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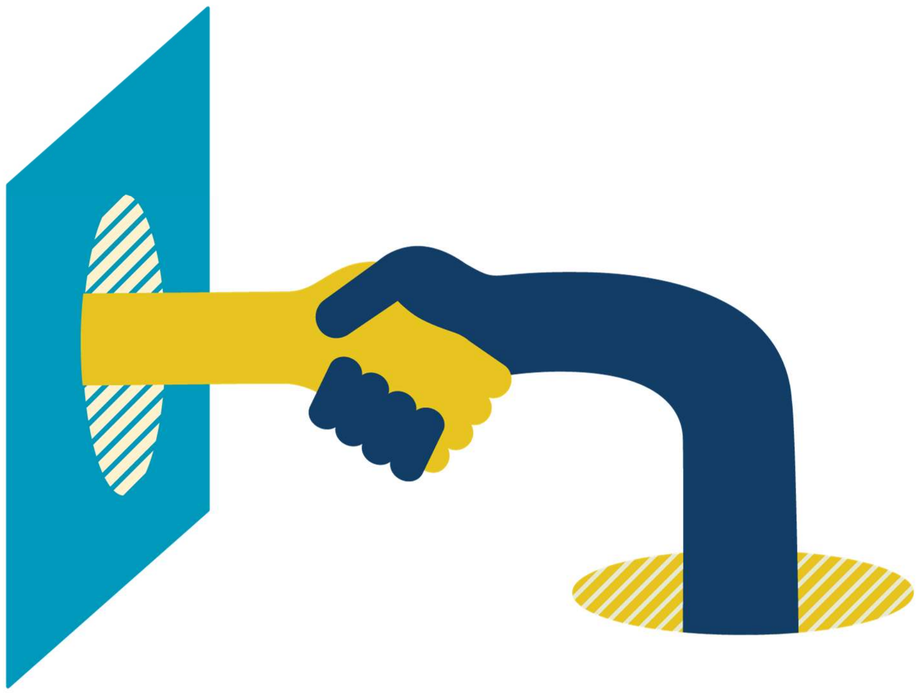
Report on InterFIN 2026

27-28 May 2026, Tallinn

This report summarises the outcomes of each session at InterFIN 2026 event.



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1. Introduction

The event took place in Tallinn with more than 70 participants from Interreg programmes all over the Europe.

The opening session focused on the current state of play of Interreg programme finances and implementation. Interreg programmes have made strong progress in commitments (around 78%) but spending remains significantly lower (about 18%), indicating the gap between project approvals and actual expenditure declared to Commission.

The Interreg performance is slightly ahead compared to ERDF and broadly in line with the previous 2014–2020 period, although ambitious targets and risks of decommitment remain for some programmes. Audit and reporting processes are ongoing, with a low reported error rate so far, reflecting generally sound financial management.

Update for public procurement included the upcoming reforms expected in 2026, which will not fundamentally change the rules but aim to modernize them and link procurement more strongly to EU priorities like sustainability and resilience. We expect a shift towards more strategic and impact-oriented procurement, including green criteria, lifecycle costing, and performance-based approaches, while maintaining legal certainty and compliance requirements.

The last theme was programme closure for 2021–2027 and the request from Commission for feedback regarding timelines, reporting obligations, and requirements for final accounts and performance reports. The results of the survey are summarised in the table below and will be shared with Commission.

Topic / Reason	Financial impact	Legal uncertainty	Audit sensitivity	Administrative complexity	Volume of cases	Risk of divergent interpretation
Flexibility across priorities for calculation of the balance for the final accounting year	first	second		third		
Overbooking in the final accounting year	first	third				second
Application of public contribution ceilings at priority level	first		second			third
Programme amendments deadlines		first		second	third	
Early closure		third		first		second

Overview of programme closure survey results

Finally, the session set expectations for future work, including improving programme performance, avoiding decommitment, and preparing for the next funding period, supported through parallel sessions and collaborative discussions.

Summaries of content sessions – for more details, see the section.

2.1. SCOs, Management Verifications and Audit

- Interreg programmes are increasingly using **risk-based management verification (RBMV)** and **Simplified Cost Options (SCOs)**, but concerns remain about audit findings, systemic errors, and continued reporting mistakes in SCO implementation.

