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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 European Regional Development Fund and external financing instruments**

{SWD(2018) 282 final} - {SWD(2018) 283 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

On 2 May 2018, the Commission adopted a proposal for the next multi-annual financial framework for the period 2021-2027¹.

Simplifying the framework has been identified as a key objective in the reflection paper on EU finances as well as by the *ex post* evaluation of the current framework and the public consultation on the framework for 2021-2027. Experience suggests that the current rules are overly complex and fragmented, leading to an unnecessary burden on programme managers and final beneficiaries.

On the European territorial cooperation goal (Interreg), the Commission proposes a major effort to simplify cooperation beyond the borders of the Union. The Treaty on the Functioning of the European Union ('TFEU') distinguishes clearly between territorial cooperation between Member States and economic, financial and technical cooperation with non-EU countries. Territorial cooperation between Member States takes place under (internal) economic, social and territorial cohesion (Title XVIII of Part Three on Union policies and internal actions). Economic, financial and technical cooperation with non-EU countries comes under Chapter II, and development cooperation under Chapter III, of Title III (cooperation with third countries and humanitarian aid) of Part Five on the Union's external action, as well as Part Four on the association of the overseas countries and territories (OCTs).

It is therefore not legally possible to establish a single cooperation fund inside and beyond the EU borders. However, in a major effort to simplify and maximise synergy between them, the Regulations governing the EU's future external financing instruments,

- IPA III: Instrument for pre-Accession² ('IPA III'),
- NDICI: Neighbourhood, Development and International Cooperation Instrument³ ('NDICI') and
- OCTP: Council Decision on the association of Overseas countries and territories⁴ establishing the funding in form of a Programme ('OCTP'),

aim to establish clear rules to transfer part of their resources to Interreg programmes. These will then be implemented mostly under the rules established by the Regulation on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments ('European territorial cooperation goal (Interreg) Regulation'). These will be implemented by Interreg programme authorities in the Member States under shared management.

Regarding IPA III, the amount of the contribution to Interreg programmes will be determined under Article 10 of the ETC/Interreg Regulation, which will apply to the use of the contribution. Where appropriate, IPA III may also contribute to transnational and

¹ COM(2018) 322 final, 2.5.2018.

² Regulation (EU) No XXX establishing the Instrument for Pre-accession Assistance (OJ L xx, p. y).

³ Regulation (EU) No XXX establishing the Neighbourhood, Development and International Cooperation Instrument (OJ L xx, p. y).

⁴ Council Decision (EU) No XXX on the association of the Overseas Countries and Territories with the European Union including relations between the European Union on the one hand and Greenland and the Kingdom of Denmark on the other (OJ L xx, p. y).

interregional cooperation programmes or measures that are established and implemented under the ETC/Interreg Regulation (Article 5(4) and (5) of the IPA III Regulation).

Concerning NDICI, where measures are to be implemented which are global, trans-regional or regional, the Commission may decide, under the relevant multiannual indicative programmes or the relevant action plans or measures, to extend the scope of actions to countries and territories not covered by the NDICI Regulation. The aim would be to ensure Union financing was coherent and effective or to foster regional or trans-regional cooperation. In particular, the Commission may include specific financing to help partner countries and regions strengthen their cooperation with neighbouring outermost regions of the EU and with overseas countries and territories covered by the OCTP Decision. To this end, NDICI may contribute, where appropriate and on the basis of reciprocity and proportionality regarding the level of funding from the OCTP and/or the ETC/Interreg Regulation, to actions implemented by a partner country or region or any other entity under this proposed Regulation, by a country, territory or any other entity under the OCTP Decision or by an outermost region of the EU under joint operational programmes or to interregional cooperation programmes or measures established and implemented under the ETC/Interreg Regulation (Article 33(2) of the NDICI Regulation and Article 87 of the OCTP Decision).

To enable consistency with other EU policies in this area, the rules on delivery and implementation of the European Regional Development Fund ('ERDF') is governed as far as possible by the Common Provisions Regulation ('CPR'). This sets out common provisions for all seven shared management funds at the EU level. These are notably:

- CF: Cohesion Fund⁵
- EMFF: European Maritime and Fisheries Fund⁶
- ERDF: European Regional Development Fund⁷
- ESF+: European Social Fund Plus⁸
- AMIF: Asylum and Migration Fund⁹
- BMVI: Border Management and Visa Instrument¹⁰
- ISF: Internal Security Fund¹¹.

To simplify the legislative structure and ensure the applicable provisions are clear, the CPR sets out common and fund-specific rules. So goes for the Regulation covering both the ERDF and the Cohesion Fund intervening under 'Investment for jobs and growth' and, for the ERDF, under the 'European territorial cooperation' goal (Interreg).

Programmes under the 'European territorial cooperation' goal (Interreg) involving several Member States and also non-EU countries have special features. The European territorial cooperation goal (Interreg) Regulation therefore sets out Interreg-specific rules for both the CPR and the Regulation covering both the ERDF and the Cohesion Fund. It also sets out

⁵ [Reference]

⁶ [Reference]

⁷ [Reference]

⁸ [Reference]; except the 'Union Programme for Employment and Social innovation' and the 'Union Programme for Health'.

⁹ [Reference]; only shared management components.

¹⁰ [Reference]; except the 'Customs Control Equipment Programme'.

¹¹ [Reference]

specific rules for programmes under the ETC/Interreg goal ('Interreg programmes') where Member States cooperate with non-EU countries.

The EU's external financing instruments set out clear 'transfer' rules to all Interreg components. During the 2014-2020 programming period, IPA-CBC programmes were already managed by DG REGIO and the implementing rules, based on the IPA Regulation, were mostly aligned with the Interreg rules for cooperation programmes in Member States. ENI-CBC programmes were managed by DG NEAR; the implementing rules, based on the ENI Regulation, set out a number of differences from the Interreg rules. Cooperation around outermost regions was mostly organised at project level, plus some pilot actions involving Interreg programme authorities in implementing cooperation measures under indirect management.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

EU action is justified by Article 174 TFEU: '(T)he Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions'.

The aims of the ERDF are defined in Article 176 TFEU: 'The European Regional Development Fund is intended to help to redress the main regional imbalances in the Union through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions'.

In addition, Article 174 TFEU states that particular attention is to be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps. These include the northernmost regions with very low population density and island, cross-border and mountain regions.

Article 178 TFEU constitutes the legal basis to adopt implementing regulations for the ERDF, the cohesion policy fund supporting the European territorial cooperation goal (Interreg).

Regarding support from the EU's external financing instruments, Article 212(2) TFEU constitutes the legal basis for economic, financial and technical cooperation with non-EU countries in general, including those eligible for accession: '1. Without prejudice to the other provisions of the Treaties, and in particular Articles 208 to 211, the Union shall carry out economic, financial and technical cooperation measures, including assistance, in particular financial assistance, with third countries other than developing countries. (...)

2. Such measures shall be consistent with the development policy of the Union and shall be carried out within the framework of the principles and objectives of its external action. The Union's operations and those of the Member States shall complement and reinforce each other. The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall adopt the measures necessary for the implementation of paragraph 1.

Article 209(1) TFEU constitutes the legal basis for cooperation with developing countries: '1. The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall adopt the measures necessary for the implementation of development cooperation policy, which may relate to multiannual cooperation programmes with developing countries or programmes with a thematic approach.'

Finally, Article 349 TFEU provides for adopting specific measures to take account of the structural social and economic situation of the outermost regions, which is compounded by certain specific features which severely restrain their development.

Subsidiarity and proportionality

The impact assessment¹² identified various reasons why EU action adds value to national action. These include the following:

- In many countries, the ERDF and the Cohesion Fund represent at least 50% of public investment – these Member States would otherwise not have the **financial capacity to make such investments**.
- There are significant potential **spillovers** across national and regional boundaries, for example for investments in innovation and SMEs. There is an important role for the EU level in ensuring that such spillovers materialise and preventing underinvestment. Moreover, investments need to be designed to maximise spillovers.
- In most regions, including more developed ones, **smart specialisation strategies** (RIS3) represent a consistent strategic framework for investments and bring about high added value. These were triggered by the strategic programming requirement for ERDF support and the corresponding pre-condition. In fact, the benefits of such strategies tend to be highest in the most developed regions (particularly in the Nordic countries, Austria, Germany, Benelux and France).
- **It promotes EU priorities.** This includes structural reforms of labour markets, transport, environment, energy, education and social policies and programmes, as well as administrative modernisation.
- The ERDF delivers **tangible results in areas which matter to people** - 'The EU budget helps to deliver on the things that matter for Europeans'¹³. Helping regions adapt to the challenge of globalisation, creating 420 000 jobs by supporting 1.1 million SMEs between 2014 and 2020, tackling urban poverty — all these are priorities for the European public. It is noteworthy that many of these results are particularly evident outside the cohesion countries.

The policy choices in the proposed Regulation are proportionate, for reasons that include the following:

- The programmes are not managed directly by the European Commission, but are instead implemented in partnership with the Member States (under shared management).
- The combined rules (the associated CPR plus this Regulation) are substantially simpler and more consolidated than those for the previous period.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

Ex post evaluation of Interreg 2007-2013

By end 2013, Interreg programmes had funded nearly 7 000 projects in policy areas at the core of the Europe 2020 strategy. These included the creation and expansion of economic clusters, the establishment of centres of excellence, high education and training centres,

¹² For more details, see the Impact Assessment, Chapter 3.1 on subsidiarity and added value of the ERDF and Cohesion Fund.

¹³ See the Commission's Reflection Paper on the Future of EU Finances - COM(2017) 358 final, 28.6.2017: https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances_en.

cooperation networks between research centres and cross-border advisory services for businesses and -start-ups. The 1 300 or so environmental projects involved the joint management of natural resources, including sea and river basins; cooperative action to combat natural risks, to respond to climate change and preserve biodiversity and pilot initiatives to develop renewable energy.

The Interreg programmes contributed to a number of improvements, including accessibility, joint education and training, and increased protection from environmental and man-made risks. The internationalisation of SMEs was improved, particularly in cross-border regions. The programmes also contributed to wider effects, notably by reducing specific barriers to cooperation (mainly cultural and physical barriers) and improving social integration.

The *ex post* evaluation also found the following:

1. Interreg programmes remained very broad and were often aimed primarily at developing cooperation and linkages. It is important to strike an appropriate balance between cooperation (which remains a central element of Interreg) and leveraging the learning for the goals of Cohesion Policy.
2. Limited attention seems to have been paid to the notion of a functional region or area when identifying the regions to support. However, this is essential to considering the potential benefits of cross-border and transnational cooperation.
3. Most programmes have adopted a bottom-up approach when deciding which projects to support. This made it difficult to pursue a coherent strategy to promote the development and socio-economic and territorial integration of the regions concerned, even though most individual projects made a contribution.
4. There was very limited coordination between Interreg programmes and mainstream ones. The potential for complementing one with the other and reinforcing the effects on development was therefore lost.

These weaknesses are being addressed through the regulations for the 2014-2020 programming period. In particular, the result and performance framework should ensure a greater concentration of funds on a limited number of policy aims, with a well-articulated intervention logic at the outset and measurement of results.

The 2021-2027 period will seek to further strengthen cooperation. This will be done through the following measures in particular:

1. Adapting the architecture of Interreg programmes to take better account of functional areas. Cross-border programmes will be better streamlined in order to concentrate resources on land borders where there is a high degree of cross-border interaction. Maritime cooperation will be reinforced by combining the cross-border and transnational dimension of working across sea basins in new maritime programmes.
2. Embedding cross-border cooperation into recent policy work outlined in the Commission Communication 'Boosting Growth and Cohesion in EU Border Regions'¹⁴ ('Border Regions Communication'). Focusing programmes on actions that are of direct interest to people and businesses located in border regions.

¹⁴ Communication from the Commission to the Council and the European Parliament 'Boosting growth and cohesion in EU border regions' - COM(2017) 534 final, 20.9.2017.

3. Strengthening the transnational and maritime cooperation Interreg programmes that cover the same functional areas as the existing macro-regional strategies (MRS). Increasing the alignment between funding and MRS priorities.
4. Reinforcing interregional cooperation for innovation as outlined in the Commission Communication 'Strengthening Innovation in Europe's regions - Strategies for resilient, inclusive and sustainable growth'¹⁵. This will be done by proposing a new interregional instrument aimed at helping those involved in smart specialisation strategies (S3) to cluster together, in order to scale up innovation and bring innovative products and processes to the European market.
5. The CPR and ERDF regulations will further encourage and support stronger coordination between Interreg programmes and Investment of Jobs and growth programmes. This will be done by ensuring cooperation actions are well represented in the priorities funded under those programmes.

