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Interreg Programme Management Handbook

Guide to the 2021-2027 period

The Interreg Programme Management Handbook comprises a series of factsheets. They can be read individually, or collectively, to understand the relevance of certain aspects of Interreg management. They cover the relevance, legal basis, key challenges and approaches to the given subject.

Factsheet | The Small Project Fund

1. What is it? What is the definition of this work?

Article 2(10) of the CPR defines the Small Project Fund (SPF) as '(…) an operation in an Interreg programme aimed at the selection and implementation of projects, including people-to-people actions, of limited financial volume'.

The legal requirements for the SPF can be found in Article 25 of the Interreg Regulation. The fact that the SPF is now explicitly mentioned in the Interreg Regulation provides increased legal certainty.

This relates mainly to the following points:

- The SPF is an operation within the meaning of Article 2(4) of the CPR, and beneficiaries of small projects are defined as "recipients";
- An SPF beneficiary is not an Intermediate Body;
- The key obligations of the SPF beneficiary are explicitly listed;
- The use of a draft budget as a calculation method for simplified cost options (SCOs), as well as the use of SCOs in small projects, is also explicitly anchored in the provisions.

2. Why are we discussing it?

Although the SPF has been recognized among Interreg programmes for many years, the definition of an SPF appeared for the first time in the CPR for the 2021-2027 programming period[1]. Currently, more than 20 programmes have set up one or more SPF to support small projects, most often under specific objectives of a more social and inclusive Europe and Interreg specific objective of a better cooperation governance. Some programmes are trying to use an SPF also for small activities implemented in PO1.

3. What are the Legal references and basis for this topic?

1 First clarifications can be found in an official EC letter - Ref. Ares (2016)1678137 from April 8, 2016.

As indicated above, the definition of SPF can be found in Article 2 of the CPR. The legal requirements for the SPF can be found in Article 25 of the Interreg Regulation.

4. What are the challenges, key considerations and frequently asked questions?

The novelty of the SPF model introduced by Article 25 (in comparison to previous practices) is, that only one SPF beneficiary can manage one fund. There is no option to have partnerships managing an SPF.

An SPF beneficiary selects the final recipient(s) who implement(s) small project(s).

To performing implementation activities, the SPF beneficiary is entitled to remuneration for its management costs, up to a limit of 20% of the total eligible costs of a project. In relation to this point it is important to stress that it is a ceiling.

In case of more than one SPF, the project management costs cannot exceed 20% of the total eligible cost of the respective SPF[2].

In the phasing-in period for the SPF one can expect that expenditures for management will be much higher than expenditures for reimbursement to final recipients of small projects. In order to safeguard the financial capacity of the beneficiary, reimbursement or coverage for management costs might be necessary despite the fact that no reimbursement to small projects is in sight. The same might happen towards the end of the project life cycle when the SPF beneficiary is closing the operation in administrative terms.

ERDF, or where applicable, an external financing instrument of the Union for all small projects with a maximum public contribution of 100 000€, implemented according to the Article 25 model, must take the form of unit costs, lump sums or include flat rates. It is important to note that the use of off-shelf SCOs for small projects requires an intermediate step explicitly anchoring their use in the SPF of your programme.[3]

In practice these provisions could be anchored in an annex to the subsidy contract with the SPF beneficiary or with a clear and concise statement in the Manual for the SPF and a reference in the subsidy contract etc.

Similarly, to small projects, it is possible to use off-the-shelf SCOs for the calculation and reimbursement of management costs. Same as for off-the-shelf SCOs in small projects, we recommend providing explicit approval of the selection of SCOs for SPF management by the Managing Authority in the grant letter.

5. How are they addressed?

The selection of the SPF beneficiary is for the programme to decide, i.e. either a body is “entrusted” with the task by the MC or the SPF is selected in a call. The SPF beneficiary may be a cross-border legal body[4], an EGTC[5] or a body with a legal personality. The obvious minimum requirement is that the SPF beneficiary must have legal personality.

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[2] Art25(5) Interreg Regulation

[3] It relates to the fact that ‘small projects’ are not operations (projects) since the SPF as such is the operation. Most provisions on off-the-shelf SCOs in the Regulations refer to the operation (project).