- **Public procurement** remains a major source of audit findings, with programmes calling for stronger prevention measures, better detection mechanisms, and clearer approaches to financial corrections.

2.2. Improving Performance and Avoiding Decommitment

- Key implementation bottlenecks include delays in reporting, contracting, procurement, and partnership management, leading to slower payments and implementation risks.
- The biggest challenge identified was a lack of experienced staff and institutional capacity; programmes stressed the need for **simplification,** stronger coordination, proactive management, and greater use of digital tools and AI.

2.3. State Aid and Private Partners

- AI tools such as Microsoft Copilot can support State aid assessments, but human oversight remains essential for final decisions.
- Participants concluded that applicant self-assessments are unreliable and that a **full five-criterion State aid assessment** should replace the current simplified checklist.

3.1. Headaches

- Programmes are concerned about maintaining beneficiary payments, defining milestones and targets consistently, and managing financial corrections under the future framework.
- Clearer regulations, a stronger hierarchy of rules, practical guidance, and improved audit arrangements are considered essential for Post27 implementation.

3.2. Costing and Pay-out Values

- Cost estimates should be based on robust evidence such as historical data, market research, benchmarking, expert judgement, and risk assessments.
- Milestones and targets should be spread more evenly throughout implementation, with adequate funding available in early and middle project phases rather than concentrated at the end.

3.3. Audit and Control

- Participants favoured **risk-based audit and verification approaches**, particularly for procurement and milestone verification, to reduce unnecessary administrative burden.
- Programmes highlighted two needs to ensure legal certainty and effective implementation of future regulations: the regulatory framework should include clear **hierarchy of rules for eligibility** and AA should have stronger Interreg-specific expertise.

2. Current implementation

The morning session of the first day focused on current programme implementation challenges, with updates and peer exchange covering three thematic areas: SCOs, verifications, and audit; improving performance and avoiding decommitment; and state aid and private partners.

2.1. SCOs, Management Verifications and Audit

The session brought together representatives from several Interreg programmes to **share experiences with risk-based management verification (RBMV) methodologies, simplified cost options (SCOs), public procurement and related audit findings**.

Most programmes represented had developed their RBMV methodologies on the basis of the HIT tools, complemented by their own risk assessments. Several programmes reported no audit findings on their RBMV methodology to date, while others are awaiting audit results before considering revisions. A recurring concern was the treatment of systemic errors: when auditors identify issues in areas not covered by the risk-based methodology, programmes questioned whether this could constitute a systemic finding.

A cross-cutting theme was the timing of EC guidance: the Reflection Paper on risk-based management verifications was widely considered to have arrived too late to influence methodologies already under development, and several programmes explicitly noted that late guidance should not be binding on programmes already underway.

The increasing share of SCOs across programmes, in some cases covering 80% or more of expenditure, is reshaping what RBMV actually entails in practice, with real cost checks becoming increasingly marginal. Despite the simplicity that SCOs bring, some programmes reported that, even with extensive training and guidance, errors regarding implementation of SCOs persist in reporting and, in some cases, appear to be increasing with subsequent reports.

Recent EC audit (DAC unit) findings regarding SCOs in national programmes were shared, yet the community still waits for more outcomes of audits on SCOs in Interreg. Interact plans to continue the exchanges on this topic (initiated last year during annual SCOs webinar by Central Baltic Programme testimonial from the audit).

Double funding was flagged as a possible issue, with programmes noting the difficulty of detecting it across different funding instruments in the absence of the right to carry out cross-programme checks. Regarding staff cost hourly rates, programmes using automated reporting systems reported smoother processes.

Public procurement remains a source of findings, including **conflicts of interest,** tailor-made selection criteria and procedural **irregularities**. Participants discussed the importance of strengthening preventive measures, detection mechanisms, and management procedures, particularly in the P-BA context. The application of financial corrections in cases not explicitly covered by existing guidelines also prompted discussion, with programmes sharing different approaches to documenting and justifying the application of the rates for financial corrections (e.g. by describing them in the programme manual to ensure transparency and consistency).

