

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.

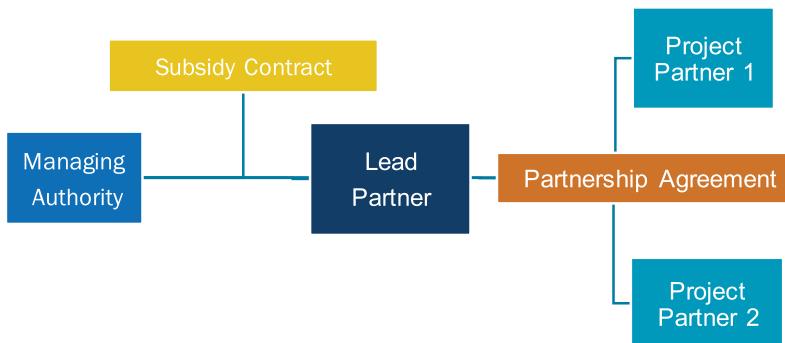
Factsheet | Contracting

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

Contracting is an important phase of project implementation – it is the moment when a project application which was selected and approved by Monitoring Committee (or where applicable the Steering Committee) gets a binding agreement. The legal rights and obligations of all parties involved in the project – not only its partners but also programme authorities – are agreed and put down in writing.

First, a Lead Partner (hereinafter LP) or sole partner – according to the European territorial cooperation goal (Interreg) Regulation, those responsible for ensuring the implementation of the entire project – are obliged, together with the programme's Managing Authority (hereinafter MA), to sign a **Subsidy Contract**. This document sets out the conditions for support of the project, including the specific requirements concerning its budget, its products and results and time framework. Much of the information in this contract is standard and covers the need to comply with programme, national, and relevant EU rules and regulations.

At the same time, one of the LP's legal obligations is to lay down the arrangements with other project partners in an agreement comprising provisions that, *inter alia*, guarantee the sound financial management of funds allocated to the operation, including the arrangements for recovering amounts unduly paid. This agreement is usually called a **Project Partnership Agreement**. The legal basis for this document is the above-mentioned Subsidy Contract.



(Subsidy Contract is in some programmes also called Grand Agreement or Grant Offer Letter or Grant Notification. To support harmonization, programmes are encouraged to use the term Subsidy Contract)

2. Why are we discussing it?

Both documents are necessary for the implementation of a project and for legal assurance of the rights and obligations of all participating partners. They are also compulsory for all 2021-2027 Interreg projects.

The Subsidy Contract is an essential element within the framework of the managing and monitoring of territorial cooperation programmes. The main aims of the Contract are:

- to guarantee the project's compliance with the Cooperation Programme, and with national and EU provisions, and that activities described in the approved application are properly carried out;
- to stipulate the rights and duties of the LP as well as of the authorities involved in the implementation of the programme (e.g. MA, Joint Secretariat (hereinafter JS), Steering/Monitoring Committee, Body performing the accounting function, Audit authority);
- to define financial responsibilities, incl. "ensuring eligibility" rules and "public procurement" approaches, as well as to regulate how recoveries in case of irregularities shall work;
- to regulate how the LP must ensure that both its own and project partners' project expenditures were verified by the programme or controllers before being claimed to the MA;
- to serve as a basis both for the checks carried out and for possible amicable and contentious disputes.

While the LP is responsible for ensuring the implementation of the entire project towards the MA, each PP is responsible for ensuring the implementation of its part of the project towards the LP. Thus, the LP ensures that all other project partners (PP) become part of/sign up to a Project Partnership Agreement. The main aim of the partnership agreement is:

- to guarantee the project's compliance with the Cooperation Programme, as well as to stipulate rights and obligations of each PP and of the LP, and set the principles of the partnership;
- to state a division of responsibilities, activities and budget within the project between partners;
- to regulate how the project partners' expenditures are verified by the programme or controllers before submitting them to the LP;
- to define financial responsibilities, especially in the case of irregularities.

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

- Cooperation programme
- Other relevant programme documents, e.g., Programme Manual, templates, etc.

Legislative framework:

Regulation (EU) 2021/1060 (CPR)

- Article 49, Responsibilities of the managing authority
- Article 50, Responsibilities of beneficiaries
- Article 72, Functions of the managing authority

Regulation (EU) 2021/1059 (Interreg)

- Article 22, Selection of Interreg operations (22.6 Subsidy Contract)
- Article 26, Tasks of the lead partner (26.1 Partnership Agreement)
- Article 28, Monitoring committee

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

- Timing – This is the most common challenge related to contracting. Only after signing the Subsidy Contract, it is usually possible to apply for costs reimbursement or to sign the Partnership Agreement. (However, some programmes require at the stage of project development the signing of the letter of commitment in which potential project partners declare their content and financial involvement in future project implementation). Moreover, the internal procedures for institutions signing the contract or agreement are usually quite strict and time-consuming;
- What to include? Legal requirement vs. practicalities;
- Which national rules are to be followed?
- Timing for reporting and control obligations;
- What financial provisions, especially procedures in the case of irregularities, to include to ensure smooth project implementation?
- Audit trail obligations and possibility of future audits (AA and EC sample audits on operations);
- Language translations of the document and assuring the binding version.

5. How are they addressed?

- Ensure that contractual obligations are made clear to all parties and are specified enough;
- Set a concrete time framework for signing the Subsidy Contract and Project Partnership Agreements;
- Set a date for the first project meeting as soon as possible, so you move to the contracting phase straight away after the project has been approved and ensure all doubts and potential difficulties are being addressed;
- Rely on best practices from the previous programming periods and get inspiration from INTERACT documents and other Interreg programmes;
- What to include? Some of the implications and practicalities about contracting can be further explained in detail in the programme supporting documents, e.g., Programme Manual, templates, etc. These can then be referred to and cited in the contract and partnership agreement. This then provides the LP and related partners with access to all the information needed to respect and understand the contracting process without overloading them at the onset.
- Invest more time with partners not familiar with the Interreg projects, as cooperation projects in general have multi-national requirements and take more time than other kind of funded projects.

6. Good practice examples, innovative approaches

During previous programming periods, each programme had the opportunity to develop its own template for a Subsidy Contract and a Partnership Agreement. It is considered good practice to make these templates available online for potential beneficiaries, enabling them to familiarize themselves with the documents during the project development stage. Moreover, support and explanations from the JS (or MA) are essential in case of any questions or doubts. It is worth emphasizing that these templates can always be adjusted to suit the specific content of a project.

Disclaimer: Cooperation can be complex, and while Interact's job is to make it easier, Interact cannot offer assurances on the accuracy of our pan-European information in any specific context.

Furthermore, understanding and knowledge evolves throughout the programming period. If you spot something out of date or inconsistent, please contact us at communication@interact.eu

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