Lessons learnt from IPA 2014-2020

IPA actively promotes territorial cooperation, for example through cross-border programmes, transnational and interregional cooperation programmes, and macro-regional strategies. The added value is obvious: reconciliation and confidence-building in the Western Balkans, the overcoming of geographical and mental barriers, and the development of good neighbourly relations - all these remain key aspects of the enlargement process that are addressed solely by EU programmes and not by other donors.

***Ex post* evaluation of ENPI CBC¹⁶ programmes in the 2007-2013 period**

The thirteen ENPI CBC programmes implemented during the 2007-2013 period covered nine EU land borders, three sea basins and one sea crossing. The financial resources allocated amounted to EUR 947.2 million combining funds from ENPI, ERDF and IPA. The contribution from participating countries and/or project beneficiaries brought the total allocation to EUR 1.2 billion. The programmes involved thirty-four countries, nineteen EU Member States and twelve of the sixteen neighbourhood partner countries plus Norway, Russia and Turkey.

Altogether, the programmes funded 941 projects over the period for a total contracted amount of EUR 910 million (as of April 2017), out of which 38% was channelled to projects promoting economic development, 32% to environment, 19% for social development and 11% for security issues. The bulk of EU funding (70%) was channelled through standard projects selected through calls for proposals. Large-scale infrastructure projects (LIP's) represented 22% of the total EU funding contracted (approximately EUR 195 million), while strategic projects covered a minor share (8% of the total EU funding contracted). In total, there were 867 standard projects, 51 LIPs and 23 strategic projects. The participation in calls for proposals has been very high (in total, more than 7 000 applications were submitted across all programmes), attesting the

¹⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth' - COM(2017) 376 final, 18.7.2017.

¹⁶ Based on Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (OJ L 310, 9.11.2006, p. 1).

appeal of CBC among stakeholders in the eligible areas. In total, ENPI CBC involved 4 569 organisations from thirtysix different countries, out of which 2 106 were from partner countries.

The *ex post* evaluation praised the impressive number and variety of cross-border cooperation projects as well as the solid basis for cooperation compared to the previous period, with well-established programme authorities and more experienced beneficiaries. At the same time, the evaluation noted the insufficient evidence on the achievements of the ENPI CBC programmes, delays in the programme and project implementation, as well as the broadly formulated programme objectives and priorities of calls that diminished the overall impact. Some of these elements have already been (fully or partially) addressed by the current generation of 2014-2020 programmes.

Recommendations for the upcoming programming period include enhancing focus and impact of the programmes, seeking more synergies with other EU instruments and policies, enhancing the added value of large infrastructure projects, improving programme efficiency, improving performance frameworks and monitoring and evaluation practices, and strengthening the technical assistance and support to programmes.

Mid-term review of ENI CBC programmes in the 2014-2020

The mid-term review of the ENI CBC programmes for the period 2014-2020 has found that the CBC strategy remains appropriate in the context of the EU policy framework and provides response to the developments in the region. Indeed, CBC is seen to be an important vehicle for positive collaboration between citizens, local authorities and civil society on both sides of the EU border, even in cases where wider bilateral relationships may be challenging. Although programme development and implementation have moved slower than originally planned, there is recognition from partners that the process has improved compared to previous years and that commitment to implement successful programmes remains strong.

Stakeholder consultation

An online public consultation took place between 10 January and 9 March 2018. The consultation covered cohesion policy, i.e. ERDF, Cohesion Fund and ESF, including aspects of ETC/Interreg.

- Regarding the most important challenges, the largest proportion (94% of respondents) identified ‘reducing regional disparities’ as very important or rather important; this was followed by ‘reducing unemployment, quality jobs and labour mobility’ and ‘promoting social inclusion and combating poverty’ (91%).
- Of the challenges, ‘Fostering research and innovation’ was regarded as the one most successfully addressed (by 61%), followed by ‘territorial cooperation’ (59%).
- 76% of respondents considered that the funds add value to a large or fairly large extent; under 2% that they have no added-value at all.

- Complex procedures (86%) were seen as by far the biggest obstacle to the achievement of objectives. Next were audit and control procedures (68%), and lack of flexibility to react to unforeseen circumstances (60%).
- For simplification, the most frequent choice was ‘fewer, clearer, shorter rules’ (90%); this was followed by ‘alignment of rules between EU funds’ (79%) and ‘increased flexibility’ in allocating resources both to and within a programme area (76-77%).

In answering the open questions, respondents on balance strongly supported the following:

- Cohesion policy for all regions (though with a continued focus on less developed ones).
- Policy innovation, including smart specialisation strategies and smart investment more generally.
- Continuing and developing of thematic concentration.
- A focus on local challenges (especially sustainable urban development)
- Interregional cooperation, both cross-border and across Europe. The latter is essential for smart specialisation – innovation in high tech sectors often depends on exchanges and spillovers from cooperation between clusters or knowledge hubs across Europe.

These issues are being addressed in this proposed Regulation which:

- continues to focus on tackling regional disparities and the challenges facing regions across Europe;
- continues and enhances thematic concentration on smart growth via smart specialisation strategies and on low-carbon and sustainable development;
- maintains support for interregional cooperation, extending this to smart specialisation; and
- promotes local development based on integrated territorial and local strategies and encourages sustainable urban development as well as capacity building in this field.

In addition, the CPR Regulation will provide a framework for the ERDF to:

- simplify the complex procedures associated with it;
- increase flexibility to respond to emerging challenges; and
- align rules between the various EU funds covered.

Impact assessment

The options deal with a 7% reduction in the budget by:

- Option 1: Reducing the contribution to the more developed regions.
- Option 2: Maintaining support in key areas (thematic concentration) and reducing it for other themes.

Option 2 is the preferred option, for reasons including the following:

- To maintain a focus on the themes of highest EU added value, where evidence from the evaluation suggests the policy has had the strongest impact.
- Many of the greatest challenges (globalisation and economic transformation, transition to the low-carbon economy, environmental challenges, migration and pockets of urban poverty) increasingly affect many regions across the EU, including more developed ones. EU investment is both necessary and a sign of solidarity.
- Maintaining critical mass - investments in the more developed regions are already small in per capita terms.
- In the public consultation, the vast majority of stakeholders supported the ERDF in all regions. This approach also ensures cohesion policy funds have better visibility in all Member States.

Simplification

There is evidence of substantial administrative costs associated with the ERDF, estimated in a recent study¹⁷ at 3% of average programme costs. The administrative burden on beneficiaries (including SMEs) is higher.

Most of the simplifications in the ERDF will be created by the CPR. Many are difficult to quantify financially in advance, but the study made the following estimates:

- Making greater use of simplified cost options (or payments based on conditions) for the ERDF could substantially reduce total administrative costs – by 20-25% if these options are applied across the board.
- This more proportionate approach to control and audits implies a major reduction in the number of verifications and in the audit burden for “low risk” programmes; this would reduce total administrative costs of the ERDF by 2-3% and costs for affected programmes by a much greater amount.

Another major aspect of simplification is that this proposal would integrate support from the ERDF and from EU's external financing instruments, as set out above.

E-cohesion and data exchange

The 2014-2020 programme period required a system of electronic data exchange between beneficiaries and managing authorities and between the different authorities of the management and control system. This proposal for a Regulation builds on this and develops further certain points in relation to data collection. All data necessary for monitoring progress in implementation including results and performance of programmes will now be transmitted electronically every 2 months. This means the open data platform will be updated in almost real time.

Data on beneficiaries and operations will similarly be made public in electronic form, on a website run by the managing authority.

¹⁷ Spatial Foresight & t33 'New assessment of administrative costs and burden in ESI Funds, preliminary results'.

4. BUDGETARY IMPLICATIONS

This proposal does not have budgetary implications. The proposal on the ERDF and Cohesion Fund Regulation sets out budgetary implications of the ERDF which is the source fund for actions covered by this proposal.

5. SUMMARY OF THE CONTENT OF THE REGULATION

Much of the delivery and implementation of the ERDF is covered in the CPR. This proposal for a Regulation should therefore be seen in this context. Its main focus is on key implementation and cooperation issues, notably:

- the definition and geographical coverage of the five components;
- Interreg-specific objectives and scope;
- adaptations of the CPR rules on programming, programme authorities, management and control and financial management; and
- integration of EU external financing instruments.

Chapter I - General provisions (Article 1 to 13)

Subject, scope and Interreg components

This Chapter sets out the subject matter and scope of the ETC/Interreg Regulation. In particular, it describes the five Interreg components: cross-border, transnational and maritime, outermost regions', interregional cooperation and the new interregional innovation investments.

Geographical coverage

The Commission carried out a more than two-years study and consultation process known as the "Cross-border review". This gathered evidence showing that border regions generally perform less well economically than other regions within a Member State. Access to public services such as hospitals and universities is generally more difficult in border regions. Navigating between different administrative and legal systems is often still complex and costly.

As a follow-up to the Cross-border Review, the Commission adopted the Border Regions Communication proposing a number of concrete measures to be taken by the EU and national, regional and local governments. These measures include "considering the legal and financial framework for cross-border cooperation". The Communication proposes to explore ways in which future funding programmes, including Interreg, can make a more strategic contribution to preventing and resolving border obstacles and developing cross-border public services.

Consequently, the cross-border cooperation component will be concentrated on land borders, whereas cross-border cooperation on maritime borders will be integrated into the enlarged 'transnational cooperation and maritime cooperation' component.

The 2021-2027 proposals for both the Investment for Jobs and growth and ETC/Interreg goals reflect this commitment in two ways. First, they significantly raise the profile of cooperation actions in the programmes. Second, they help the cross-border programmes to focus more than before on institutional cooperation, resolving border issues, and investing in joint services of public interest.

Resources and co-financing rates

These provisions cover the resources, both from ERDF and the EU's external financing instruments. A 'return' mechanism of the remaining funds is set out in case no submission is made or no financing agreement of an external Interreg is signed. In particular for external cooperation, co-financing should be higher than for the Investment for jobs and growth goal.

Chapter II - Interreg-specific objectives and thematic concentration (Articles 14 and 15)

Taking into account the special features of Interreg, two Interreg-specific objectives are set out:

'better Interreg governance'; and

'a safer and more secure Europe',

The proposed Regulation also sets out specific percentages for thematic concentration.

Chapter III - Programming (Interreg programmes – territorial development – operations and small project fund- TA) (Articles 16 to 26)

This Chapter adapts the CPR rules to Interreg programmes. A new feature is the 'Small project fund' allowing local and civil society to set up small projects using simplified cost options.

Chapter IV - Monitoring – evaluation – information and communication (Articles 27 to 35)

This Chapter also adapts the CPR rules to Interreg programmes.

To ensure a consistent monitoring of performance, the proposed Regulation also maintains and refines the common set of output indicators, while adding for the first time a common set of results indicators. The latter make it possible to report results in real time on the Open Data Platform and to compare them across programmes and Member States. They will also feed into discussions on performance and successful evaluations.

Chapter V – Eligibility (Articles 36 to 43)

Eligibility rules should be established as far as possible by each Member State with a minimum of EU rules. However, this approach does not work for Interreg programmes where between 2 and 27 different sets of national rules may contradict and clash. This Chapter therefore sets out a clear hierarchy of EU, Interreg programme-specific and then national eligibility rules. The detailed provisions under Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014¹⁸ are integrated into this proposed Regulation.

Chapter VI - Interreg programme authorities, management and control (Article 44 to 48)

The CPR rules on programme authorities, management and control are adapted to Interreg programmes. This affects in particular the functioning of the single audit authority and hugely simplifies the audit of operations.

Chapter VII - Financial management, accounts and financial corrections (Articles 49 and 50)

¹⁸ Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes (OJ L 138, 13.5.2014, p. 45).

Interreg programmes should receive higher and faster pre-financing than other cohesion policy programmes to enable beneficiaries who often do not have sufficient own resources to get their operations started. In addition, the recovery chain should be established in detail.

Chapter VIII - Participatin of third countries and OCTs in Interreg progammes under shared management (Articles 51 to 59)

The starting point is that 'normal' ETC/Interreg rules will apply. Certain adaptations are needed to take into account that non-EU countries or partner countries or OCTs are not bound by EU law. This impacts on programme authorities, management methods, eligibility, large infrastructure projects, procurement, financial management and the conclusion of financing agreements.