2.2. Improving Performance and Avoiding Decommitment

This workshop was based on one assumption: **Programme performance is a system.**
The gruop discussed the topic from two perspecties: Project management and payment flows and Capacity of programme instutions. The aim was to idenfity bottlenecks and come up with succesful, transferable aproaches used by programmes and even controversal solutions.

Project management and payment flows

Programmes identified key bottlenecks in project implementation, particularly in reporting, contracting, procurement, and partnership management. Reporting issues include delays in submitting partner reports, late documentation, time-consuming budget assessments, and bottlenecks during peak reporting periods. Contracting is also slow due to lengthy national requirements (especially for small CBCs) and delays in fulfilling conditions before signing subsidy contracts. Procurement processes are highlighted as a major challenge, often leading to both delays and audit findings and financial corrections. Partnership-related problems include weak coordination, partners dropping out, and limited capacity due to involvement in multiple projects. Additional challenges include time-consuming modifications, unclear requirements, and frequent need for clarifications.

To address these issues, the programmes emphasized **simplification and harmonisation**, particularly the use of Simplified Cost Options (SCOs). Creating consistent rules and reducing complexity are seen as critical improvements. Flexibility in project – and programme - implementation and better consideration of partner capacity are also recommended. Other improvements include building trust, ensuring legal certainty, and enhancing communication with controllers. Finally, innovation ideas include establishing centralized procurement support, setting partner performance criteria, and even introducing controversial mechanisms such as limits or blacklists for weaker partners.

Capacity of programme instutions

Participants were invited to analyse whether programme institutions are sufficiently equipped to deliver programme objectives and achieve financial and qualitative targets under increasing implementation pressure.

The discussions revealed that the most significant challenge is not necessarily the regulatory framework itself, but rather the **limited availability of experienced people and institutional capacity**. Almost all groups identified shortages of controllers and experienced programme staff as the main bottleneck. These challenges are further amplified by temporary workload peaks during calls, verification periods and programme closure, high staff turnover, and the dependence on a limited number of key individuals holding critical institutional knowledge.

Programmes also highlighted structural constraints affecting their ability to build and retain capacity. Limited Technical Assistance resources, recruitment restrictions imposed by hosting institutions, low attractiveness of controller positions and salary limitations make it increasingly difficult to attract and retain qualified experts. Political and organisational changes additionally weaken institutional memory and continuity.

Participants agreed that these factors directly affect programme performance by creating delays in verifications and payments, increasing implementation risks and reducing the consistency and quality of controls. In some cases, these capacity constraints may also contribute to risks of decommitment and weaker programme performance.

A specific feature of Interreg programmes is their highly multitasking nature at all levels of governance. Compared to mainstream programmes, Interreg structures are typically much smaller and rarely have the possibility to employ separate specialists for each thematic or technical area. As a result, individual **staff members often combine several functions and areas of expertise simultaneously**. While this organisational flexibility is one of the strengths of Interreg, it also creates vulnerabilities. It can limit the ability of staff to continuously follow regulatory and thematic developments and reduce the possibility of sharing specialised capacities across institutions, particularly during implementation peaks, verification waves or programme closure periods. This situation further increases dependency on a limited number of experienced individuals and makes institutional resilience more challenging.

The workshop also highlighted **governance and coordination challenges**. Insufficient coordination between Managing Authorities, Joint Secretariats, National Authorities and Controllers was identified as a potential source of inefficiencies and implementation risks. Different national systems, fragmented payment chains and insufficient communication often slow down reactions to emerging problems and create inconsistencies in implementation practices.

Despite the challenges, programmes shared a number of successful and transferable approaches. There was strong support for investing in people and institutional resilience through structured training programmes, mentoring schemes, better knowledge management and systematic capacity-building for beneficiaries and controllers. Participants stressed the need to build institutions that are less dependent on individuals and more resilient to staff turnover.

Programmes also emphasised the importance of moving from a reactive approach to a **more proactive management culture**. Stronger forecasting systems, earlier identification of problematic projects, regular reality checks and more systematic risk management were identified as essential conditions for sustainable programme performance beyond 2026.

Finally, simplification and digitalisation emerged as important enablers of future performance. Programmes called for greater harmonisation of rules and procedures, increased use of risk-based approaches and wider application of digital tools. Artificial Intelligence and automation are increasingly seen as practical instruments that can support project assessment, monitoring and administrative work and help institutions cope with capacity limitations.

