview and the analysis of the practices on payments to projects in ENI CBC programmes. It addresses the **timing, percentages and requirements of such payments**. In doing so, it tries to identify the existence of a typical “mainstream” scenario, while highlighting a few alternative options, along with the corresponding rationale behind the choice of taking a different route. The analysis is based on a review of grant contracts (GC) as published on programme websites or presented in programme manuals. The main part of the document presents a “community-average” scenario of payment systems, whereas Annex 1 gives the full overview of all the options used.

Using this overview, the document can be used when designing **the payment system architecture of the Interreg NEXT programmes**.

2. General considerations

The projects in the ENI CBC programmes are financed on the basis of **advance payments**. As a general principle, there are three key stages:

- the projects first receive the pre-financing payment to start their activities;
- subsequent interim payments are related to the expenditure incurred according to the spending plan of the project (sometimes conditioned by the absorption of the pre-financing and previous payments);
- with the final payment, the remaining programme contribution from the eligible project expenditure is paid out¹.

**Even if the three key stages are the same,
there are many differences and nuances that should be considered.**

3. Approach to pre-financing payments

When is the first payment to the project made?

30 days

*The typical solution is pre-financing payments **within 30 calendar days** from the moment that the Managing Authority (MA) receives the signed GC.*

¹ In case the financing paid out by the programme exceeds the final reported eligible expenditure, the projects are asked to reimburse unused programme funding.

This applies in the case of 10 programmes. The programmes with either Finnish or Estonian MAs have a slightly different approach, with payments in 45 days from the moment the MA receives a corresponding request (always related to the signed GC).

How big is the first payment to the project?

40% of the total grant

The two most popular solutions (either one or both as options in 12 programmes) are:

1. to calculate the payment as **30 to 40% from the total grant**

or

80% of the first year grant

2. up to **80% from the grant amount planned in the first year** of the project.

However, it must be highlighted that there is quite some diversity in terms of calculating the amount of the payment, and up to four calculation methods can be found within one single programme.

When calculated on the basis of the **total budget**, the proportions for pre-financing range from 10% to 80%. Where programmes take the **budget of the 1st year** as a basis, shares for pre-financing vary between 40% and 80%.

At the same time, some programmes provide the option of **not asking for any pre-financing** at all. These are: Poland-Belarus-Ukraine, Estonia-Russia and the three programmes led by Finland.

Are there any non-typical approaches?

Size, type, duration

Yes!

Eight programmes have pre-financing payment options that make distinctions depending **on project size, type or duration.**

Of the eight programmes that calculate pre-financing payments on the basis on the factors mentioned above:

- three do so on the basis of the **project duration only**,
- four depending on a combination of **size and duration**, and
- one according to a mix of **duration and type** of project (including works or not).

When the pre-financing payment is decided by a mix of project size and duration, the calculation is done using the following formula:

if the project is shorter than/exceeds [...] months or programme funding to the project is less/more than [...] Eur, the pre-financing payment is [...] % of the total budget / budget for the first [...] months².

4. Approach to interim payments

When is the interim payment to the project made?

30 days...

...and
more

In nine programmes, the deadlines for executing interim payments are of **same length as for the pre-financing payments**. The moment that the corresponding number of days starts counting for most programmes (12) is when the interim report (or progress report) is approved.

In the remaining six programmes more time is foreseen for executing the interim payment. For instance, Latvia-Russia opts for 45 days while, in the case of pre-financing, the programme uses a 30-day payment term. The same applies to Mediterranean Sea Basin.

Poland-Belarus-Ukraine makes interim payments within 60 days, as opposed to 30 for the pre-financing payment. In case of the three programmes with a Romanian MA, interim payments take 90 days instead of the 30 days for pre-financing payments.

12 programmes apply this term **counting from the approval, by the MA or the Joint Technical Secretariat (JTS), of an interim or progress report**. In the case of the three programmes managed by Romania the payment deadline is calculated as 90 days of receipt of the payment request, subject to the clarification process and approval by the MA of the accompanying interim report.

In addition, Hungary-Slovakia-Romania-Ukraine foresees a payment option that ties the moment of performing interim payments to the tendering process. In the case of procurement of works, the 1st interim payment is made upon the award of the tender.

There are five programmes that allow an **option of not making any interim payments to the projects**.

² For example: "If project exceeds 18 months or programme funding is more than 300.000 Eur, pre-financing payment in amount of 40% of the budget for the first 12 months" or "If project does not exceed 24 months and programme funding is less (or equal) than 200000 Eur, prefinancing payment up to 40% of the budget."

How is the amount of interim payment calculated?

3 approaches

Overall, there are **three approaches** to calculate the amount for interim payment.

- a) As a **percentage** (15% - 50%) of the **total ENI grant**;
- b) Matching the **amount of eligible costs** incurred for the reporting **period**;
- c) A **proportion (for example, 80%)** of the estimated cost for the **next period of 6 or 12 months**.

Four programmes allow two of the above options.

Are there any non-typical approaches to interim payments?

Deduction of unused funds

A specific feature of some programmes is the **deduction** (next to ineligible expenditure) of **unused funds** paid out to the projects **during earlier disbursements** (either pre-financing or previous interim payments).

Such a mechanism is used by the majority (10) of programmes, of which seven apply a threshold of **70% of the funds received before** that have to be used in order to avoid deduction from the next payment. One programme (Hungary-Slovakia-Romania-Ukraine) will deduct any unused funds from previous payments. Two programmes (Mediterranean Sea Basin and Italy-Tunisia) apply a **threshold of 70% of the last payment** and 100% of any payments made before that.

Eight programmes apply an **overall limit to the total of payments** (pre-financing and interim payments) to be made during the implementation of the projects. Five programmes have chosen to put this limit at 80% of the grant, while three other programmes opt for 90%. Two of the programmes applying a threshold of 80% of the total grant (Latvia-Lithuania-Belarus and Lithuania-Russia) also feature a 25% limit to individual interim payments.

In addition, there are approaches where the exact amounts of the interim payments are not calculated according to pre-set criteria. For example, in South-East Finland-Russia the MA determines the amount on the basis of both incurred and anticipated (eligible) costs, even taking into account the real (non-financial) progress made in a project.

5. Approach to final payments

When is the final payment to the project made?

30 days...

...and
more

The approach to the timing of the payments of the final balance is **exactly the same as for the interim payments** for all programmes – ranging from **30 day, 45 days, 60 days or 90 days** as the payment deadline.

How is the amount of the final payment calculated?

One principle

All programmes take the **remaining, not yet financed eligible expenditure**, as the basis for calculation.

However, there are nuances to the system, depending on the options chosen to calculate the pre-financing and interim payments:

- a) In cases, there are **no limits to the maximum amount of grant** that can be paid out **via pre-financing and interim payments**, the amount of final payment will depend on how well the projects in question progress since the time of the last interim payment;
- b) Since in some programmes there is **a limit to the maximum amount of grant that can be paid out via pre-financing payment** and interim payments (for example, 80%), it will impact the size of the final payment calculated from the threshold of the remaining percentage and actual incurred expenditure;
- c) There is a possibility of **one payment in the full amount (100%) of eligible programme funding** to the project (for the programmes which offer option with no pre-financing and interim payments).



ANNEX

Full overview of payments to projects in the ENI CBC programmes