Chapter IX - Specifc rules on indirect management (Articles 60 and 61)

These cover the interregional innovation investments and may concern cooperation between outermost regions’.

Chapter X - Final provisions (Articles 62 to 65)

These cover delegation, comitology and transitional provisions.

ANNEX

The Annex covers the template for Interreg programmes.

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 European Regional Development Fund and external financing instruments

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 178, Article 209(1), Article 212(2), and Article 349 thereof,
Having regard to the proposal from the European Commission,
After transmission of the draft legislative act to the national parliaments,
Having regard to the opinion of the European Economic and Social Committee¹⁹,
Having regard to the opinion of the Committee of the Regions²⁰,
Acting in accordance with the ordinary legislative procedure,
Whereas:

- (1) Article 176 of the Treaty on the Functioning of the European Union ('TFEU') provides that the European Regional Development Fund ('ERDF') is intended to help to redress the main regional imbalances in the Union. Under that Article and the second and third paragraphs of Article 174 of the TFEU, the ERDF is to contribute to reducing disparities between the levels of development of the various regions and to reducing the backwardness of the least favoured regions, among which particular attention is to be paid to certain categories of regions, among which cross-border regions are explicitly listed.
- (2) Regulation (EU) [new CPR] of the European Parliament and of the Council²¹ sets out provisions common to the ERDF and certain other funds and Regulation (EU) [new ERDF] of the European Parliament and of the Council²² sets out provisions concerning the specific objectives and the scope of the ERDF support. It is now necessary to adopt specific provisions in relation to the European territorial cooperation goal (Interreg) where one or more Member States cooperate across borders with regard to effective programming including provisions on technical assistance, monitoring, evaluation, communication, eligibility, management and control, as well as financial management.
- (3) In order to support the harmonious development of the Union's territory at different levels, the ERDF should support cross-border cooperation, transnational cooperation, maritime cooperation, outermost regions' cooperation and interregional cooperation under the European territorial cooperation goal (Interreg).

¹⁹ OJ C [...], [...], p. [...].

²⁰ OJ C [...], [...], p. [...].

²¹ [Reference]

²² [Reference]

- (4) The cross-border cooperation component should aim to tackle common challenges identified jointly in the border regions, and to exploit the untapped growth potential in border areas as evidenced in the Communication of the Commission 'Boosting Growth and Cohesion in EU Border Regions'²³ ('Border Regions Communication'). Consequently, the cross-border component should be limited to cooperation on land borders and cross-border cooperation on maritime borders should be integrated into the transnational component.
- (5) The cross-border cooperation component should also involve cooperation between one or more Member States and one or more countries or other territories outside the Union. Covering internal and external cross-border cooperation under this Regulation should result in a major simplification and streamlining of applicable provisions for the programme authorities in the Member States and for the partner authorities and beneficiaries outside the Union compared to the programming period 2014-2020.
- (6) The transnational cooperation and maritime cooperation component should aim to strengthen cooperation by means of actions conducive to integrated territorial development linked to the Union's cohesion policy priorities, and should also include maritime cross-border cooperation. Transnational cooperation should cover larger territories on the mainland of the Union, whereas maritime cooperation should cover territories around sea-basins and integrate cross-border cooperation on maritime borders during the programming period 2014-2020. Maximum flexibility should be given to continue implementing previous maritime cross-border cooperation within a larger maritime cooperation framework, in particular by defining the territory covered, the specific objectives for such cooperation, the requirements for a project partnership and the setting-up of sub-programmes and specific steering committees.
- (7) Based on the experience with cross-border and transnational cooperation during the programming period 2014-2020 in outermost regions, where the combination of both components within a single programme per cooperation area has not brought about sufficient simplification for programme authorities and beneficiaries, a specific outermost regions' component should be established in order to enable outermost regions to cooperate with their neighbouring countries and territories in the most effective and simple way.
- (8) Based on the experience with the interregional cooperation programmes under Interreg and the lack of such cooperation within programmes under the Investment for jobs and growth goal during the programming period 2014-2020, the interregional cooperation component should focus more specifically on boosting the effectiveness of cohesion policy. That component should therefore be limited to two programmes, one to enable all kind of experience, innovative approaches and capacity building for programmes under both goals and to promote European groupings of territorial cooperation ('EGTCs') set up or to be set up pursuant to Regulation (EC) No 1082/2006 of the European Parliament and of the Council²⁴ and one to improve the analysis of development trends. Project-based cooperation throughout the Union should be integrated into the new component on interregional innovation investments and closely linked to the implementation of the Communication from the Commission

²³ Communication from the Commission to the Council and the European Parliament 'Boosting growth and cohesion in EU border regions' - COM(2017) 534 final, 20.9.2017.

²⁴ Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC) (OJ L 210, 31.7.2006, p. 19).

'Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth'²⁵, in particular to support thematic smart specialisation platforms on fields such as energy, industrial modernisation or agrifood. Finally, integrated territorial development focusing on functional urban areas or urban areas should be concentrated within programmes under the Investment for jobs and growth goal and in one accompanying instrument, the 'European Urban Initiative'. The two programmes under the interregional cooperation component should cover the whole Union and should also be open for the participation of third countries.

- (9) Objective criteria for designating eligible regions and areas should be established. To that end, the identification of eligible regions and areas at Union level should be based on the common system of classification of the regions established by Regulation (EC) No 1059/2003 of the European Parliament and of the Council²⁶.
- (10) It is necessary to continue supporting or, as appropriate, to establish cooperation in all its dimensions with the Union's neighbouring third countries, as such cooperation is an important regional development policy tool and should benefit the regions of the Member States which border third countries. To that effect, the ERDF and the external financing instruments of the Union, IPA²⁷, NDICI²⁸ and OCTP²⁹, should support programmes under cross-border cooperation, transnational cooperation and maritime cooperation, outermost regions' cooperation and interregional cooperation. The support from the ERDF and from the external financing instruments of the Union should be based on reciprocity and proportionality. However, for IPA III CBC and NDICI CBC, the ERDF support should be complemented by at least equivalent amounts under IPA III CBC and NDICI CBC, subject to a maximum amount set out in the respective legal act, that is to say, up to 3 % of the financial envelope under IPA III and up to 4 % of the financial envelope of the Neighbourhood geographic programme under Article 4(2)(a) of the NDICI.
- (11) IPA III assistance should mainly focus on assisting the IPA beneficiaries to strengthen democratic institutions and the rule of law, reform the judiciary and public administration, respect fundamental rights and promote gender equality, tolerance, social inclusion and non-discrimination. IPA assistance should continue to support the efforts of the IPA beneficiaries to advance regional, macro-regional and cross-border cooperation as well as territorial development, including through the implementation of Union macro-regional strategies. In addition, IPA assistance should address security, migration and border management, ensuring access to international protection, sharing relevant information, enhancing border control and pursuing common efforts in the fight against irregular migration and migrant smuggling.

²⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth' - COM(2017) 376 final, 18.7.2017.

²⁶ Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS) (OJ L 154, 21.6.2003, p. 1).

²⁷ Regulation (EU) No XXX establishing the Instrument for Pre-accession Assistance (OJ L xx, p. y).

²⁸ Regulation (EU) No XXX establishing the Neighbourhood, Development and International Cooperation Instrument (OJ L xx, p. y).

²⁹ Council Decision (EU) No XXX on the association of the Overseas Countries and Territories with the European Union including relations between the European Union on the one hand and Greenland and the Kingdom of Denmark on the other (OJ L xx, p. y).

- (12) With regard to NDICI assistance, the Union should develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation. This Regulation and the NDICI should therefore support the internal and external aspects of relevant macro-regional strategies. Those initiatives are strategically important and offer meaningful political frameworks for deepening relations with and among partner countries, based on the principles of mutual accountability, shared ownership and responsibility.
- (13) It is important to continue observing the role of the EEAS and the Commission in the preparation of the strategic programming and of Interreg programmes supported by the ERDF and the NDICI as established in Council decision 2010/427/EU³⁰.
- (14) In view of the specific situation of outmost regions of the Union, it is necessary to adopt measures concerning the conditions under which those regions may have access to structural funds. Consequently, certain provisions of this Regulation should be adapted to the specificities of the outermost regions in order to simplify and foster cooperation with their neighbors, while taking into account the Communication from the Commission 'A stronger and renewed strategic partnership with the EU's outermost regions'³¹.
- (15) It is necessary to set out the resources allocated to each of the different components of Interreg, including each Member State's share of the global amounts for the cross-border cooperation, the transnational cooperation and maritime cooperation, the outermost regions' cooperation and the interregional cooperation, the potential available to Member States concerning flexibility between those components. Compared to the programming period 2014-2020, the share for cross-border cooperation should be reduced, while the share for transnational cooperation and maritime cooperation should be increased because of the integration of maritime cooperation, and a new outermost regions' cooperation component should be created.
- (16) For the most efficient use of the support from the ERDF and the external financing instruments of the Union, a mechanism should be set up to organise the return of such support in cases where external cooperation programmes cannot be adopted or have to be discontinued, including with third countries which do not receive support from any financing instrument of the Union. That mechanism should seek to achieve optimal functioning of the programmes and the maximum possible coordination between those instruments.
- (17) The ERDF should contribute, under Interreg, to the specific objectives under the cohesion policy objectives. However, the list of the specific objectives under the different thematic objectives should be adapted to the specific needs of Interreg, by providing for additional specific objectives under the policy objective 'a more social Europe by implementing the European Pillar of Social Rights' in order to allow for ESF-type interventions.

³⁰ Council decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30).

³¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank 'A stronger and renewed strategic partnership with the EU's outermost regions', - COM(2017) 623 final, 24.10.2017.

- (18) Within the context of the unique and specific circumstances on the island of Ireland, and with a view to supporting North-South cooperation under the Good Friday Agreement, a new 'PEACE PLUS' cross-border programme should continue and build on the work of previous programmes between the border counties of Ireland and Northern Ireland. Taking into account its practical importance, it is necessary to ensure that, where the programme is acting in support of peace and reconciliation, the ERDF should also contribute to promoting social, economic and regional stability in the regions concerned, in particular through actions to promote cohesion between communities. Given the specificities of the programme it should be managed in an integrated manner with the United Kingdom contribution being integrated into the programme as external assigned revenue. Furthermore, certain rules on the selection of operations in this Regulation should not apply to that programme in relation to operations in support of peace and reconciliation.
- (19) This Regulation should add two Interreg-specific objectives, one to support an Interreg-specific objective strengthening institutional capacity, enhancing legal and administrative cooperation, in particular where linked to implementation of the Border Regions Communication, intensify cooperation between citizens and institutions and the development and coordination of macro-regional and sea-basin strategies, and one to address specific external cooperation issues such as safety, security, border crossing management and migration.
- (20) The major part of the Union support should be concentrated on a limited number of policy objectives in order to maximise the impact of Interreg.
- (21) Provisions on the preparation, approval and amendment of Interreg programmes as well as on territorial development, on the selection of operations, on monitoring and evaluation, on the programme authorities, on audit of operations, and on transparency and communication should be adapted to the specificities of Interreg programmes compared to the provisions set out in Regulation (EU) [new CPR].
- (22) The provisions on the criteria for operations to be considered as genuinely joint and cooperative, on the partnership within an Interreg operation and on the obligations of the lead partner as set out during the programme period 2014-2020 should on be continued. However, Interreg partners should cooperate in all four dimensions (development, implementation, staffing and financing) and, under outermost regions' cooperation, in three out of four, as it should be simpler to combine support from the ERDF and external financing instruments from the Union both on the level of programmes and operations.
- (23) It is necessary to clarify the rules governing small project funds which have been implemented since Interreg has existed, but have never been covered by specific provisions. As also set out in the Opinion of the Committee of the Regions 'People-to-people and small-scale projects in cross-border cooperation programmes'³², such small project funds play an important role in building up trust between citizens and institutions, offer great European added value and contribute considerably to the overall objective of cross-border cooperation programmes by overcoming border obstacles and integrating border areas and their citizens. In order to simplify the management of the financing of small projects by the final recipients, who are often

³² Opinion of the Committee of the Regions 'People-to-people and small-scale projects in cross-border cooperation programmes' of 12 July 2017 (OJ C 342, 12.10.2017, p. 38).

not used to applying for Union funds, the use of simplified cost options and of lump sums should be made obligatory below a certain threshold.