Across all groups, three overarching conclusions emerged:

- **People matter most** – the biggest challenge is the shortage of experienced staff and institutional capacity.

- **Simplification remains unfinished business** – fragmented rules and excessive administrative burden continue to undermine programme performance.
- **Smarter management is needed** – better forecasting, stronger coordination and wider use of digital tools are necessary to sustain programme performance and achieve future targets.

The discussions demonstrated that future programme success will largely depend on the ability of programme institutions to strengthen their resilience, invest in expertise and adopt more proactive and digitally supported management approaches.

2.3. State Aid and Private Partners

The session only covered State aid, there was no time to discuss conditions of private partners participation and was focused on four discussion points:

- AI assisted State aid checks in Interreg Europe Programme
- Some updates on the GBER revision (Article 18) – DG Comp's comments
- Revision of State aid assessment checklist (HIT)
- State aid section in the supplementary information template (HIT)

The representatives from Interreg Europe Programme presented how project State aid assessments (mainly focused on indirect State aid) can be assisted by AI agent Co-pilot by Microsoft. The agent was trained internally by feeding the information on the Notion of State aid, checklist as well as own assessments of similar project cases. The results of the AI-assisted assessments are quite good, but obviously there needs to be human supervision and decision if the project activity can fall under State aid.

The comments of DG Competition regarding P-BA and GBER public consultation were shortly presented. DG Comp says that GBER is based on existing case practice and case law, it is a "conservative" instrument because it needs to be applied by Member States on their own, without any prior Commission assessment of the aid measure. The existence of case practice allows DG COMP to assess the impact on competition of certain aid measures and the risks of overcompensation. There is no case practice on performance-based approaches like Financing not linked to costs (FNLCs) implemented at the level of the beneficiary.
There will be a wider uptake of SCOs in the new GBER, but FNLCs, which are completely detached from costs, will not be covered by the new GBER. Aid measures purely based on performance-based approaches like FNLCs can be notified to the Commission.
Also, regarding refundable VAT eligibility in the future GBER DG Comp's standpoint is negative.

Under the point related to HIT, State aid assessment checklist there are two conclusions of the discussion:
- State aid self-assessment by applicants is not satisfactory and it does not provide reliable results
- The current 2-criterion (undertaking + undue advantage) checklist is not sufficient and full 5-criterion State aid checklist should be used for State aid checks

Also, the ancillary questions in the AF should be added (What type of commercial activities do you do within the project?)

Regarding the State aid section in the supplementary information section in Jems it was concluded that basically the necessary information was there, but there could some additional data fields (e.g. number of GBER scheme). This section was added later to Jems based on the advice of the state aid group but was never discussed in the HIT core group. Interact will compare the info that is available in BAMOS+ (BSR's system) and Interact and will add additional fields in future HIT.

3. Post 27

Interact presented the state of play and what is known at that moment regarding the new programming period, highlighting major changes and continuity aspects for programmes. [link to presentation]

3.1. Headaches

Following the presentation on Post 27 a question-and-answer session took place, in which Interact collected issues (headaches). Those issues including potential proposals to solve the issue were discussed among participants during a talking wall session:

<u>#1 How to secure payments to beneficiaries, even if EC suspends payments & 95% is only paid?</u>

There is different level of sensitivity regarding this issue depending on size of a programme and possible 'temporary' support of national budget for the programme. Below are potential solutions proposed by the programmes:

- 'Contingency budget' agreed and approved between participating countries in memorandum of understanding (if applicable);
- 'Bridge financing' agreed and provided by participating countries to relevant beneficiaries;
- Pay-out values for sensitive milestones/targets calculated with sufficient safety net, and enough for prefinancing might support the liquidity and the underperformance issue;
- Borrowing 'between measures' allows to mitigate unexpected and minor shortages in a programme cash flow;
- TA paid in more linear way (annual tranches), not directly connected to achievement of milestones/targets might be used by programmes as a contingency money (in this option change of the NRPP and ERDF regulations required);

