

# 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.

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### Factsheet | Programme Budget

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

Deciding on the programme budget is a multilevel task. In the initial step, the Commission decides on the overall budget for the whole of Interreg, its division by strands (A, B, C and D) and communicates to each Member State their shares of the global amounts, also broken down by strands. Then Member States decide how much they allocate to the individual programmes they are involved in. They also have a certain level of flexibility, as they are allowed to shift up to 15% between the strands.

After this exercise, the programme budget for an Interreg programme consists of two components: European funding and national co-financing provided by participating Member States. The programme budget is approved by the Commission as part of the programme document.

The budget provides an overview of not only contribution of the European Regional Development Fund (ERDF), but also of European Neighbourhood, Development and International Cooperation Instrument (NDICI) and Instrument for Pre-Accession assistance (IPA), in case a programme also covers cooperation with third countries (countries that are not Member States). Moreover, it also provides the linkage between financial allocations proposed and programme objectives and priorities.

There are two main programme budget tables in the programme document. **Table 7** provides the financial plan allocated yearly, for the years 2021 – 2027. **Table 8** sets out the financial plan of the co-operation programme by priority, union support and national co-financing. The maximum union support cannot exceed 80% for ERDF. The co-financing rate is set at the level of the priority, not on the programme. The national co-financing amounts to 20% at minimum. For IPA the union support cannot be higher than 85% and for NDICI the maximum Union co-financing rate cannot be higher than 90%.

In tables 7 and 8, the ERDF, IPA and NDICI funds are indicated separately for cross-border co-operation programmes (strand A). If transnational or interregional programmes (strands B and C) have both NDICI and IPA funds in addition to ERDF, the funds can be joint in a single amount referred to as Interreg funds. If the strand B or C programme only has one additional fund to ERDF, then the funds are indicated separately. Table 8 also shows, for information purposes, contributions from third countries participating in the programme.

A new feature for the financial table for 2021-2027 period is that Technical Assistance (TA) is no longer a priority in the programme but is calculated as a flat rate per priority. The Union contribution to TA is specified in the budget, whereas the national contribution does not separate the TA amount. National contribution, in turn, is split into public and private contribution. The Member States' co-financing for TA is included into national public contribution together with national public contributions of the projects.

The programme budget is calculated and presented in euros. Also, the implementation of the budget must be claimed from the Commission in euros. The structure of tables 7 and 8 is illustrated in Annex 1.

## **2. Why are we discussing it?**

The programme budget sets the limits of amounts reported by programme per priority, and it is also a basis for measuring the progress of the programme's implementation. It is crucial to monitor the programme's spending level, particularly the annual targets.

The programme budget may be updated or changed during programme implementation. Flexibility (max 5% at fund level and up 10% from each priority) allows for adjusting the allocations between priorities. Changes above the flexibility is subject of the Commission's decision. The programme budget can be increased if one or more participating Member States need to reallocate funds from discontinued programmes. In case of de-commitment, the programme budget is decreased.

Monitoring of budget implementation is part of programme financial management and thus relevant during the whole programme life cycle.

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

The Regulation (EU) 2021/1060 (CPR) — common provisions on the European Regional Development Fund includes some articles relevant to this topic. Regulation (EU) 2021/1059 (IR) — on specific provisions for the European territorial cooperation goal (Interreg) includes several articles relevant to this topic.

Article 86, CPR – Budgetary commitments

Article 87, CPR – Use of the euro

Article 90, CPR – Pre-financing

Article 9, IR – ERDF resources for Interreg programmes

Article 10, IR – Cross-fund provisions

Article 11, IR – List of Interreg programme resources

Article 13, IR – Co-financing rates

Article 19, IR – Amendment of Interreg programmes

Article 32, IR – Transmission of data

Article 38, IR – Point 5: Conversion into euro

Article 50, IR – Budgetary commitments

Article 51, IR – Payments and pre-financing

Article 52, IR – Recoveries

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

The challenges regarding the programme budget relate to the programme commitment and spending levels and the risk of decommitment, i.e. cuts to the programme budget. Also, the calculation of flexibility has raised questions.

## **5. How are they addressed?**

The on-going monitoring of programme commitments and spending is crucial for implementing programme budget and preventing decommitment of funds. Decommitment has an own fact sheet in this handbook, so it is not addressed in this one. Other aspects are covered in the next chapter.