- (24) Due to the involvement of more than one Member State, and the resulting higher administrative costs, in particular in respect of controls and translation, the ceiling for technical assistance expenditure should be higher than that under the Investment for jobs and growth goal. In order to offset the higher administrative costs, Member States should be encouraged to reduce the administrative burden with regard to the implementation of joint projects wherever possible. In addition, Interreg programmes with limited Union support or external cross-border cooperation programmes should receive a certain minimum amount for technical assistance to ensure sufficient funding for effective technical assistance activities.
- (25) Pursuant to paragraph 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016, there is a need to evaluate the Funds on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burdens, in particular on Member States. These requirements, where appropriate, can include measurable indicators, as a basis for evaluating the effects of the Funds on the ground.
- (26) Based on experience during the programming period 2014-2020, the system introducing a clear hierarchy of rules on eligibility of expenditure should be continued while maintaining the principle of rules on eligibility of expenditure to be established at Union level or for Interreg programme as a whole to avoid any possible contradictions or inconsistencies between different Regulations and between Regulations and national rules. Additional rules adopted by one Member State which would only apply to the beneficiaries in that Member State should be limited to the strict minimum. In particular, provisions of the Commission Delegated Regulation (EU) No 481/2014³³ adopted for the programming period 2014-2020 should be integrated into this Regulation.
- (27) Member States should be encouraged to assign the functions of the managing authority to an EGTC or to make such a grouping, like other cross-border legal bodies, responsible for managing a sub-programme, an integrated territorial investment or one or more small project funds, or to act as sole partner.
- (28) In order to continue the payment chain established for the programming period 2014-2020, i.e. from the Commission to the lead partner via the certifying authority, should be continued under the accounting function. The Union support should be paid to the lead partner, unless this would result in double fees for conversion into euro and back into another currency or *vice versa* between the lead partner and the other partners.
- (29) Pursuant to Article [63(9)] of Regulation (EU, Euratom) [FR-Omnibus] sector-specific rules are to take account of the needs of European Territorial Cooperation (Interreg) programmes as regards, in particular the audit function. The provisions on the annual audit opinion, the annual control report and the audits of operations should therefore be simplified and adapted to those programmes involving more than one Member States.

³³ Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes (OJ L 138, 13.5.2014, p. 45).

- (30) A clear chain of financial liability in respect of recovery for irregularities should be established from sole or other partners via the lead partner and the managing authority to the Commission. Provision should be made for liability of Member States, third countries, partner countries or Overseas Countries and Territories (OCTs), where obtaining recovery from the sole or other or lead partner is not successful, meaning that the Member State reimburses the managing authority. Consequently, under Interreg programmes there is no scope for irrecoverable amounts on the level of beneficiaries. It is, however, necessary to clarify the rules, should a Member State, third country, partner country or OCT not reimburse the managing authority. The obligations of the lead partner for recovery should also be clarified. In particular, the managing authority should not be allowed to oblige the lead partner to launch a judicial procedure in a different country.
- (31) In order to apply a mostly common set of rules both in the participating Member States and third countries, partner countries or OCTs, this Regulation should also apply to the participation of third countries, partner countries or OCTs, unless specific rules are set out in a specific Chapter of this Regulation. Interreg programme authorities may be mirrored by comparable authorities in third countries, partner countries or OCTs. The starting point for the eligibility of expenditure should be linked to the signature of the financing agreement by the relevant third country, partner country or OCT. Procurement for beneficiaries in the third country, partner country or OCT should follow the rules for external procurement under Regulation (EU, Euratom) [new FR-Omnibus] of the European Parliament and the Council³⁴. The procedures for the conclusion of financing agreements with each of the third countries, partner countries or OCTs as well as of the agreements between the managing authority and each third country, partner country or OCT with regard to the support from an external financing instrument of the Union or in the case of transfer of an additional contribution from a third country, partner country or OCT to the Interreg programme other than national co-financing should be set out.
- (32) Although Interreg programmes with the participation of third countries, partner countries or OCTs should be implemented under shared management, outermost regions' cooperation may be implemented under indirect management. Specific rules should be set out how to implement those programmes as a whole or partially under indirect management.
- (33) Based on the experience during the programming period 2014-2020 with large infrastructure projects within cross-border cooperation programmes under the European Neighbourhood Instrument, the procedures should be simplified. However, the Commission should retain certain rights concerning the selection of such projects.
- (34) Implementing powers should be conferred on the Commission to adopt and amend the lists of Interreg programmes, the list of the global amount from Union support for each Interreg programme and to adopt decisions approving Interreg programmes and amendments thereof. These implementing powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of

³⁴ [Reference]

implementing powers³⁵. Although these acts are of a general nature, the advisory procedure should be used given that they only implement the provisions in a technical way.

- (35) In order to ensure uniform conditions for the adoption or amendment of Interreg programmes, implementing powers should be conferred on the Commission. However, external cross-border cooperation programmes should respect, where applicable, Committee procedures established under Regulations (EU) [IPA III] and [NDICI] with regard to the first approval decision of those programmes.
- (36) In order to supplement or amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 of the TFEU should be delegated to the Commission to amend the Annex on the template for Interreg programmes. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (37) Since the objective of this Regulation, namely to foster cooperation between Member States and between Member States and third countries, partner countries or OCTs cannot be sufficiently achieved by the Member States but can rather, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective,

HAVE ADOPTED THIS REGULATION:

CHAPTER I

General provisions

SECTION I

SUBJECT MATTER, SCOPE AND INTERREG COMPONENTS

Article 1

Subject matter and scope

1. This Regulation lays down rules for the European territorial cooperation goal (Interreg) with a view to fostering cooperation between Member States inside the Union and between Member States and adjacent third countries, partner countries, other territories or overseas countries and territories ('OCTs') respectively.
2. This Regulation also lays down the provisions necessary to ensure effective programming including on technical assistance, monitoring, evaluation,

³⁵ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

communication, eligibility, management and control, as well as financial management of programmes under the European territorial cooperation goal ('Interreg programmes') supported by the European Regional Development Fund ('ERDF').

3. With regard to support from the 'Instrument for Pre-Accession Assistance' ('IPA III')³⁶, the 'Neighbourhood, Development and International Cooperation Instrument' ('NDICI') and the funding for all the OCTs for the period 2021 to 2027 established as a Programme by Council Decision (EU) XXX³⁷ ('OCTP') to Interreg programmes (the three instruments together: 'the external financing instruments of the Union'), this Regulation defines additional specific objectives as well as the integration of those funds into Interreg programmes, the criteria for third countries, partner countries and OCTs and their regions to be eligible and certain specific implementation rules.
4. With regard to support from the ERDF and the external financing instruments of the Union (jointly referred to as 'the Interreg funds') to Interreg programmes, this Regulation defines the Interreg-specific objectives as well as the organisation, the criteria for Member States, third countries, partner countries and OCTs and their regions to be eligible, the financial resources, and the criteria for their allocation.
5. Regulation (EU) [new CPR] and Regulation (EU) [new ERDF] shall apply to Interreg programmes, except where specifically provided for otherwise under those Regulations and this Regulation or where provisions of Regulation (EU) [new CPR] can only apply to the Investment for jobs and growth goal.

Article 2 **Definitions**

1. For the purpose of this Regulation, the definitions in Article [2] of Regulation (EU) [new CPR] shall apply. The following definitions shall also apply:
 - (1) 'IPA beneficiary' means a country or territory listed in Annex I to Regulation (EU) [IPA III];
 - (2) 'third country' means a country which is not a Member State of the Union and does not receive support from the Interreg funds;
 - (3) 'partner country' means an IPA beneficiary or a country or territory covered by the 'Neighbourhood geographic area' listed in Annex I to Regulation (EU) [NDICI] and the Russian Federation, and which receives support from the external financing instruments of the Union;
 - (4) 'cross-border legal body' means a legal body established under the laws of one of the participating countries in an Interreg programme provided that it is set up by territorial authorities or other bodies from at least two participating countries.
2. For the purpose of this Regulation, where provisions of Regulation (EU) [new CPR] refer to a 'Member State', this shall be construed as meaning 'the Member State

³⁶ Regulation (EU) No XXX establishing the Instrument for Pre-accession Assistance (OJ L xx, p. y).

³⁷ Council Decision (EU) No XXX on the association of the Overseas Countries and Territories with the European Union including relations between the European Union on the one hand and Greenland and the Kingdom of Denmark on the other (OJ L xx, p. y).

hosting the managing authority' and where provisions refer to 'Each Member State' or 'Member States', this shall be construed as meaning 'the Member States and, where applicable, third countries, partner countries and OCTs participating in a given Interreg programme'.

For the purpose of this Regulation, where provisions of Regulation (EU) [new CPR] refer to 'the Funds' as listed in [point (a) of Article 1(1)] of that Regulation or to the 'ERDF', this shall be construed as also covering the respective external financing instrument of the Union.

Article 3

Components of the European territorial cooperation goal (Interreg)

Under the European territorial cooperation goal (Interreg), the ERDF and, where applicable, external financing instruments of the Union shall support the following components:

- (1) cross-border cooperation between adjacent regions to promote integrated regional development (component 1):
 - (a) internal cross-border cooperation between adjacent land border regions of two or more Member States or between adjacent land border regions of at least one Member State and one or more third countries listed in Article 4(3); or
 - (b) external cross-border cooperation, between adjacent land border regions of at least one Member State and of one or more of the following:
 - (i) IPA beneficiaries; or
 - (ii) partner countries supported by NDICI; or
 - (iii) the Russian Federation, for the purpose of enabling its participation in cross-border cooperation also supported by NDICI;
- (2) transnational cooperation and maritime cooperation over larger transnational territories or around sea-basins, involving national, regional and local programme partners in Member States, third countries and partner countries and in Greenland, with a view to achieving a higher degree of territorial integration ('component 2'; where referring only to transnational cooperation: 'component 2A'; where referring only to maritime cooperation: 'component 2B');
- (3) outermost regions' cooperation among themselves and with their neighbouring third or partner countries or OCTs, or several thereof, to facilitate their regional integration in their neighbourhood ('component 3');
- (4) interregional cooperation to reinforce the effectiveness of cohesion policy ('component 4') by promoting:
 - (a) exchange of experiences, innovative approaches and capacity building in relation to:
 - (i) the implementation of Interreg programmes;
 - (ii) the implementation of Investment for jobs and growth goal programmes, in particular with regard to interregional and transnational actions with beneficiaries located in at least one other Member State;
 - (iii) the setting-up, functioning and use of European groupings of territorial cooperation (EGTCs);

- (b) analysis of development trends in relation to the aims of territorial cohesion;
- (5) interregional innovation investments through the commercialisation and scaling up of interregional innovation projects having the potential to encourage the development of European value chains ('component 5').

SECTION II

GEOGRAPHICAL COVERAGE

Article 4

Geographical coverage for cross-border cooperation

1. For cross-border cooperation, the regions to be supported by the ERDF shall be the NUTS level 3 regions of the Union along all internal and external land borders with third countries or partner countries.
2. Regions on maritime borders which are connected over the sea by a fixed link shall also be supported under cross-border cooperation.
3. Internal cross-border cooperation Interreg programmes may cover regions in Norway, Switzerland and the United Kingdom which are equivalent to NUTS level 3 regions as well as Liechtenstein, Andorra and Monaco.
4. For external cross-border cooperation, the regions to be supported by IPA III or NDICI shall be NUTS level 3 regions of the respective partner country or, in the absence of NUTS classification, equivalent areas along all land borders between Member States and partner countries eligible under IPA III or NDICI.

Article 5

Geographical coverage for transnational cooperation and maritime cooperation

1. For transnational cooperation and maritime cooperation, the regions to be supported by the ERDF shall be the NUTS level 2 regions of the Union covering contiguous functional areas, taking into account, where applicable, macro-regional strategies or sea basin strategies.
2. Transnational cooperation and maritime cooperation Interreg programmes may cover:
 - (a) regions in Iceland, Norway, Switzerland, the United Kingdom as well as Liechtenstein, Andorra, Monaco and San Marino;
 - (b) Greenland;
 - (c) the Faroe Islands;
 - (d) regions of partner countries under IPA III or NDICI;whether or not they are supported from the EU budget.
3. The regions, third countries or partner countries listed in paragraph 2 shall be NUTS level 2 regions or, in the absence of NUTS classification, equivalent areas.

Article 6

Geographical coverage for outermost regions' cooperation

1. For the outermost regions' cooperation, all regions listed in the first paragraph of Article 349 of the TFEU shall be supported by the ERDF.
2. The outermost regions' Interreg programmes may cover neighbouring partner countries supported by the NDICI or OCTs supported by the OCTP, or both.

