

Netherlands non-paper INTERREG Post-2020

Outline

1. Increase the added value of INTERREG in Europe by putting a stronger emphasis on innovation, sustainability, energy transition and climate adaptation, as well as by reducing the barrier effects of borders.
2. Simplify INTERREG by harmonising processes with the help of best practices, harmonising the information request to projects, reducing the complexity of administrative systems and designing uniform regulations on state aid.
3. Identify any need for updates to the programme areas as a result of changing situations.
4. Introduce flexibility in the programme structure by enabling the reallocation of programme budgets between priorities.
5. Apply output-based auditing to innovative projects.

Introduction

This non-paper voices the opinion of the Dutch national, provincial, regional and local government (i.e. the Dutch government and subnational authorities) on the future of INTERREG, following up on their joint non-paper of March 2017 on the future of the ESI funds. In the INTERREG instrument is contained the essential value of the European Union: to promote the crossing of European national borders through cross-border, transnational and interregional collaboration. By achieving its projects and programmes, INTERREG makes an invaluable contribution to economic structure enhancement and to the creation of European networks for enterprises, knowledge institutions as well as local and regional governments. Additional efforts are needed for economic structure enhancement in border regions, however, according to the Communication from the European Commission (EC) on *Boosting growth in border regions*. As Dutch government and subnational authorities advocate the continuation of INTERREG, this non-paper contains their suggestions to improve and actualise the programme.

They propose to increase the added value of INTERREG in Europe by stronger emphasising the societal issues of innovation, sustainability, energy transition and climate adaptation, as well as by reducing the barrier effects of borders. The Dutch government and subnational authorities furthermore recommend simplifying INTERREG, reviewing programme divisions, introducing flexibility in the programme structure and reducing the administrative burden. They furnish the non-paper with practical solutions to this effect.

INTERREG VI objectives – Societal issues and cross-border challenges

Increasing the added value of these INTERREG initiatives in Europe requires making a decisive choice for issues of major social importance which furthermore lend themselves to a cross-border, transnational and interregional approach. The proper alignment between future INTERREG programmes and regional, cross-border challenges needs to be safeguarded. Obvious issues in this context are ones regarding innovation, economic growth, sustainability, energy transition and climate adaptation, as well as reducing the barrier effects of borders.

Transboundary spill-over effects can be created by investing in innovation. Such effects not only contribute to collaboration on innovative projects between regional parties, but also to new solutions to existing challenges at the European level. The crucial step in increasing the added value of European initiatives is to promote the establishment of strong cross-border networks, whose partners share in development-oriented knowledge, information and funding flows.

Priority themes such as the climate, energy transition and sustainability are clearly international issues. In future, INTERREG should continue to enable regional experiments in applying smart solutions to the energy transition and implementing adjustments prompted by climate change.

There is an ongoing need to reduce the barrier effects of borders. Within the new programme period, prominence within INTERREG should again be given to the alignment with local laws and regulations as well as the approach to practical obstacles posed by existing national borders to citizens and entrepreneurs. INTERREG A aims to transform border regions into growth regions.

Until now, the sole focus of INTERREG Europe has been on policy-related learning and knowledge exchange. We recommend incorporating into this programme an option for Europe-wide collaboration on the aforementioned issues, along with the possibility for governments, knowledge institutions and enterprises to implement investment projects.

Simplification

Simplification of regulations and procedures is required for an improved implementation of the INTERREG programmes. Due to the current complexity, participation can be very difficult for small enterprises as well as for some municipalities. Excessive lead times for decisions on project applications are also an issue, as they frequently impede potential collaborations among small and medium-sized enterprises. Experiences with the financial and accounting regulations pursuant to INTERREG V are also stifling.

Through its participation in seven INTERREG programmes, the Netherlands has encountered seven different sets of regulations, application procedures, application forms, administrative systems and administrative handling processes. Increased harmonisation would benefit each of the programme lines (A cross-border, B transnational/multinational and C interregional/Europe-wide). With the benefit of best practices such as the Germany-Netherlands programme, the Commission can make recommendations for the common administrative structure within programme lines. To avoid wasting valuable time on seeking alignment between Member States and regional governments, the Commission would be advised to take the initiative in this regard. Improved access to these programmes by all target groups is also of the essence.

The application of state aid regulations is currently shrouded in uncertainty. There are various articles in the General Block Exemption Regulation (GBER) stipulating that INTERREG programme participants can be exempted from state aid. In practice, all programmes have different assessments of state aid, as each individual programme chooses which articles to apply. The resulting patchwork of provisions and procedures only complicates the approach to solving issues in the programme areas involved. Simplifying INTERREG and creating a level playing field requires a homogeneous selection of GBER articles by the EC.