[4] Article 2 (4) Interreg regulation - cross-border legal body' means a legal body established under the laws of one of the participating countries in an Interreg programme, provided that it is set up by bodies from at least two participating countries. In practice, such bodies will mostly be associations, and the cross-border partner has to become a member of the respective body. However, this does not necessarily mean that this partner has to be part of the executive assembly or board of the association

[5] Regulation (EC) No 1082/2006 of the European Parliament and of the Council.

SPFs might differ among programmes, adjusted to the programmes' specific need(s). For some programmes, one SPF project will be the best option, whereas other programmes will decide for more SPF projects e.g. implemented in various priority axes (PAs) (please remember about the basic rule that a SPF project, as any other regular project, cannot be implemented in more than one PA). The separation, at least on the administrative level, must be visible.

Whatever the option, the total contribution from the ERDF or, where applicable, an external financing instrument of the Union to all SPFs in a programme cannot exceed 20% of the total programme's allocation[6].

Ceilings on eligible costs means that these ceilings shall be complied with at any time and should be auditable accordingly. This approach has always prevailed in relation to ceilings in the CPR, for instance for major projects.

Therefore, the 20% ceiling should not only be respected at the beginning of the project. It should be respected in principle throughout the whole period of implementation of the SPF's activities. However, if this is not possible, the ceiling should definitely be respected at the end. When all activities of the SPF are completed, the management costs should not have exceeded the 20% of the total eligible costs of the SPF. This implies a calculation of the respect of the ratio at the end of the project.

In practical terms programmes can consider the following options to overcome the eventual gap in cash flow:

- provide the national co-financing for management in full at the beginning of the SPF implementation to safeguard some liquidity during the critical periods.
- state in the grant agreement or a related agreement between MA and SPF beneficiary that there is mutual agreement that the ceiling cannot be kept throughout the complete project life cycle but will be duly respected at closure of the project (i.e. coming back to the sentence starting with 'However, if this is not possible …' in the reply quoted above). Then provide reimbursement of expenditures for SPF management before reimbursement to small projects started.

Alternative mechanism to make the implementation easier could be the development of a programme-specific flat rate for the SPF management.

Regarding the option to use off-the-shelf SCOs for small projects and management costs it has been confirmed that it is possible for the manager of an SPF to set up simplified cost options SCOs for small projects based on predefined SCOs in the regulations, even though the relevant articles are only applicable to operations, not to small projects. In practice, this means that the SPF manager proposes tailor-made SCOs for small projects based on SCOs predefined in the regulations and the managing authority approves them through the grant letter to the SPF beneficiary.

As for the management costs the SPF beneficiary is directly referred to in the Interreg Regulation in Art 25(5). In the same provision, there is a direct reference to articles 39-43. These articles provide for the use of SCOs for the categories of costs stated in these articles. So, the beneficiary of an SPF (the SPF manager) may use off-the-shelf SCOs for the management costs of the SPF.

6. How does it work in practice?

We discussed with SPF practitioners their major takeaways from the previous programming period(s). We wanted to know what will be taken on board when designing the requirements for current SPF(s) in line with the provisions of Article 25 of the Interreg Regulation. We were interested in both perspectives; i.e.,

[6] Art25(1) Interreg Regulation

the MA's and an SPF beneficiary's. In the table below, you will find the most interesting aspects related to the project management cycle (PMC).