Article 7

Geographical coverage for interregional cooperation and interregional innovation investments

1. For any component 4 Interreg programme or for interregional innovation investments under component 5, the entire territory of the Union shall be supported by the ERDF.
2. Component 4 Interreg programmes may cover the whole or part of the third countries, partner countries, other territories or OCTs referred to in Articles 4, 5 and 6, whether or not they are supported by the external financing instruments of the Union.

Article 8

List of Interreg programme areas to receive support

1. For the purposes of Articles 4, 5 and 6, the Commission shall adopt an implementing act setting out the list of Interreg programme areas to receive support, broken down for each component and each Interreg programme. That implementing act shall be adopted in accordance with the advisory procedure referred to in Article 63(2).
External cross-border Interreg programmes shall be listed as 'Interreg IPA III CBC programmes' or 'Interreg Neighbourhood CBC programmes' respectively.
2. The implementing act referred to in paragraph 1 shall also contain a list specifying those NUTS level 3 regions of the Union taken into account for the ERDF allocation for cross-border cooperation at all internal borders and those external borders covered by the external financing instruments of the Union as well as a list specifying those NUTS level 3 regions taken into account for allocation purposes under component 2B referred to in point (a) of Article 9(3).
3. Regions of third or partner countries or territories outside the Union which do not receive supported from the ERDF or an external financing instrument of the Union shall also be mentioned in the list referred to in paragraph 1.

SECTION III

RESOURCES AND CO-FINANCING RATES

Article 9

ERDF resources for the European territorial cooperation goal (Interreg)

1. The ERDF resources for the European territorial cooperation goal (Interreg) shall amount to EUR 8 430 000 000 of the global resources available for budgetary commitment from the ERDF, ESF+ and the Cohesion Fund for the 2021-2027 programming period and set out in Article [102(1)] of Regulation (EU) [new CPR].
2. The resources referred to in paragraph 1 shall be allocated as follows:

- (a) 52.7 % (i.e., a total of EUR 4 440 000 000) for cross-border cooperation (component 1);
 - (b) 31.4 % (i.e., a total of EUR 2 649 900 000) for transnational cooperation and maritime cooperation (component 2);
 - (c) 3.2 % (i.e., a total of EUR 270 100 000) for outermost regions' cooperation (component 3);
 - (d) 1.2 % (i.e., a total of EUR 100 000 000) for interregional cooperation (component 4);
 - (e) 11.5 % (i.e., a total of EUR 970 000 000) for interregional innovation investments (component 5).
3. The Commission shall communicate to each Member State its share of the global amounts for components 1, 2 and 3, broken down by year.
- Population size in the following regions shall be used as the criterion for the breakdown by Member State:
- (a) NUTS level 3 regions for component 1 and those NUTS level 3 regions for component 2B listed in the implementing act under Article 8(2);
 - (b) NUTS level 2 regions for components 2A and 3.
4. Each Member State may transfer up to 15% of its financial allocation for each of components 1, 2 and 3 from one of those components to one or more of the others.
5. Based on the amounts communicated pursuant to paragraph 3, each Member State shall inform the Commission whether and how it has used the transfer option provided for in paragraph 4 and the resulting distribution of its share among the Interreg programmes in which the Member State participates.

Article 10
Cross-fund provisions

1. The Commission shall adopt an implementing act setting out the multi-annual strategy document with regard to external cross-border Interreg programmes supported by the ERDF and the NDICI or IPA III. That implementing act shall be adopted in accordance with the advisory procedure referred to in Article 63(2).
- With regard to Interreg programmes supported by the ERDF and the NDICI, that implementing act shall set out the elements referred to in Article 12(2) of Regulation (EU) [NDICI].
2. The contribution from the ERDF to external cross-border Interreg programmes to be also supported from the financial envelope under IPA III allocated to cross-border cooperation ('IPA III CBC') or from the financial envelope under NDICI allocated to cross-border cooperation for the Neighbourhood geographic area ('NDICI CBC') shall be established by the Commission and the Member States concerned. The ERDF contribution established for each Member State shall not subsequently be reallocated between the Member States concerned.
3. Support from the ERDF shall be granted to individual external cross-border Interreg programmes provided that equivalent amounts are provided by IPA III CBC and NDICI CBC under the relevant strategic programming document. That equivalence shall be subject to a maximum amount set out in the IPA III or NDICI legislative act.

However, where the review of the relevant strategic programming document under IPA III or NDICI results in the reduction of the matching amount for the remaining years, each Member State concerned shall choose from the following options:

- (a) to request the mechanism under Article 12(3);
 - (b) to continue the Interreg programme with the remaining support from the ERDF and IPA III CBC or NDICI CBC; or
 - (c) to combine options (a) and (b).
4. The annual appropriations corresponding to the support from the ERDF, IPA III CBC or NDICI CBC to external cross-border Interreg programmes shall be entered in the relevant budget lines for the 2021 budgetary exercise.
 5. Where the Commission has included a specific financial allocation to assist partner countries or regions under Regulation (EU) [NDICI] and OCTs under Council Decision [OCT Decision] or both in strengthening their cooperation with neighbouring Union outermost regions in accordance with Article [33(2)] of Regulation (EU) [NDICI] or Article [87] of the [OCTP Decision] or both, the ERDF may also contribute in accordance with this Regulation, where appropriate and on the basis of reciprocity and proportionality as regards the level of funding from the NDICI or the OCTP or both, to actions implemented by a partner country or region or any other entity under Regulation (EU) [NDICI], by a country, territory or any other entity under the [OCT Decision] or by a Union outermost region under, in particular, one or more joint component 2, 3 or 4 Interreg programmes or under cooperation measures referred to in Article 60 established and implemented pursuant to this Regulation.

Article 11

List of Interreg programme resources

1. On the basis of the information provided by Member States pursuant to Article 9(5), the Commission shall, adopt an implementing act setting out a list of all Interreg programmes and indicating per programme the global amount of the total support from the ERDF and, where applicable, the total support from external financing instruments of the Union. That implementing act shall be adopted in accordance with the advisory procedure referred to in Article 63(2).
2. That implementing act shall also contain a list of the amounts transferred pursuant to Article 9(5) broken down by Member State and by external financing instrument of the Union.

Article 12

Return of resources and discontinuation

1. In 2022 and 2023, the annual contribution from the ERDF to external cross-border Interreg programmes, for which no programme has been submitted to the Commission by 31 March of the respective years, and which has not been re-allocated to another programme submitted under the same category of external cross-border Interreg programmes, shall be allocated to the internal cross-border Interreg programmes in which the Member State or Member States concerned participates or participate.

2. If by 31 March 2024, there are still external cross-border Interreg programmes which have not been submitted to the Commission, the entire contribution from the ERDF referred to in Article 9(5) to those programmes for the remaining years up to 2027, which has not been re-allocated to another external cross-border Interreg programme also supported by IPA III CBC or NDICI CBC respectively, shall be allocated to the internal cross-border Interreg programmes in which the Member State or Member States concerned participates or participate.
3. Any external cross-border Interreg programme already approved by the Commission shall be discontinued, or the allocation to that programme shall be reduced, in accordance with the applicable rules and procedures, in particular if:
 - (a) none of the partner countries covered by the respective Interreg programme has signed the relevant financing agreement by the deadlines set out in accordance with Article 57;
 - (b) the Interreg programme cannot be implemented as planned due to problems in relations between the participating countries.

In such cases, the contribution from the ERDF referred to in paragraph 1 corresponding to annual instalments not yet committed, or annual instalments committed and de-committed totally or partially during the same budgetary year, which have not been re-allocated to another external cross-border Interreg programme also supported by IPA III CBC or NDICI CBC respectively, shall be allocated to the internal cross-border Interreg programmes in which the Member State or Member States concerned participates or participate.

4. With regard to a component 2 Interreg programme already approved by the Commission, the participation of a partner country or of Greenland shall be discontinued, if one of the situations set out in points (a) and (b) of the first subparagraph of paragraph 3 is fulfilled.

The participating Member States and, where applicable, the remaining participating partner countries, shall request one of the following:

- (a) that the Interreg programme be discontinued in total, in particular where the main joint development challenges thereof cannot be achieved without the participation of that partner country or of Greenland;
- (b) that the allocation to that Interreg programme be reduced, in accordance with the applicable rules and procedures;
- (c) that the Interreg programme continue without the participation of that partner country or of Greenland.

Where the allocation to the Interreg programme is reduced pursuant to point (b) of the second subparagraph of this paragraph, the contribution from the ERDF corresponding to annual instalments not yet committed, shall be allocated to another component 2 Interreg programme in which one or more of the Member States concerned participate or, where a Member State only participates in one component 2 Interreg programme, to one or more internal cross-border Interreg programmes in which that Member State participates.

5. The contribution from IPA III, NDICI or OCTP reduced pursuant to this Article shall be used in accordance with Regulations (EU) [IPA III], [NDICI] or Council Decision [OCT] respectively.

6. Where a third country or partner country contributing to an Interreg programme with national resources, which do not constitute the national cofinancing of support from the ERDF or from an external financing instrument of the Union, reduces that contribution during the implementation of the Interreg programme, either globally or with regard to joint operations already selected and having received the document provided for in Article 22(6), the participating Member State or Member States shall request one of the options set out in the second subparagraph of paragraph 4.

Article 13

Co-financing rates

The co-financing rate at the level of each Interreg programme shall be not higher than 70 %, unless, with regard to external cross-border or component 3 Interreg programmes, a higher percentage is fixed in Regulations (EU) [IPA III], [NDICI] or Council Decision (EU) [OCTP] respectively or in any act adopted thereunder.

CHAPTER II

Interreg-specific objectives and thematic concentration

Article 14

Interreg-specific objectives

1. The ERDF, within its scope as set out in Article [4] of Regulation (EU) [new ERDF], and, where applicable, the external financing instruments of the Union shall contribute to the policy objectives set out in Article [4(1)] of Regulation (EU) [new CPR] through joint actions under Interreg programmes.
2. In the case of the PEACE PLUS programme, where it is acting in support of peace and reconciliation, the ERDF, as a specific objective under PO 4, shall also contribute to promoting social, economic and regional stability in the regions concerned, in particular through actions to promote cohesion between communities. A separate priority shall support that specific objective.
3. In addition to the specific objectives for the ERDF as set out in Article [2] of Regulation (EU) [new ERDF], the ERDF and, where applicable, the external financing instruments of the Union may also contribute to the specific objectives under PO 4 as follows:
 - (a) enhancing the effectiveness of labour markets and improving access to quality employment across borders;
 - (b) improving access to and the quality of education, training and lifelong learning across borders with a view to increasing the educational attainment and skills levels thereof as to be recognised across borders;
 - (c) enhancing the equal and timely access to quality, sustainable and affordable healthcare services across borders;
 - (d) improving accessibility, effectiveness and resilience of healthcare systems and long-term care services across borders;
 - (e) promoting social inclusion and tackling poverty, including by enhancing equal opportunities and combating discrimination across borders.

4. Under components 1, 2, and 3, the ERDF and, where applicable, the external financing instruments of the Union may also support the Interreg-specific objective 'a better Interreg governance', in particular by the following actions:
 - (a) under component 1 and 2B Interreg programmes:
 - (i) enhance the institutional capacity of public authorities, in particular those mandated to manage a specific territory, and of stakeholders;
 - (ii) enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens and institutions, in particular, with a view to resolving legal and other obstacles in border regions;
 - (b) under component 1, 2 and 3 Interreg programmes: enhance institutional capacity of public authorities and stakeholders to implement macro-regional strategies and sea-basin strategies;
 - (c) under external cross-border and component 2 and 3 Interreg programmes supported by the Interreg funds, in addition to points (a) and (b): building up mutual trust, in particular by encouraging people-to-people actions, by enhancing sustainable democracy and by supporting civil society actors and their role in reforming processes and democratic transitions;
5. Under external cross-border and component 2 and 3 Interreg programmes the ERDF and, where applicable, the external financing instruments of the Union shall also contribute to the external Interreg-specific objective 'a safer and more secure Europe', in particular by actions in the fields of border crossing management and mobility and migration management, including the protection of migrants.

