

The new 3S: small, smart, simple!

**Managing Small Project Funds (SPF) and micro-projects in Interreg
February 04-06, Bratislava**

Interact survey on SPF – key results

Interact has launched a SPF survey in November 2019. All together 18 programmes have responded.

Please see key results from the survey on slides 8 to 12 in [the PPT the new 3S: small, smart, simple! Managing small projects and SPF in Interreg](#).

Survey results allowed also designing the agenda of the meeting and dividing it into four major blocs:

- Models for SPF
- Risk-based management verification
- Simplified Cost Options in small projects and SPF
- Harmonisation

Models for SPF

During the seminar four models were discussed. An outline of the key features for each model is in the table below:

Table: Models for management of small projects

	SPF according to Article 24	Micro-projects directly managed by the Managing Authority (MA)	Open projects with evolving partnership	Umbrella project intermediary model
Approach	Beneficiary entrusted or selected in call (by the MC) Final recipients go for projects based on SCO	In principle like any other project	Initial project partnership is granted a project as financial framework Partners (e.g. SMEs) enter at a later stage	Initial project partnership predefines budget for pilot actions or people-to-people activities [or if in the frame of CLLD grouping of CB Local Action Groups (LAGs)]
Selection of small / sub- / micro-projects	By SC for SPF upon assessment criteria or by SPF management as delegated function	By MA/JS	Initial partnership of (e.g. innovation agencies) sets up transparent rules and takes sub-project owners on board (they become PP)	Same options as for the other models depending on the character of the umbrella project
Management	SPF Beneficiary has predefined obligations (see Art. 24)	JS	Initial project partners support sub-PP in reporting (sub-PP is also labelled as 'partnership light' as applied in DE-NL or BE-NL as 'open projects')	Initial project partner(s) act as intermediary and take over major parts of project implementation such as procurement of services and purchases of equipment (even invoices addressed to the Intermediary)

Relevant legal provisions	Article 24 SPF is an operation with explicit option for sole beneficiary Ceiling of 20% for management of the Funds Max 20 MEUR One or several funds In all PO or ISO	In principle like any other project	In principle like any other project Compliance with rules on partnership and tasks of LP (Articles 23 and 25)	In principle like any other project Compliance with rules on partnership and tasks of LP (Articles 23 and 25)
Key groups addressed	All, either typical ones for projects on trust-building or theme-related ones if Fund is set-up under specific objective other than TO11 (in future Policy Objective 5 or 'Better cooperation governance')	Inexperienced recipients or recipients having hardly any administrative capacity at all (e.g. small municipalities or NGOs)	Those which are particularly sensitive when it comes to lengthy approval processes and administrative burden such as SME	Inexperienced recipients or recipients having hardly any administrative capacity at all (e.g. small municipalities or NGOs)
Major advantage	Legal backing and pre-defined approach	Lean management, no extra programme institutions required.	Allows for complementary or key expertise in the initial partnership (e.g. innovation agencies which know more about needs of SMEs than JS)	Safe and reliable in implementation even with inexperienced recipients since Intermediary is experienced in ERDF
Risks	SPF turns into mini-programme and in the end lacks efficiency in management	In case of large number of small projects management might create a significant administrative burden for JS and prolong implementation processes.	In case LP/PP lacks expertise with reporting the 'partnership light' might not be an efficient solution for both sides	Not fit for large numbers of pilot activities Lack of commitment Intermediary might become bottleneck

Representatives from three programmes that implement small projects via SPF or direct management shared their experiences from the current programming perspective and their plans for the future.

Interreg Slovakia – Hungary; European Grouping for Territorial Cooperation (EGTC) (Veronika Mohňanská, EGTC Via Carpatia)

The current implementation setting is closest to the future model according to Article 24¹.

[Please see PPT!](#)

Institutional setting

- 2 EGTCs are active in the programme area, each of them managing an SPF;
- The SPFs address the Investment Priorities (IPs) 6c and TO 11;
- The MC for small projects has a structure similar to that of the MC at programme level but members are different;
- The EGTC did not apply as sole beneficiary for the project SPF but together with a partner from HU (the body performing also management verifications at programme level) and the SK region (Košice) covered by the EGTC;
- Total budget amounts to 7.3 MEUR; thereof 4 MEUR for TO 11 and 1.3 MEUR for IP 6c

Project requirements

- Projects in the SPF have to comply with the Lead Partner Principle (LPP);
- Eligibility rules for the SPF projects are essentially the same as for standard projects;
- It takes about 240 days (8 months) for call and assessment.