<u>#2 No off-the shelf milestones & targets – how to ensure equal treatment?</u>

As milestones and targets will be individually proposed by programmes and assessed by the Commission, there is a risk that procedural milestones might not be meant/understood the same way, to mitigate that risk some proposals were collected:

- Creating a common understanding and harmonise Interreg-wide milestones and targets
- Harmonising on the value of (at least) the 1st milestone (%)
- Training/working with the desk-officers on use-cases (using realistic examples)
- Secondary level: training beneficiaries (their solid contribution to final targets)
- Planning sufficient resources for the planning of milestones and targets

<u>#3 How to address financial corrections (horizontal principles) & irregularities?</u>

Participants shared a common view that clear rules are needed from the start. Suggestions on how to address this issue included:

- Establishing a prevention system
- To have guidelines, similar to COCOF guidelines, to be able to translate corrections from lower level to upper level and vice versa
- Providing further clarification from the Commission, supported by practical activities such as meetings, workshops, exercises, and examples
- Allowing for a certain degree of flexibility, while recognising the need to define its appropriate limits.

#4 How to deal with a double system (P-BA at upper level and traditional implementation at lower level)?

Also here participants shared a common view that clear rules are needed from the start. Main concern is that hierarchy of rules is missing from current draft regulations. For Interreg programmes it is a necessity. Other topics to clarify include:

- The role of draft budget
- Definition of Art 78 NRPP "operation" in Interreg: a partner or a project
- Flexibility for programmes (and for projects), especially when spending on project level is less than value of target (projects reaches target but with much lower EURO amounts, than in Chapter tables)
- How is the balance of project payments and Commission payments calculated? Per Measure or per Chapter or per Plan?

Finally, real life examples were welcomed, and especially for Interreg. In general, the participants felt that the regulations have completely forgotten about Interreg reality, and therefore expressed a need for Commission to be very clear when they communicate how each of the issues will impact Interreg.

#5 How will the audit & common sample work?

The main issue defined here was how to (if at all) connect audits on the lower level (applicable law) with the audits on the higher level (achievement of milestones and targets).
The common Interreg sample currently does not exist in the future framework, but as it is an effective sampling methodology it is proposed to reintroduce it to Interreg programmes in the future.

3.2. Costing and pay-out values

Following the briefing presentations on the recent development of discussions on measure's costs evaluation and calculation of pay-out values of milestones and targets, participants, divided in four groups, were given two practical tasks loosely based on two Interreg examples provided by the EC in March 2026.The first one focused on justification of cost estimation of a measure and potential solutions to mitigate identified risks.

Reporting back the groups highlighted numerous factors indicated during the discussions ranging from number of potential projects financed under one measure, identification of main categories of costs, how these should be estimated (e.g. through market research, historical data from previous/similar projects, indexation by relevant inflation factors, comparison to other programme's data, expert judgement) to valuating the risks. Depending on a measure type, calculation of economic (public) value can also be considered. On top of that, additional observation was shared that indication of too narrow catalogue of possible actions to support under a certain measure combined with too restrictive calculation method might lead to limitation of innovative projects in a programme.

The discussions during the second task focused on three aspects of milestones and targets proposed in examples such as: sufficient (or not) number of milestones; factors determining individual pay-out values of milestones and targets; and when is the right time to claim. Reporting back groups highlighted the need to evenly distribute milestones/targets throughout the whole implementation period of a measure, not only in the first and the last phase (more milestones/targets in the second phase of implementation are needed). More resources should be also allocated to the first and middle phase of implementation, subject to type of projects planned to be supported by the measure, possible prefinancing actions.

In case of the first example, it was indicated by both groups that for the first measure cashing-in the first milestone is too late. Additionally, in case of high number of expected projects supported by a measure, number of targets based on the projects' outcomes should be more evenly distributed throughout the timeframe of a measure (not wait till the final phase).
In case of the second example the disproportionate distribution of resources towards the last phase of implementation and connected with majority of dedicated allocation was marked as not feasible.

More in-depth discussions on these issues will continue during the dedicated in-person events after the summer break, after release by the EC the first draft of the dedicated guidelines.

3.3. Audit and control

Following the introductory presentation, different areas of audit and control were discussed with participants in a talking wall session.