Article 15

Thematic concentration

1. At least 60% of the ERDF and, where applicable, of the external financing instruments of the Union allocated under priorities other than for technical assistance to each Interreg programme under components 1, 2 and 3, shall be allocated on a maximum of three of the policy objectives set out in Article [4(1)] of Regulation (EU) [new CPR].
2. An additional 15% of the ERDF and, where applicable, of the external financing instruments of the Union allocations under priorities other than for technical assistance to each Interreg programme under components 1, 2 and 3, shall be allocated on the Interreg-specific objective of 'a better Interreg governance' or on the external Interreg-specific objective of 'a safer and more secure Europe'.
3. Where a component 2A Interreg programme supports a macro-regional strategy, the total ERDF and, where applicable, the total external financing instruments of the Union allocations under priorities other than for technical assistance shall be programmed on the objectives of that strategy.
4. Where a component 2B Interreg programme supports a macro-regional strategy or sea-basin strategy, at least 70% of the total ERDF and, where applicable, of the external financing instruments of the Union allocations under priorities other than for technical assistance shall be allocated on the objectives of that strategy.

5. For component 4 Interreg programmes, the total ERDF and, where applicable, of the external financing instruments of the Union allocations under priorities other than for technical assistance shall be allocated on the Interreg-specific objective 'a better Interreg governance'.

CHAPTER III

Programming

SECTION I

PREPARATION, APPROVAL AND AMENDMENT OF INTERREG PROGRAMMES

Article 16

Preparation and submission of Interreg programmes

1. The European territorial cooperation goal (Interreg) shall be implemented through Interreg programmes under shared management with the exception of component 3, which may be implemented as a whole or partially under indirect management, and of component 5 which shall be implemented under indirect management.
2. The participating Member States and, where applicable, third countries, partner countries or OCTs, shall prepare an Interreg programme in accordance with the template set out in the Annex for the period from 1 January 2021 to 31 December 2027.
3. The participating Member States shall prepare an Interreg programme in cooperation with the programme partners referred to in Article [6] of Regulation (EU) [the new CPR].

The participating third countries or partner countries or OCTs, where applicable, shall also involve the programme partners equivalent to those referred to in that Article.

4. The Member State hosting the prospective managing authority, shall submit an Interreg programme to the Commission by [*date of entry into force plus nine months;*] on behalf of all participating Member States and, where applicable, third countries, partner countries or OCTs.

However, an Interreg programme covering support from an external financing instrument of the Union shall be submitted by the Member State hosting the prospective managing authority no later than six months after the adoption by the Commission of the relevant strategic programming document under Article 10(1) or where required under the respective basic act of one or more of an external financing instrument of the Union.

5. The participating Member States and, where applicable, third countries, partner countries or OCTs shall confirm in writing their agreement to the contents of an Interreg programme prior to its submission to the Commission. That agreement shall also include a commitment by all participating Member States and, where applicable, third countries, partner countries or OCTs to provide the co-financing necessary to implement the Interreg programme and, where applicable, the commitment for the financial contribution of the third countries, partner countries or OCTs.

By way of derogation from the first subparagraph, in the case of Interreg programmes involving outermost regions and third countries, partner countries or OCTs, the Member States concerned shall consult the respective third countries, partner countries or OCTs before submitting the Interreg programmes to the Commission. In that case, the agreements to the contents of the Interreg programmes and the possible contribution of the third countries, partner countries or OCTs may, instead, be expressed in the formally approved minutes of the consultation meetings with the third countries, partner countries or OCTs or of the deliberations of the regional cooperation organisations.

6. The Commission is empowered to adopt delegated acts in accordance with Article 62 to amend the Annex in order to adapt to changes occurring during the programming period for non-essential elements thereof.

Article 17

Content of Interreg programmes

1. Each Interreg programme shall set out a joint strategy for the programme's contribution to the policy objectives set out in Article [4(1)] of Regulation (EU) [new CPR] and to the Interreg-specific objectives set out in Article 14(4) and (5) of this Regulation and the communication of its results.
2. Each Interreg programme shall consist of priorities.

Each priority shall correspond to a single policy objective or, where applicable, to one or both Interreg-specific objectives respectively or to technical assistance. A priority corresponding to a policy objective or, where applicable, to one or both Interreg-specific objectives respectively shall consist of one or more specific objectives. More than one priority may correspond to the same policy or Interreg-specific objective.
3. In duly justified cases and in agreement with the Commission, in order to increase the efficiency of programme implementation and to achieve larger-scale operations, the Member State concerned may decide to transfer to Interreg programmes up to [x]% of the amount of the ERDF allocated to the corresponding programme under the Investment for jobs and growth goal for the same region. The amount transferred shall constitute a separate priority or separate priorities.
4. Each Interreg programme shall set out:
 - (a) the programme area (including a map thereof as a separate document);
 - (b) a summary of the main joint challenges, taking into account:
 - (i) economic, social and territorial disparities;
 - (ii) joint investment needs and complementarity with other forms of support;
 - (iii) lessons learnt from past experience;
 - (iv) macro-regional strategies and sea-basin strategies where the programme area as a whole or partially is covered by one or more strategies;
 - (c) a justification for the selected policy objectives and Interreg-specific objectives, corresponding priorities, specific objectives and the forms of support, addressing, where appropriate, missing links in cross-border infrastructure;

- (d) for each priority, except for technical assistance, specific objectives;
- (e) for each specific objective:
 - (i) the related types of actions, including a list of planned operations of strategic importance, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate;
 - (ii) output indicators and result indicators with the corresponding milestones and targets;
 - (iii) the main target groups;
 - (iv) specific territories targeted, including the planned use of integrated territorial investments, community-led local development or other territorial tools;
 - (v) the planned use of financial instruments;
 - (vi) an indicative breakdown of the programmed resources by type of intervention.
- (f) for the technical assistance priority, the planned use in accordance with Articles [30], [31] and [32] of Regulation (EU) [new CPR] and relevant types of intervention;
- (g) a financing plan containing the following tables (without any division per participating Member State, third country, partner country or OCT, unless specified otherwise therein):
 - (i) a table specifying the total financial allocation for the ERDF and, where relevant, for each external financing instrument of the Union for the whole programming period and by year;
 - (ii) a table specifying the total financial allocation for each priority by the ERDF and, where relevant, by each external financing instrument of the Union by priority and the national co-financing and whether the national co-financing is made up of public and private co-financing;
- (h) the actions taken to involve the relevant programme partners referred to in Article [6] of Regulation (EU) [new CPR] in the preparation of the Interreg programme, and the role of those programme partners in the implementation, monitoring and evaluation of that programme;
- (i) the envisaged approach to communication and visibility for the Interreg programme through defining its objectives, target audiences, communication channels, social media outreach, planned budget and relevant indicators for monitoring and evaluation.

5. The information referred to in paragraph 4 shall be given as follows:

- (a) with regard to the tables referred to in point (g) and as concerns the support from external financing instruments of the Union, those funds shall be set out as follows:
 - (i) for external cross-border Interreg programmes supported by IPA III and NDICI as a single amount ('IPA III CBC' or 'Neighbourhood CBC' combining the contribution from [Heading 2 Cohesion and Values, sub-

ceiling Economic, social and territorial cohesion] and [Heading 6 Neighbourhood and the World];

- (ii) for component 2 and 4 Interreg programmes supported by IPA III, NDICI or the OCTP as a single amount ('Interreg funds') combining the contribution from [Heading 2] and [Heading 6] or split per financing instrument 'ERDF', 'IPA III', 'NDICI' and 'OCTP', pursuant to the choice of the programme partners;
 - (iii) for component 2 Interreg programmes supported by OCTP concerning split per financing instrument ('ERDF' and 'OCTP Greenland');
 - (iv) for component 3 Interreg programmes supported by the NDICI and by the OCTP split per financing instrument ('ERDF', 'NDICI' and 'OCTP', as appropriate).
- (b) with regard to the table referred to in point (g)(ii) of paragraph 4, it shall include the amounts for the years 2021 to 2025 only.
6. With regard to point (e)(vi) and (f) of paragraph 4, the types of intervention shall be based on a nomenclature set out in Annex [I] to Regulation (EU) [new CPR].
7. The Interreg programme shall:
- (a) identify the managing authority, the audit authority and the body to which payments are to be made by the Commission;
 - (b) lay down the procedure for setting up the joint secretariat;
 - (c) set out the apportionment of liabilities among the participating Member States and, where applicable, third or partner countries or OCTs, in the event of financial corrections imposed by the managing authority or the Commission.
8. The managing authority shall communicate to the Commission any changes in the information referred to in point (a) of paragraph 7 without requiring a programme amendment.
9. By way of derogation from paragraph 4, the content of component 4 Interreg programmes shall be adapted to the specific character of those Interreg programmes, in particular as follows:
- (a) the information referred to in point (a) is not required;
 - (b) the information required under points (b) and (h) shall be given as a short outline;
 - (c) for each specific objective under any priority other than technical assistance, the following information shall be given:
 - (i) the definition of a single beneficiary or a limited list of beneficiaries and the granting procedure;
 - (ii) the related types of actions and their expected contribution to the specific objectives;
 - (iii) output indicators and result indicators with the corresponding milestones and targets;
 - (iv) the main target groups;

- (v) an indicative breakdown of the programmed resources by type of intervention.

Article 18

Approval of Interreg programmes

1. The Commission shall assess each Interreg programme and its compliance with Regulation (EU) [new CPR], Regulation (EU) [new ERDF] and this Regulation and, in the case of support from an external financing instrument of the Union and where relevant, its consistency with the multi-annual strategy document under Article 10(1) or the relevant strategic programming framework under the respective basic act of one or more of those instruments.
2. The Commission may make observations within three months of the date of submission of the Interreg programme by the Member State hosting the prospective managing authority.
3. The participating Member States and, where applicable, third or partner countries or OCTs shall review the Interreg programme taking into account the observations made by the Commission.
4. The Commission shall adopt a decision by means of an implementing act approving each Interreg programme no later than six months after the date of submission of that programme by the Member State hosting the prospective managing authority.
5. With regard to external cross-border Interreg programmes, the Commission shall adopt its decisions in accordance with paragraph 4 after consultation of the 'IPA III Committee' in accordance with Article [16] of Regulation (EU) [IPA III] and of the 'Neighbourhood, Development and International Cooperation Committee' in accordance with Article [36] of Regulation (EU) [NDICI].

Article 19

Amendment of Interreg programmes

1. The Member State hosting the managing authority may submit a motivated request for an amendment of an Interreg programme together with the amended programme, setting out the expected impact of that amendment on the achievement of the objectives.
2. The Commission shall assess the compliance of the amendment with Regulation (EU) [new CPR], Regulation (EU) [new ERDF] and this Regulation and may make observations within three months of the submission of the amended programme.
3. The participating Member States and, where applicable, third countries, partner countries or OCTs shall review the amended programme and take into account the observations made by the Commission.
4. The Commission shall approve the amendment of a Interreg programme no later than six months after its submission by the Member State.
5. The Member State may transfer during the programming period an amount of up to 5% of the initial allocation of a priority and no more than 3% of the programme budget to another priority of the same Interreg programme.

Such transfers shall not affect previous years.

They shall be considered to be not substantial and shall not require a decision of the Commission amending the Interreg programme. They shall, however comply with all regulatory requirements. The managing authority shall submit to the Commission the revised table referred to in point (g)(ii) of Article 17(4).

6. The approval of the Commission shall not be required for corrections of a purely clerical or editorial nature that do not affect the implementation of the Interreg programme. The managing authority shall inform the Commission of such corrections.

SECTION II TERRITORIAL DEVELOPMENT

Article 20 Integrated territorial development

For Interreg programmes, the relevant urban, local or other territorial authorities or bodies responsible for drawing up territorial or local development strategies as listed in Article [22] of Regulation (EU) [new CPR] or responsible for the selection of operations to be supported under those strategies as referred to in Article [23(4)] of that Regulation or for both shall be either cross-border legal bodies or EGTCs.

A cross-border legal body or an EGTC implementing an integrated territorial investment under Article [24] of Regulation (EU) [new CPR] or another territorial tool under point (c) of Article [22] of that Regulation may also be the sole beneficiary pursuant to Article 23(5) of this Regulation, provided that there is a separation of function inside the cross-border legal body or the EGTC.

Article 21 Community-led local development

Community-led local development ('CLLD') under point (b) of Article [22] of Regulation (EU) [new CPR] may be implemented in Interreg programmes, provided that the relevant local action groups are composed of representatives of public and private local socio-economic interests, in which no single interest group controls the decision-making, and of at least two participating countries, of which at least one is a Member State.

SECTION III OPERATIONS AND SMALL PROJECT FUNDS

Article 22 Selection of Interreg operations

1. Interreg operations shall be selected in accordance with the programme's strategy and objectives by a monitoring committee set up in accordance with Article 27.