Interreg Austria – Bavaria (Anna Höglhammer, MA, Land Upper Austria)

[Please see PPT!](#)

Institutional setting

- Austrian Land (region) Upper Austria acts as MA
- Several Euregios in the programme area; they provide advisory support to applicants for small projects; small projects are directly contracted by the MA and checked by the JS; now projects are entered manually to the Monitoring System by the JS

SCOs

- 14-20: staff cost only as flat rate (FR) of 20% as in ETC Regulation; on top flat rate for office and administration possible
- Post 2020: also draft budget leading to lump sums; Euregios more strongly involved in assessment and management verification; development of cost benchmarks (which might turn into unit costs)
- Three categories of small respectively medium-sized projects intended – see below:

¹ A proposal for a regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) supported by the ERDF and external instruments.

SCO – Lump Sums for Small Projects

	P2P	Long term CBC	Sustainable CBC
Characteristics	Punctual, task-based cooperation, event-related, occasional cooperation, project-based cooperation	Long-term cooperation on a legal basis	Fundamental cooperation, formalized agreements, long term cooperation on a contractual basis
Verification	Number of Events (events, workshops, etc.), number of visitors, number of publications	Additional value of the project content for the region, number of involved stakeholders, management plans for the cross-border cooperation for the next years or a common guideline from the partner organisations	Official documents (contracts concerning the joint infrastructure or joint staff, etc.)
	Max. 5.000 €	Max. 35.000 €	Max. 100.000 €



Plan for Euregios post 2020

- The MA has encouraged the Euregios in the programme area to work on strategy-building (and implicitly on capacity building)
- Three models are currently in discussion – see below

Euregios in the period 2021-2027

Euregio	Euregio Plus	CLLD
Development of a territorial strategy till December 2020 with different requirements		
Budget for small projects in regular calls (independently managed)	Small and medium projects in regular calls (independently managed)	
Steering committee with advisory stakeholders	Steering committee with stakeholders entitled to vote	
Single fund	Single fund	Multi fund
Stronger focus on small project service, little effort for cross-border spatial development and programme implementation	Stronger focus on cross-border spatial development and programme implementation	
Annual evaluation of activities of Euregios including the implementation of the territorial strategy		



Interreg Grande Region (Marta Roca, MA, Luxembourg)

[Please see PPT!](#)

Institutional setting

- Micro-projects have not been foreseen for the current programme but a call for micro-projects is planned for March 2020 – option to test the new approach as shown on Day 2 (projects entirely based on SCOs)
- Data of micro-projects need to be entered manually to the monitoring system

Project requirements

- Projects in the SPF have to comply with the Lead Partner Principle (LPP)
- The fact that the micro-projects projects will be ‘mingled’ among the standard projects increases the probability that micro-projects will be part of the audit sample (which might lead to higher numbers of projects picked if the audit strategy includes a target on coverage of certain percentage of the expenditure)

Group discussions on models

SPF according to Article 24

Pro	Contra
<ul style="list-style-type: none"> ▪ For the very first time SPF model has sound legal basis stipulated in the ETC regulation, ▪ It is the most popular model of implementation of small project (for some programmes it is going to be a third edition of implementing small projects through SPF). ▪ There is a lot of knowledge and experience among programmes ▪ Institutions that act as beneficiaries in SPF projects (e.g. Euroregions, EGTCs) have knowledge experience and capacities to implement the SPF model. They also have a very good knowledge and understanding of cross-border region and its needs. 	<ul style="list-style-type: none"> ▪ When it comes to SPF beneficiaries there is the question of potential conflict of interests (as very often members of these institutions participate in calls for small projects) ▪ The SPF model seems to be well defined when it comes to roles and responsibilities of all institutions involved. On the other hand, very often implementation of that model is not very simple and in some cases also the audit trail is not clear.
Questions	
<p>Concerns regarding state aid? Small projects should not be 'afraid' of state aid. Planned second amendments to GBER will simplify significantly the implementation of state aid in ETC. In most cases de minimis will be the adequate solution.</p> <p>Risk of running into conflicts of interest? There is no panacea to eliminate these risks. Transparency and acknowledgement are the first steps. The risk has to be named and investment into acknowledgment as well as building of common understanding will be required. Far-reaching delegation of functions in selection and approval to neutral bodies or persons might be an option</p> <p>Reflect on a couple of key questions before setting up the SPF post 2020:</p> <ul style="list-style-type: none"> ▪ Is the chosen model the best option to achieve explicit and implicit programme's objectives? ▪ What is the key role of small projects in a region? ▪ Does the programme's interest coincide with region's interest? 	