Programme division

The new programme period allows the current programme division across Europe to be updated in terms of alignment with changing situations. An additional motivation for the Netherlands is the potential direct impact of Brexit on the Two Seas, North Sea Region and North West Europe programmes. By adding partners from outside the current programme area, some existing programmes can also be enhanced. Possible improvements include expanding or merging current programme areas. To this end, it should be ensured that the geographical coverage of the Dutch regions in the INTERREG B programmes is sufficient. INTERREG A programmes should retain their focus on border regions in the new programme period.

The participation of a partner from outside the programme area can sometimes enhance a programme's performance. In principle, all provinces have access to cross-border and other interregional projects by virtue of the rule that each programme may allocate 20% of the ERDF

funds outside the programme area, so long as the interests of the programme area are promoted in this manner. This often leads to promising results and so should be used in future as well.

Future prospects of cross-border collaboration within the area of the current Two Seas programme should be clarified in the light of the INTERREG A programmes. In addition, expanding the new Germany-Netherlands programme to the entire German-Dutch border region could be worth considering. We would also recommend looking into the question whether participation in the INTERREG B programmes for transnational collaboration should be open to all Dutch provinces.

Flexible programme structure

Two particular aspects of INTERREG stand to benefit from introducing flexibility in the programme structure: the allocation of budgets to programme priorities and the indicator system for the assessment of innovative projects. The specific priorities of each programme, which are stipulated at the beginning of the programme period, are allocated specific budgets. In our experience, the number of project applications differs considerably between the budgets for various priorities. This uncertainty cannot be avoided due to the dependence on project applications. Creating the option to reallocate budgets between the priorities midway through the programme period would thus maximise the social value realised from the available resources.

The Netherlands advocates the notion of output-based auditing, which monitors taking the right steps during the project rather than assessing results, as the latter are notoriously difficult to predict in the area of innovation. This approach better suits the inherent uncertainty involved in innovative projects, while continuing to verify the effective use of public funds. Presently, innovation is impeded by the result obligation and the accompanying indicator system. Project applicants need to stipulate in advance which specific results will be realised through the project. This system is needlessly detrimental to finding innovative solutions to social challenges, which is an intrinsically uncertain process.

Reduction of the administrative burden

There is an urgent need to reduce the administrative burden on project applicants. This matter requires paying special attention to the (1) proportionality of the information request to the project, (2) homogeneity of administrative systems and (3) calculation method of specific costs.

Proportionality of the information request

As programmes differ in key aspects, so do the questions to be answered by the project applicants and the size of the project proposals. The latter aspect can become very substantial for certain programmes. Increased alignment of the various information requests may bridge the differences between programmes. A general guideline for the maximum size of project proposals will also help to alleviate the bureaucratic process around project applications.

Project partners currently incur significant expenses for the First-Level Control (FLC), which can reach 5–10% of the project budget for each participant. In addition to the FLC, all project partners face a Second-Level Control (SLC) by means of a random check performed by the financial authority of the individual country. The Commission sometimes performs yet another control following the SLC.

We recommend scrutinising the current system of financial control and investigating the possibilities to reduce FLC costs through smart measures. This could include reducing the complexity of regulations, using Simplified Cost Options (SCO) and performance-based settlement to facilitate control, as well as applying cross-reliance and single information single audit (SISA) to reduce the control burden.

Homogeneity of administrative systems

Administrative systems and handling processes are in need of improved homogeneity. Presently, all programmes use their own system. As a result, parties involved in multiple programmes are

forced to supply relevant data in various formats. This approach is neither user-friendly nor cost-efficient, while it creates an increased risk of producing financial misstatements and hence exceeding the 2% error margin. We suggest that the Commission looks into the most user-friendly and cost-efficient system, which can then in principle be applied to all INTERREG programmes.

Cost calculation method

The current use of in-kind contribution is insufficiently conspicuous. There is a need for clarity and uniformity when using in-kind contribution. In addition, present personnel expenses are often eligible for compensation only if an organisation has permanently employed the person concerned. This process is incompatible with contemporary employment relationships, which see many organisations hiring temporary staff in the form of payroll services, secondment or self-employed workers. Both situations require a new method to determine and apply reasonable hourly rates within each sector and country, without increasing the control burden. In this context, project partners should have to provide evidence that such hourly rates are reasonable only once during the duration of the project.