That monitoring committee may set up one or, in particular in the case of sub-programmes, more steering committees which act under its responsibility for the selection of operations.

Where all or part of an operation is implemented outside the programme area [inside or outside the Union], the selection of that operation shall require the explicit

approval by the managing authority in the monitoring committee or, where applicable, the steering committee.

2. For the selection of operations, the monitoring committee or, where applicable, the steering committee shall establish and apply criteria and procedures which are non-discriminatory and transparent, ensure gender equality and take account of the Charter of Fundamental Rights of the European Union and the principle of sustainable development and of the Union policy on the environment in accordance with Article 11 and Article 191(1) of the TFEU.

The criteria and procedures shall ensure the prioritisation of operations to be selected with a view to maximise the contribution of Union funding to the achievement of the objectives of the Interreg programme and to implementing the cooperation dimension of operations under Interreg programmes, as set out in Article 23(1) and (4).

3. The managing authority shall consult the Commission and take its comments into account prior to the initial submission of the selection criteria to the monitoring committee or, where applicable, the steering committee. The same shall apply for any subsequent changes to those criteria.
4. In selecting operations, the monitoring committee or, where applicable, the steering committee shall:
 - (a) ensure that selected operations comply with the Interreg programme and provide an effective contribution to the achievement of its specific objectives;
 - (b) ensure that selected operations do not conflict with the corresponding strategies established under Article 10(1) or established for one or more of the external financing instruments of the Union;
 - (c) ensure that selected operations present the best relationship between the amount of support, the activities undertaken and the achievement of objectives;
 - (d) verify that the beneficiary has the necessary financial resources and mechanisms to cover operation and maintenance costs;
 - (e) ensure that selected operations which fall under the scope of Directive 2011/92/EU of the European Parliament and of the Council³⁸ are subject to an environmental impact assessment or a screening procedure, on the basis of the requirements of that Directive as amended by Directive 2014/52/EU of the European Parliament and of the Council³⁹.
 - (f) verify that where the operations have started before the submission of an application for funding to the managing authority, the applicable law has been complied with;
 - (g) ensure that selected operations fall within the scope of the Interreg fund concerned and are attributed to a type of intervention;

³⁸ Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 26, 28.1.2012, p. 1).

³⁹ Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2011/92/EU (OJ L 124, 25.4.2014, p. 1).

- (h) ensure that operations do not include activities which were part of an operation subject to relocation in accordance with Article [60] of Regulation (EU) [new CPR] or which would constitute a transfer of a productive activity in accordance with [point (a) of Article 59(1)] of that Regulation.
 - (i) ensure that selected operations are not affected by a reasoned opinion by the Commission in respect of an infringement under Article 258 of the TFEU that puts at risk the legality and regularity of expenditure or the performance of operations;
 - (j) ensure the climate proofing of investments in infrastructure with an expected lifespan of at least five years.
5. The monitoring committee or, where applicable, the steering committee shall approve the methodology and criteria used for the selection of Interreg operations, including any changes thereto, without prejudice to [point (b) of Article 27(3)] of Regulation (EU) [new CPR] with regard to CLLD and to Article 24 of this Regulation.
 6. For each Interreg operation, the managing authority shall provide a document to the lead or sole partner setting out the conditions for support of that Interreg operation, including the specific requirements concerning the products or services to be delivered, its financing plan, time-limit for its execution and, where applicable, the method to be applied for determining the costs of the operation and the conditions for payment of the grant.

That document shall also set out the lead partner's obligations with regard to recoveries pursuant to Article 50. Those obligations shall be defined by the monitoring committee. However, a lead partner located in a different Member State, third country, partner country or OCT from the partner shall not be obliged to recover through a judicial procedure.

Article 23

Partnership within Interreg operations

1. Operations selected under components 1, 2 and 3 shall involve actors from at least two participating countries, at least one of which shall be a beneficiary from a Member State.
Beneficiaries receiving support from an Interreg fund and partners which do not receive any financial support under those funds (beneficiaries and partners together: 'partners') constitute an Interreg operation partnership.
2. An Interreg operation may be implemented in a single country, provided that the impact on and the benefits for the programme area are identified in the operation application.
3. Paragraph 1 shall not apply to operations under the PEACE PLUS programme in where the programme is acting in support of peace and reconciliation.
4. Partners shall cooperate in the development, implementation, staffing and financing of Interreg operations.

For Interreg operations under component 3 Interreg programmes, the partners from outermost regions and third countries, partner countries or OCTs shall be required to cooperate only in three of the four dimensions listed in the first subparagraph.

5. Where there are two or more partners, one of them shall be designated by all the partners as the lead partner.
6. A cross-border legal body or an EGTC may be the sole partner of an Interreg operation under component 1, 2 and 3 Interreg programmes, provided that the members thereof involve partners from at least two participating countries.

The cross-border legal body or EGTC shall have members from at least three participating countries under component 4 Interreg programmes.

A legal body that implements a financial instrument or a fund of funds, as applicable, may be the sole partner of an Interreg operation without the application of the requirements for its composition set out in paragraph 1.

7. A sole partner shall be registered in a Member State participating in the Interreg programme.

However, a sole partner may be registered in a Member State not participating in that programme, provided the conditions set out in Article 23 are satisfied.

Article 24

Small project funds

1. The contribution from the ERDF or, where applicable, an external financing instrument of the Union, to a small project fund within an Interreg programme shall not exceed EUR 20 000 000 or 15% of the total allocation of the Interreg programme, whichever is lower.

The final recipients within a small project fund shall receive support from the ERDF or, where applicable the external financing instruments of the Union through the beneficiary and implement the small projects within that small project fund ('small project').

2. The beneficiary of a small project fund shall be a cross-border legal body or an EGTC.
3. The document setting out the conditions for support to a small project fund shall, in addition to the elements laid down in Article 22(6) set out the elements necessary to ensure that the beneficiary:
 - (a) establishes a non-discriminatory and transparent selection procedure;
 - (b) applies objective criteria for the selection of small projects, which avoid conflicts of interest;
 - (c) assesses applications for support;
 - (d) selects projects and fixes the amount of support for each small project;
 - (e) is accountable for the implementation of the operation and keeps at its level all supporting documents required for the audit trail in accordance with Annex [XI] of Regulation (EU) [new CPR];
 - (f) makes available to the public the list of the final recipients which benefit from the operation.

The beneficiary shall ensure that the final recipients comply with the requirements set out in Article 35.

4. The selection of small projects shall not constitute a delegation of tasks from the managing authority to an intermediate body as referred to in Article [65(3)] of Regulation (EU) [new CPR].
5. Staff and indirect costs generated at the level of the beneficiary for the management of the small project fund shall not exceed 20% of the total eligible cost of the respective small project fund.
6. Where the public contribution to a small project does not exceed EUR 100 000, the contribution from the ERDF or, where applicable, an external financing instrument of the Union shall take the form of unit costs or lump sums or include flat rates, except for projects for which the support constitutes State aid.

Where flat-rate financing is used, the categories of costs to which the flat rate is applied may be reimbursed in accordance with [point (a) of Article 48(1)] of Regulation (EU) [new CPR].

Article 25
Tasks of the lead partner

1. The lead partner shall:
 - (a) lay down the arrangements with the other partners in an agreement comprising provisions that, inter alia, guarantee the sound financial management of the respective Union fund allocated to the Interreg operation, including the arrangements for recovering amounts unduly paid;
 - (b) assume responsibility for ensuring implementation of the entire Interreg operation;
 - (c) ensure that expenditure presented by all partners has been incurred in implementing the Interreg operation and corresponds to the activities agreed between all the partners, and is in accordance with the document provided by the managing authority pursuant to Article 22(6).
2. If not otherwise specified in the arrangements laid down pursuant to point (a) of paragraph 1 the lead partner shall ensure that the other partners receive the total amount of the contribution from the respective Union fund as quickly as possible and in full. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce that amount for the other partners.
3. Any beneficiary in a Member State, third country, partner country or OCT participating in an Interreg programme may be designated as the lead partner.

However, Member States, third countries, partner countries or OCTs participating in an Interreg programme may agree that a partner not receiving support from the ERDF or an external financing instrument of the Union may be designated as the lead partner.

SECTION IV TECHNICAL ASSISTANCE

Article 26

Technical assistance

1. Technical assistance to each Interreg programme shall be reimbursed as a flat rate by applying the percentages set out in paragraph 2 to the eligible expenditure included in each payment application pursuant to [points (a) or (c) of Article 85(3)] of Regulation (EU) [new CPR] as appropriate.
2. The percentage of the ERDF and the external financing instruments of the Union to be reimbursed for technical assistance shall be as follows:
 - (a) for internal cross-border cooperation Interreg programmes supported by the ERDF: 6%;
 - (b) for external cross-border Interreg programmes supported by IPA III CBC or NDICI CBC: 10%;
 - (c) for component 2, 3 and 4 Interreg programmes, both for the ERDF and, where applicable, for the external financing instruments of the Union: 7%.
3. For Interreg programmes with a total allocation between EUR 30 000 000 and EUR 50 000 000 the amount resulting from the percentage for technical assistance shall be increased by an additional amount of EUR 500 000. The Commission shall add that amount to the first interim payment.
4. For Interreg programmes with a total allocation below EUR 30 000 000, the amount needed for technical assistance expressed in EUR and the resulting percentage shall be fixed in the Commission decision approving the Interreg programme concerned.

CHAPTER IV Monitoring, evaluation and communication

SECTION I MONITORING

Article 27

Monitoring committee

1. The Member States and, where applicable, the third countries, partner countries and OCTs participating in that programme shall set up, in agreement with the managing authority, a committee to monitor implementation of the respective Interreg programme ('monitoring committee') within three months of the date of notification to the Member States of the Commission decision adopting an Interreg programme,
2. The monitoring committee shall be chaired by a representative of the Member State hosting the managing authority or of the managing authority.

Where the rules of procedure of the monitoring committee establish a rotating chair, the monitoring committee may be chaired by a representative of a third country, partner country or OCT, and co-chaired by a representative of the Member State or of the managing authority, and *vice-versa*.

3. Each member of the monitoring committee shall have the right to vote.
4. Each monitoring committee shall adopt its rules of procedure during its first meeting.
The rules of procedure of the monitoring committee and, where applicable, of the steering committee shall prevent any situation of conflict of interest when selecting Interreg operations.
5. The monitoring committee shall meet at least once a year and shall review all issues that affect the programme's progress towards achieving its objectives.
6. The managing authority shall publish the rules of procedures of the monitoring committee and all the data and information shared with the monitoring committee on the website referred to in Article 35(2).

Article 28

Composition of the monitoring committee

1. The composition of the monitoring committee of each Interreg programme shall be agreed by the Member States and, where applicable, by the third countries, partner countries and OCTs participating in that programme and shall ensure a balanced representation of the relevant authorities, intermediate bodies and representatives of the programme partners referred to in Article [6] of Regulation (EU) [new CPR] from Member States, third countries, partner countries and OCTs.

The composition of the monitoring committee shall take into account the number of participating Member States, third countries, partner countries and OCTs in the Interreg programme concerned.

The monitoring committee shall also include representatives of bodies jointly set up in the whole programme area or covering a part thereof, including EGTCs.

2. The managing authority shall publish a list of the members of the monitoring committee on the website referred to in Article 35(2).
3. Representatives of the Commission shall participate in the work of the monitoring committee in an advisory capacity.

Article 29

Functions of the monitoring committee

1. The monitoring committee shall examine:
 - (a) the progress in programme implementation and in achieving the milestones and targets of the Interreg programme;
 - (b) any issues that affect the performance of the Interreg programme and the measures taken to address those issues;
 - (c) with regard to financial instruments, the elements of the *ex ante* assessment listed in Article [52(3)] of Regulation (EU) [new CPR] and the strategy document referred to in Article [53(2)] of that Regulation;
 - (d) the progress made in carrying out evaluations, syntheses of evaluations and any follow-up given to findings;
 - (e) the implementation of communication and visibility actions;

- (f) the progress in implementing Interreg operations of strategic importance and, where applicable, of large infrastructure projects;
 - (g) the progress in administrative capacity building for public institutions and beneficiaries, where relevant.
2. In addition to its tasks concerning the selection of operations listed in Article 22, the monitoring committee shall approve:
- (a) the methodology and criteria used for the selection of operations, including any changes thereto, after consultation with the Commission pursuant to Article 22(2), without prejudice to [points (b), (c) and (d) of Article 27(3)] of Regulation (EU) [new CPR];
 - (b) the evaluation plan and any amendment thereto;
 - (c) any proposal by the managing authority for the amendment of the Interreg programme including for a transfer in accordance with Article 19(5);
 - (d) the final performance report.