Micro-projects directly managed by the Managing Authority (MA)

Pro	Contra
<ul style="list-style-type: none"> ▪ No extra management body ▪ No extra training requirements ▪ Lower risk of errors ▪ Quicker reimbursement since there is one player less in the chain 	<ul style="list-style-type: none"> ▪ More human resources at MA required ▪ Management paid from TA ▪ No real contact with applicants and recipients (e.g. with a view to actual needs etc.)
Questions	
<p>Assessment on resources required might be a challenge! For projects? For management?</p> <p>How to reach out to potential applicants efficiently? E.g. a network of regional contact points or representatives of regions get involved in communication.</p> <p>How to select micro-projects efficiently? Delegation of tasks from the MC to dedicated small SC could work.</p> <p>As a golden rule: keep it simple in all elements!</p>	

Other models (case at hand: so-called open project for SMEs)

Pro	Contra
<ul style="list-style-type: none"> ▪ Experience of the LP/PP (e.g. on needs of SMEs) as major strength ▪ If significant number of sub-projects quite targeted and economical approach ▪ In case of good cooperation with MA/JS it could become a reliable and safe long-term project 	<ul style="list-style-type: none"> ▪ Experience of the LP/PP as major risk factor (if inexperienced in ESIF) ▪ Requires critical mass of sub-projects to be economical ▪ Long lead-in time ▪ Risk factor in case of lagging implementation
Questions	
<p>Requirement to declare it as a strategic project? According to the Compromise proposal of the Finnish Presidency the list of planned operations of strategic importance (as required according to Article 17.4.i) of the initial draft) is omitted [labelled green, i.e. Provisional Common Understanding (PCU)].</p> <p>Smooth and efficient integration in the Monitoring System? The requirement to consider SPF respectively other models has been put forward to the colleagues working on the future Monitoring System developed by Interact. LP or PP should be able to establish sub-projects on their own. The Monitoring System used by Interreg DE-NL has the functionality for so-called 'group projects'.</p> <p>Can the approach be interpreted as a workaround respectively an attempt to bypass requirements for the SPF such as the 20% ceiling on management cost? It is a standard project with the specific feature that not the full partnership is known upon approval of the project. For reasons of transparency the rules for adjoining partners should be part of the application, i.e. known to the MC prior to approval. It might be more suitable than the standard SPF to attract specific target groups with specific needs. Efficient management should be a key assessment criterion: it should be in the interest of the MC that also such projects do not spend more than 20% on management!</p> <p>Delegation of tasks as sensitive issue! Evidently, the delegation of tasks from MA/JS to LP/PP of such projects is key for the overall efficiency of the approach. Assuming that most sub-projects are based on SCOs the work load in management verification should be shifted to a significant extent to the LP/PP – the latter has the expertise to assess the quality of outputs and results! Trust and a proportionate (sic!) system of checks and balances is key to an efficient approach.</p>	

Risk-based management verification

Please see PPT

If the proposal for management verifications will not be significantly amended before the approval of the Regulations for 2021-2027 programming period, a risk-based sampling approach has to be applied for all management verifications in the future.

- Depending on whether programme bodies will carry out management verifications themselves or will use nationally established external systems will have an impact to what extent MAs can implement their own strategies or even contribute to the elements of the risk-based-sampling strategy.
- If programmes will carry out management verifications themselves, they have to design, implement and amend any risk-based sampling strategy.
- If programmes decide to follow the national requirements for management verifications, they will most likely have to accept the risk-based sampling strategy set-up by the respective Member States.
- In any case, information on the risk-based sampling approach should be documented in the management and control system description (MCSD) and be reflected as well in risk-management strategy of the programme.
- With regard to small projects, and under the assumption that the majority will be implemented exclusively through simplified cost options, programmes should consider a specific approach to risk-based sampling for management verification. Proportionally considering the actual risk of projects being implemented like this.

Result of the dotting exercise on improved management efficiency



Lean PMC for SPF!

Result of a dotting exercise; The new 3S: small, smart, simple! Bratislava, February 4-5, 2020; approx. 60 participants (max. 3 dots p.p.)