<u>Verification of milestones and targets</u>

Participants agreed that the verification of milestones and targets should be the responsibility of the MA/JS and questioned the role of controllers in this process. In a cross-border context, the skills and expertise of controllers are considered valuable, including, for example, language capacity. This raised the question of the possibility of them being part of the MA/JS.

When discussing the concrete example of a milestone related to the publication of a call of proposals, the key audit trail elements proposed and discussed included the call announcement, selection criteria and application package. A suggestion was made to simplify the approach by selecting only one audit trail element. Questions were also raised regarding the minimum evidence required and where the line should be drawn to avoid excessive documentation and verifications.

Public procurement – within P-BA lower level

Participants discussed how public procurement compliance can be ensured where a performance-based approach is applied at lower level and underlying costs are not systematically checked. The discussions confirmed that responsibility for checking procurement rests with the managing authorities and audit authorities. To enable meaningful verifications, programmes would need to collect relevant information from beneficiaries, such as lists of procurements, extracts from their accounts, and lists of contracts and relevant accounting information, as a basis for determining which procurements to check. A risk-based approach was proposed, drawing on two levels of risk assessment and taking into account past findings as well as findings by audit authorities. Such an approach was considered more consistent with the principles of proportionality and efficient use of the resources than maintaining exhaustive checks. Beneficiaries remain responsible for conducting public procurement procedures in accordance with the applicable legal framework and for retaining the supporting documentation necessary to prove the compliance. Questions remained on how to handle findings in the context of cumulative error rates, and whether the P-BA logic or real costs deductions should apply where procurement irregularities are identified.

State Aid – within P-BA lower level

Participants discussed how State aid rules based on costs can be respected when performance-based arrangements are applied at lower level and underlying costs are not systematically verified. The discussion focused on what conditions need to be in place to fund State aid relevant activities, who bears responsibility for verifying compliance, and how procedures can be designed to provide sufficient legal certainty. The need for a clear bridge between EU-level instruments, such as GBER, and programme-level implementation was highlighted, with participants noting that a hierarchy of rules needs to be established at regulation level to make this work in practice.

Applicable Law

Participants highlighted the following points

- Further explanations of "directly" (new in the Regulation in addition to the already existing definition) needed and what that means in practice.
- The hierarchy of rules is essential for programmes to ensure "applicable law" for the programme territory.
- Further clarification is needed to what extent national law interpreting EU Regulations is applicable.
- The principle of DNSH and its application as applicable law needs further investigation (maybe a general exemption for Interreg can be considered).
- A negative list (what is not applicable) should be considered to help framing the scope of audits and control. E.g. is labour law applicable law?

Establishing eligibility rules and SCOs for lower level

Participants noted that where eligibility rules and SCOs are not provided in the regulations or implementing acts, a clear hierarchy of rules (HoR) is urgently needed to enable Interreg programmes to establish their rules over national ones and ensure legal certainty.
A bridge between EU-level frameworks and programme-level rules was considered essential.

In case HoR will be introduced to legal framework, Interact HIT can play a vital role as a repository of common, harmonised Interreg practices, that can inspire programme rules.
For programmes considering application of State aid rules, potential role of GBER (scheme dedicated to Interreg referring to 2014-20 and 2021-2027 eligibility rules) as a bridge connecting eligibility rules and SCOs on the EC level and programme rules was suggested for further investigation and discussions.
The question of how verification can be carried out and legal certainty ensured in the absence of such a hierarchy was left as an open issue requiring further clarification.

Messages to AA network

Participants called for Audit Authorities to develop genuine Interreg-specific expertise, rather than applying approaches designed for national or regional programmes. Several concrete requests were addressed to the Commission and the AA network: audit mission start and end dates should be defined in advance to avoid last-minute postponements, and ECA opinions should be properly communicated to AAs rather than remaining at Commission level.
The shift in the current period from audits of operations to system audits was broadly welcomed, and participants suggested that audit methodology should be reviewed to avoid gold plating during system audits.

For future the audit methodologies could be reviewed also applicable law compliance (e.g, date of payment is important no longer for eligibility of costs but for double financing). It was also noted that lower-level implementation may be able to continue with current set-ups. A deeper understanding of Interreg specificities by AAs was seen as essential, given the differences from regional and national programmes.