Step in PMC	**MA**	**SPF beneficiary**
Call for SPF Beneficiaries (SPF project proposals)	Most MAs would like to see a more strategic approach and more courage to foster project quality (e.g., also small projects meeting the Lead Partner Principle). Hence the MA should discuss and agree with the MC and formulate: Clear expectations towards SPF projects and beneficiaries, Clearly-defined and measurable SPF project objectives, SPF projects are more customized to local needs.	Smaller, locally-implemented SPF projects simplify management structure & allow for more flexibility and customization, Carefully selected and adjusted output and result indicators allow better reflection on SPF project outcomes.
Call for small project proposals	The Call should introduce clear clauses: • preventing similar and repetitive micro-projects (e.g., reduction of co-financing rate), • raising the cross-border impact of projects Enhancing new partners and new partnerships, and bonus for quality approaches such as projects meeting the LPP	Targeted calls could help to raise the profile of the SPF as a strategic tool (e.g., calls targeting certain types of activities or newbies), More targeted support toward newbies could help to bring new applicants to the programme. Newbies vs. old dogs is a long discussion: it requires careful consideration of steps for how to promote the former and not lose the latter.
Step in PMC	**MA**	**SPF beneficiary**
Assessment	Considered the SPF beneficiaries' sole responsibility. However, we recommend consulting the MA in setting-up the assessment and selection criteria. It is also recommended, that the criteria and procedure for assessment are part of the SPF application package submitted by the future SPF beneficiary.	Previous experience in implementation of projects should not be rated highly– it is not necessarily the most important criterion in the assessment of small projects, Assessment of newbies as well as of innovative projects requires more knowledge and experience, but brings new ideas to the programme. <u>Additionally:</u> Simplification and speed-up of assessment procedures should be the guiding message when (re-)designing the assessment process.

Selection and approval	Considered the SPF beneficiaries' sole responsibility, MA may participate in Steering, respectively Selection committee as an observer,	Long-lasting process, simplifications and speeding up of proceedings needed
Procedures	Again, we clearly recommend consulting the MA regularly early on. MA and MC have to check, whether SPF beneficiaries will be able to implement the SPF in compliance with all legal requirements. It might take time but in the end it means certainty for both sides, that there will not be "systemic" issues at a later stage.	Lean and simple procedures should become standard: complicated implementation procedures prevent the participation of small local organizations, The introduction of SCOs raises a couple of concerns. Firstly, the SCOs selected should be aligned with the types of projects and final recipients. The wrong selection of proper SCO types and/or setting values too low (i.e. unit costs, lump sums sharply below market prices) might limit the participation of project partners with limited financial capabilities, The SPF should be run according to current standards; i.e., mostly via an adequate IT system, it should support lean and simple structures and proceedings, with no additional requests for hardcopies. Revisiting the SPF beneficiary's role: programme partners should support the shift from the watchdog towards active support and gentle guardian.

Step in PMC	**MA**	**SPF beneficiary**
Implementation: management verification and monitoring	The wide use of SCOs will simplify and speed up the verification of small projects' expenditures. However, it requires detailed discussion on process adjustments (e.g. the SPF beneficiary should check the outputs of small projects since he is accountable for the SPF) Sound cooperation between national controller and SPF beneficiary is necessary (it is not as obvious as it may seem). National controllers should go towards 'system check' and risk-based	Reporting, monitoring and management verification are obviously – next to selection - the part of the project management cycle where efficiency gains are most required. If SCO values are clearly set too low (unit costs, lump sums), it will limit the interest of applicants with limited financial capabilities. A similar risk-based approach to verification should be taken by the SPF beneficiary. The whole approach should be reconsidered

	(sampling) approach instead of 100% expenditures verification.	since the use of SCOs means a shift to the check of outputs and proper application of methods. Still, some small projects might include direct costs, thus requiring risk-based checks of expenditures. The processes need to be aligned with the verification of expenditures by the national controllers.
Audit trail	Clear agreement between MA and SPF beneficiary is required since it is part of the obligations of the beneficiary; SPF beneficiaries are not necessarily trained to archive according to the programme logic: using the same or a similar logic would obviously make communication between MA and beneficiary much easier	A clear-cut obligation for the SPF beneficiary - and it might necessitate new workflows to store key evidence and agree to effective provisions without excess burden for the recipients. Close cooperation with MA is required!
Communication	Beneficiary has to take the requirements according to CPR and Interreg Regulation on board as part of its ongoing duties (e.g., publication of List of final recipients, incentives/nudging for recipients to meet minimum requirements	
Capitalization		Promotion of network of small projects, clusters of projects, Complementarity with regular projects Supportive IT systems, Enhancement of good practices – more tailored small project events/fairs
Audit sample	Standardization of evidence and approach to archiving to the extent possible to minimize audit risks.	Enhancement of e-tools, shift from hard copy towards evidence in e-systems.

7. Good practice examples, innovative approaches

Interact published a factsheet 'The Small Project Fund according to Article 25' as well as an Q&A document 'Articles 24&25 Small Scale projects, SPF'. There is also a dedicated community to small projects.

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