## 6. How does it work in practice?

There are some rather technical issues related to programme budget: use of the euro and interest generated on pre-financing. These are typically dealt with in the beginning of the programme implementation. Programme commitments, spending and budget flexibility are topics that need more attention throughout the programme implementation.

### Use of the euro

As the programme budget is presented in euro, all claims to the EC must also be presented in euro. This means that expenditure reports also need to be in euro. Therefore, project partners coming from countries which have not adopted the euro must convert the expenditure paid in another currency into euro. There is only one way for the conversion, and it is to use the monthly accounting exchange rate of the Commission in the month during which the expenditure was submitted for verification. This is usually done automatically by the electronic monitoring system of the programme.

### Interest on programme bank account

The pre-financing from the Commission can generate interest and needs to be included in the accounts for the final accounting year.

The interest is used for the programme in the same as the funds. It can be used to replace co-financing that participating Member States would otherwise have provided (with the funds divided between Member States in proportion to their original contribution to the programme). Alternatively, the interest can be used as additional funding to increase the budget available in whatever priority it is assigned to. This additional co-financing does not generate extra ERDF payments. Regardless of how the funds are used, they all need to be spent by the end of the programming period.

### Programme commitments and spending

Programmes commit funds through calls. It is possible to have on-going calls or open calls for certain period. Programme commitment is the sum of the EU-contribution of all contracted project budgets. Programme spending takes place later, after the project partners have spent money on project activities, reported the expenditure and that expenditure has been verified and reimbursed to the project by the programme and then included in the interim payment application to Commission. It can take more than a year for project expenditure (paid by the project partner) to become project spending (in the Commission bookkeeping). For de-commitment calculations it is the spending included into the interim payment applications that is considered.

The budget implementation is reported to the Commission also through transmission of data four times a year (by 31.1., 30.4., 31.7. and 31.10.). The financial data is broken down for each priority by specific objective and includes the number of contracted Interreg projects (i.e. operations), their total eligible cost, the contribution from the respective Interreg fund and the total eligible expenditure declared by the lead partners to the programme (broken down by type of intervention). Additionally, the transmission of data includes the values of output and result indicators for contracted projects and values achieved by finalised projects.

As programme spending directly affects decommitment, programmes plan also their spending by determining when to open the calls for proposals and what amounts of funds to commit. From the financial point of view, it could be tempting to allocate as much as possible during the first call, to avoid de-commitment. As the programmes also strive for content results, it needs to balance between the quality of project applications to be approved and the budget commitments of those applications. The outcomes of the first and second calls might give rise to update the plan for calls as well as the budget allocation between priorities.

### Budget flexibility

To allow for **flexibility** in programme implementation and reduce administrative burden, limited financial transfers are allowed between priorities of the same programme without requiring a Commission decision amending the programme. The programmes can transfer an amount of up to 10 % of the initial allocation of a priority, but no more than 5 % of the programme budget, to another priority of the

same programme. The Monitoring Committee can make the decision on this. The revised financial tables must be submitted to the Commission to ensure up-to-date information on financial allocations for each priority.

In the example below there is one amendment that exceeds the flexibility limit, for priority 2 the “no more than 5 %” of the total budget and for priority 3 the “up to 10 % of the initial allocation”. The other amendment is with the flexibility and can be approved by the Monitoring Committee. Changes above the flexibility require a programme modification and are approved by the Commission.

Priority	Fund	original EU contribution	for flexibility	amended EU contribution exceeding flexibility	comparison to original	EU contribution amended with MC decision	comparison to original
1	ERDF	200 000	20 000	200 000	0	200 000	0
2	ERDF	530 000	53 000	477 000	53 000	480 000	50 000
3	ERDF	200 000	20 000	178 000	22 000	180 000	20 000
4	ERDF	70 000	7 000	145 000	-75 000	140 000	-70 000
	TOTAL	1 000 000	50 000	1 000 000	0	1 000 000	0

## 7. Good practice examples, innovative approaches

The programmes have some possibilities to “play” with the budget. For instance, overcommitment of programme funds is often used to reach a high final spending rate. Programmes can propose for Monitoring Committee to commit more than 100% of funding knowing that the spending level of projects is generally lower compared to their planned budgets. And in case a programme had calls early in the programming period, it is possible to reuse the funds that finalised projects did not use. That is a less risky option to overcommitment. On the other hand, the programmes might not have time to wait that first call projects are finalised to launch additional call(s). This is a topic that Interact will work on, so good practice examples and innovative approaches are yet to come.

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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](mailto:communication@interact.eu)

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