Step	Which are the steps along the PMC where you could reap most significant efficiency gains?
Guidance	
Application	
Submission	
Assessment	
Selection	
Contracting	
Reporting	
Management verification	
Closure	
Complaints	

The result of the dotting exercise highlights that major efficiency gains are expected in the following steps along the Project Management Cycle (PMC):

- Management verification (FLC, national controllers)
- Assessment
- Guidance

Simplified Cost Options Why? What? How? (Katja Ecke, Interact)

[See PPT](#)

Key points addressed:

- Major approaches – off-the shelf (SCOs anchored in Omnibus, CP and ETC Regulations), copy-paste (from other EU programmes such as H2020) and DIY (do it yourself, i.e. approaches developed by individual programmes)
- Options for combinations of SCOs – even if ‘only’ off-the shelves are used there is already a wide range of options to combine SCOs!
- Draft budget as a calculation method (which then might make use of flat rates, unit costs and lump sums as SCOs); draft budget might be interesting since firstly according to the draft ETC Regulation the use of SCOs in small projects might be compulsory and secondly draft budget might be anchored explicitly in Article 24; same as for off-the-shelf SCOs draft budget allows to comply with the legal requirement to use SCOs for small projects from the start and within the draft budgets frequently recurring elements might be replaced by programme-specific unit costs and lump sums at a later stage
- It is a golden rule to set-up one for all: use of alternative methods, exceptions – all that creates confusion for applicants, beneficiaries and bodies performing management verifications

Group discussions on SCOs/Draft Budget

Off-the-shelf

- **Advantages:** Off- the shelves are easy to implement and a low risk alternative
- **Risks:** eventually the in-built mechanisms of some options might tempt applicants to inflate their budgets (e.g. in case of flat rates and the underlying cost basis) – but this is no major risk gradient compared to current practice. Value for money needs to be duly assessed – with a clear view on what the project intends to deliver!
- **Capacity:** introduction of SCOs at larger scale will require capacity-building and reinforcement in programme management institutions since the first waves of applicants will encounter difficulties to grasp and understand the changed requirements and the current system needs adjustment since a lot more weight is put on assessment

Do-It-Yourself (DIY)

Participants were asked, which programme specific SCOs for small projects they regard most suitable, results were collected on a flip-chart

SCO	Comments
- Unit costs for staff + - Lump sum for remaining costs	- Simple approach
- Lump sum for management of the project	- Could be linked to the timely submission of reports ← some participants were concerned, that such an approach might make cuts or project termination necessary
- Lump sum for closure costs	- Could be set-up as a mix of real costs and flat rate: e.g. translation costs being the basis costs on which a flat rate for staff and administration is applied
- Lump sum for meeting costs	- Risk in case participant numbers have not been reached or participants are irrelevant for the project (that might be easier in case a unit cost per participant is applied)

As a crucial point participants highlighted that any programme specific SCO would require an early assessment by the audit authority.

Draft Budget

Clarifications provided:

- **Pragmatic approach** is that the applicant proposes a draft budget which is subject to assessment and later on to revision prior to contracting
- **Setting up a cost benchmarks** : the application of draft budget requires a solid stock of cost benchmarks since the budget proposed has to be thoroughly checked and eventually revised before it is transformed into a draft budget. A systematic approach to that should be developed since the SPF beneficiary and / or the MA will have to provide evidence that the method is correctly applied. Market research for frequent cost items in budgets as well as data from Technical Assistance (such as for venues, interpretation and translation) or other historical data might be used to build a catalogue of cost benchmarks. The expertise of national controllers could be used for the 'front-of-pipe' checks of the draft budgets since the workload for management verification 'end-of-pipe' will be drastically reduced with the consistent application of SCO in small projects
- **Methodology**: draft budget as calculation method will require a brief description on the major cornerstones of the method: cost benchmarks to check value for money, approach to the definition of outputs/results/milestones as payment triggers; explanation on SCOs actually applied and eventual further calculation methods if unit costs or lump sums might be used for specific cost items
- Relationship MA – SPF beneficiary: The SPF beneficiary is no Intermediate Body – thus it will not be part of the control system. We do recommend that MA and SPF beneficiary work closely together when developing the approach to the draft budget. In the end the MA bears considerable responsibility and the SCOs applied throughout the programme should be consistent! (thus MA will have a supervisory function)

Homework:

Interact to look into provisions for revenue generation post 2020

Memo: Three models for SCOs (DIY)

Programme / presenter	Approach	Comments
Czech Republic - Poland Alice Vybíralová	6 SPFs and about 3,000 projects in the previous and current period Unit cost for pupil per day built on historical data (DIY) – would be relevant for about one third of the projects! Under development – pilot use this year intended	Data collection with support of Euregios (6 in the programme area) – challenging since people in Euregio need to go into each payments request and cost for activities and to collect at least for 100 cases (AA requirement)
Italy – Albania - Montenegro Aurora Maria Losacco, JS)	Small projects up to 100,000 EUR using only lump sums Three different lump sums for: <ul style="list-style-type: none"> ▪ Preparation cost (EUR 5,000) ▪ Workshop, seminars and conferences (EUR 17,000 per WS; with a minimum of 40 participants and lasting minimum one day) ▪ Incoming missions & B2B meetings (EUR 21,000 for a minimum of 10 economic operators) First call done; first projects approved	Based on historical data for meetings provided by chambers of commerce and regional development agencies; country co-efficient from Marie Skłodowska Curie Action Work Programme applied Lessons learned: 30% of applicants failed to fill in budgets correctly! <ul style="list-style-type: none"> ▪ Some understood it as ‘up to’ instead of fixed, ▪ Some used wrong budget line ▪ Some handed in budgets based on real cost
Grand Region Regina Decoville	Pre-defined types of projects based on SCOs. <ul style="list-style-type: none"> ▪ workshops/seminar/ training /conference (unit cost) ▪ citizen exchange / citizen networking /citizen meetings (lump sum) ▪ events / festivals / exhibitions (lump sum) ▪ production of media (lump sum) in addition a lump sum, for preparation and one for closure is provided	Data collection based on market research (ranked as other objective information) 4 pieces of evidence per lump sum – one pre-defined; 3 can be chosen by the applicant/recipient Challenges: <ul style="list-style-type: none"> ▪ to obtain sufficient numbers of offers for certain items; and ToRs evolve along the way ▪ cost gradients between the regions ▪ Flat rate for staff and flat rate for office and administration had to be taken out upon MC intervention (initially planned to top up each of the lump sums)

Small projects are a HIT! (Peter Rácz, Interact)

Interact presented the status and the next steps in the development process of the Harmonised Implementation Tools (HIT). It was underlined that HIT tools for SPF and micro-projects will be developed by a working-group established within the HIT Core Group (with programmes planning to have SPF and/or micro projects in the future).

Participants were split into tables representing Interreg CBC, Interreg TN, Interreg IPA and ENI programmes per table(s). Each table was hosted by one, or more colleague(s) representing HIT Core Group member programme(s).

Each table was requested to discuss the following questions regarding expectations towards HIT development (SPF/micro projects related tools):

1. In case of SPF what (extra) information would you need to be able to select SPF Beneficiaries (compared to standard projects)?

- The SPF partnership, which is managing the SPF ("umbrella") might need to give additional information about their human resource capacities (both for management and content related)
- Information on financial liquidity of the SPF beneficiary(ies) - (Probability of advance payment?)
- Draft cross-border/territorial strategy for SPF implementation
- Description of management structure /administration procedures
- Proving the absence of any conflict of interest, procedure to lower the risk of any conflict of interest with the selected small projects
- Definition of the eligible SPF area
- SPF communication plan on how to reach the target group(s)
- Proper use/calculation of SCOs provided

2. Collect "must have" information for selection of micro/small projects. (Focus on content and finance, not administrative info)

- Project aim
- Specific outputs
- Expected results
- Limited information on finances/budget (should be mainly financed through SCOs)
- SHORT description of activities
- Competence of beneficiaries
- Cross-border effect
- SHORT information on internal staff

3. Collect "must have" information for reporting of SPF/small projects.

In case of SPF as operation:

Very similarly to standard projects the reports should contain the achieved outputs/results (measured by indicators), progress in thematic and communication/publicity activities in small projects, incurred expenditures (in case of real costs), obstacles in implementation and their solutions, experience with small projects

In case of micro/small projects:

- Clear evidence of the achievements – only at the end of the micro/small project
- Documentation proving the costs required ONLY covering real costs
- proof of evidence of visibility measures
- having rather one report per project (final report), or very clear milestone reports
- some kind of short "citizen's summary" with the achievements

4. What is your main message to the HIT CG elaborating tools for SPF/small projects?

The main message is to keep the tools as simple as possible!

- Maximum 2-3 pages for an application form
- Tools should be the simplified, but consistent versions of standard tools
- Clear SCO budget modules
- (Simplify also procedures for SPF beneficiaries in future monitoring systems)