Article 30

Review

1. A review may be organised by the Commission to examine the performance of Interreg programmes.
The review may be carried out in writing.
2. At the request of the Commission, the managing authority shall, within one month, provide the Commission with the information on the elements listed in Article 29(1):
 - (a) progress in programme implementation and in achieving the milestones and targets, any issues affecting the performance of the respective Interreg programme and the actions taken to address them;
 - (b) progress made in carrying out evaluations, syntheses of evaluations and any follow-up given to findings
 - (c) the progress in the administrative capacity building of public authorities and beneficiaries.
3. The outcome of the review shall be recorded in agreed minutes.
4. The managing authority shall follow-up issues raised by the Commission and inform the Commission within three months of the measures taken.

Article 31

Transmission of data

1. Each managing authority shall electronically transmit to the Commission cumulative data for the respective Interreg programme by 31 January, 31 March, 31 May, 31 July, 30 September and 30 November of each year in accordance with the template in Annex [VII] to Regulation (EU) [new CPR].
The first transmission shall be due by 31 January 2022 and the last one by 31 January 2030.
2. The data referred to in paragraph 1 shall be broken down for each priority by specific objective and shall refer to:

- (a) the number of selected Interreg operations, their total eligible cost, the contribution from the respective Interreg fund and the total eligible expenditure declared by the partners to the managing authority, all broken down by types of intervention;
 - (b) the values of output and result indicators for selected Interreg operations and values achieved by Interreg operations.
3. For financial instruments, data shall also be provided on the following:
- (a) eligible expenditure by type of financial product;
 - (b) the amount of management costs and fees declared as eligible expenditure;
 - (c) the amount, by type of financial product, of private and public resources mobilised in addition to the Funds;
 - (d) interest and other gains generated by support from the Interreg funds to financial instruments as referred to in Article 54 of Regulation (EU) [new CPR] and resources returned attributable to support from the Interreg funds as referred to in Article 56 of that Regulation.
4. The data submitted in accordance with this Article shall be up-to-date as of the end of the month preceding the month of submission.
5. The managing authority shall publish all the data transmitted to the Commission on the website referred to in Article 35(2).

Article 32

Final performance report

1. Each managing authority shall submit to the Commission a final performance report on the respective Interreg programme by 15 February 2031.
- The final performance report shall be submitted using the template established in accordance with Article [38(5)] of Regulation (EU) [new CPR].
2. The final performance report shall assess the achievement of programme objectives based on the elements listed in Article 29 with the exception of point (c) of paragraph 1 thereof.
3. The Commission shall examine the final performance report and inform the managing authority of any observations within five months of the date of receipt of that report. Where such observations are made, the managing authority shall provide all necessary information with regard to those observations and, where appropriate, inform the Commission, within three months, of measures taken. The Commission shall inform the Member State of the acceptance of the report.
4. The managing authority shall publish the final performance report on the website referred to in Article 35(2).

Article 33

Indicators for the European territorial cooperation goal (Interreg)

1. Common output and common result indicators, as set out in Annex [I] to Regulation (EU) [new ERDF], and, where necessary, programme-specific output and result indicators shall be used in accordance with Article [12(1)] of Regulation (EU) [new

CPR], and point (d)(ii) of Article 17(3) and point (b) of Article 31(2) of this Regulation.

2. For output indicators, baselines shall be set at zero. The milestones set for 2024 and targets set for 2029 shall be cumulative.

SECTION II

EVALUATION AND COMMUNICATION

Article 34

Evaluation during the programming period

1. The managing authority shall carry out evaluations of each Interreg programme. Each evaluation shall assess the programme's effectiveness, efficiency, relevance, coherence and EU added value with the aim to improve the quality of the design and implementation of the respective Interreg programme.
2. In addition, the managing authority shall carry out an evaluation for each Interreg programme to assess its impact by 30 June 2029.
3. The managing authority shall entrust evaluations to functionally independent experts.
4. The managing authority shall ensure the necessary procedures to produce and collect the data necessary for evaluations.
5. The managing authority shall draw up an evaluation plan that may cover more than one Interreg programme.
6. The managing authority shall submit the evaluation plan to the monitoring committee no later than one year after the approval of the Interreg programme.
7. The managing authority shall publish all evaluations on the website referred to in Article 35(2).

Article 35

Responsibilities of managing authorities and partners with regard to transparency and communication

1. Each managing authority shall identify a communication officer for each Interreg programme under its responsibility.
2. The managing authority shall ensure that, within six months of the Interreg programme's approval, there is a website where information on each Interreg programme under its responsibility is available, covering the programme's objectives, activities, available funding opportunities and achievements.
3. Article [44(2) to (7)] of Regulation (EU) [new CPR] on the responsibilities of the managing authority shall apply.
4. Each partner of an Interreg operation or each body implementing a financing instrument shall acknowledge support from an Interreg fund, including resources reused for financial instruments in accordance with Article [56] of Regulation (EU) [new CPR], to the Interreg operation by:
 - (a) providing on the partner's professional website, where such a website exists, a short description of the Interreg operation, proportionate to the level of support

provided by an Interreg fund, including its aims and results, and highlighting the financial support from the Union;

- (b) providing a statement highlighting the support from an Interreg fund in a visible manner on documents and communication material relating to the implementation of the Interreg operation, used for the public or for participants;
- (c) publicly displaying public plaques or billboards as soon as the physical implementation of an Interreg operation involving physical investment or the purchase of equipment starts, the total cost of which exceeds EUR 100 000;
- (d) for Interreg operations not falling under point (c), publicly displaying at least one printed or electronic display of a minimum size A3 with information about the Interreg operation highlighting the support from an Interreg fund;
- (e) for operations of strategic importance and operations whose total cost exceed EUR 10.000.000 organising a communication event and involving the Commission and the responsible managing authority in a timely manner.

The term 'Interreg' shall be used next to the emblem of the Union in accordance with Article [42] of Regulation (EU) [new CPR].

- 5. For small project funds and financial instruments, the beneficiary shall ensure that final recipients comply with the requirements set out in point (c) of paragraph 4.
- 6. Where the beneficiary does not comply with its obligations under Article [42] of Regulation (EU) [new CPR] or paragraphs 1 and 2 of this Article, the Member State shall apply a financial correction by cancelling up to 5% of the support from the Funds to the operation concerned.

CHAPTER V

Eligibility

Article 36

Rules on eligibility of expenditure

- 1. All or part of an Interreg operation may be implemented outside of a Member State, including outside the Union, provided that the Interreg operation contributes to the objectives of the respective Interreg programme.
- 2. Without prejudice to the eligibility rules laid down in Articles [57 to 62] of Regulation (EU) [new CPR], Articles [4 and 6] of Regulation (EU) [new ERDF] or in this Chapter, including in acts adopted thereunder, the participating Member States and, where applicable, third countries, partner countries and OCTs shall, by a joint decision in the monitoring committee, only establish additional rules on eligibility of expenditure for the Interreg programme on categories of expenditure not covered by those provisions. Those additional rules shall cover the programme area as a whole.

However, where an Interreg programme selects operations based on calls for proposals, those additional rules shall be adopted before the first call for proposals is published. In all other cases, those additional rules shall be adopted before the first operations are selected.

3. For matters not covered by the eligibility rules laid down in Articles [57 to 62] of Regulation (EU) [new CPR], Articles [4 and 6] of Regulation (EU) [new ERDF] and this Chapter, including in acts adopted thereunder or in rules established in accordance with paragraph 4, the national rules of the Member State and, where applicable, of the third countries, partner countries and OCTs in which the expenditure is incurred shall apply.
4. In the event of a difference of opinion between the managing authority and the audit authority with regard to the eligibility as such of an Interreg operation selected under the respective Interreg programme, the opinion of the managing authority shall prevail, taking due account of the opinion of the monitoring committee.
5. OCTs shall not be eligible for support from the ERDF under Interreg programmes, but may participate in those programmes under the conditions set out in this Regulation.

Article 37

General provisions on eligibility of cost categories

1. The participating Member States and, where applicable, third countries, partner countries and OCTs, may agree in the monitoring committee of an Interreg programme that expenditure falling under one or more of the categories referred to in Articles 38 to 43 shall not be eligible under one or more priorities of an Interreg programme.
2. Any expenditure eligible in accordance with this Regulation, paid by or on behalf of an Interreg partner, shall relate to the costs of initiating or initiating and implementing an operation or part of an operation.
3. The following costs are not eligible:
 - (a) fines, financial penalties and expenditure on legal disputes and litigation;
 - (b) costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information;
 - (c) costs related to fluctuation of foreign exchange rate.

Article 38

Staff costs

1. Staff costs shall consist of gross employment costs of staff employed by the Interreg partner in one of the following ways:
 - (a) full time;
 - (b) part-time with a fixed percentage of time worked per month;
 - (c) part-time with a flexible number of hours worked per month; or
 - (d) on an hourly basis.
2. Staff costs shall be limited to the following:
 - (a) salary payments related to the activities which the entity would not carry out if the operation concerned was not undertaken, fixed in an employment or work contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned;

- (b) any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council⁴⁰, provided that they are:
 - (i) fixed in an employment document or by law;
 - (ii) in accordance with the legislation referred to in the employment document and with standard practices in the country or the organisation where the individual staff member is actually working or both; and
 - (iii) not recoverable by the employer.

With regard to point (a), payments to natural persons working for the Interreg partner under a contract other than an employment or work contract may be assimilated to salary payments and such a contract considered as an employment document.

3. Staff costs may be reimbursed either:
 - (a) in accordance with [point (a) of the first subparagraph of Article 48(1)] of Regulation (EU) [new CPR] (proven by the employment document and payslips); or
 - (b) under simplified cost options as set out in [points (b) to (e) of the first subparagraph of Article 48(1)] of Regulation (EU) [new CPR]; or
 - (c) as a flat rate in accordance with Article [50(1)] of Regulation (EU) [new CPR].
4. Staff costs related to individuals who work on part-time assignment on the operation, shall be calculated as either:
 - (a) a fixed percentage of the gross employment cost in accordance with Article [50(2)] of Regulation (EU) [new CPR]; or
 - (b) a flexible share of the gross employment cost, in line with a number of hours varying from one month to the other worked on the operation, based on a time registration system covering 100 % of the working time of the employee.
5. For part-time assignments under point (b) of paragraph 4, the reimbursement of staff costs shall be calculated on an hourly rate basis determined either by:
 - (a) dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours; or
 - (b) dividing the latest documented annual gross employment cost by 1 720 hours in accordance with [paragraphs 2, 3 and 4 of Article [50] of Regulation (EU) [new CPR].
6. As regards staff costs related to individuals who, according to the employment document, work on an hourly basis, such costs shall be eligible applying the number of hours actually worked on the operation to the hourly rate agreed in the employment document based on a working time registration system.

⁴⁰ Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems (OJ L 166, 30.4.2004, p.1).

Article 39
Office and administrative costs

Office and administrative costs shall be limited to the following elements:

- (a) office rent;
- (b) insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- (c) utilities (e.g. electricity, heating, water);
- (d) office supplies;
- (e) general accounting provided inside the beneficiary organisation;
- (f) archives;
- (g) maintenance, cleaning and repairs;
- (h) security;
- (i) IT systems;
- (j) communication (e.g. telephone, fax, internet, postal services, business cards);
- (k) bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
- (l) charges for transnational financial transactions.

Article 40
Travel and accommodation costs

1. Travel and accommodation costs shall be limited to the following elements:
 - (a) travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
 - (b) the costs of meals;
 - (c) accommodation costs;
 - (d) visa costs;
 - (e) daily allowances,regardless whether such costs are incurred and paid in or outside the programme area.
2. Any element listed in points (a) to (d) of paragraph 1 covered by a daily allowance shall not be reimbursed in addition to the daily allowance.
3. Travel and accommodation costs of external experts and service providers fall under external expertise and services costs listed in Article 41.
4. Direct payment of expenditure for costs under this Article by an employee of the beneficiary shall be supported by a proof of reimbursement by the beneficiary to that employee.
5. Travel and accommodation costs of an operation may be calculated at a flat rate of up to 15 % of the direct costs other than the direct staff costs of that operation.

Articles 41
External expertise and services costs

External expertise and service costs shall be limited to the following services and expertise provided by a public or private law body or a natural person other than the beneficiary of the operation:

- (a) studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- (b) training;
- (c) translations;
- (d) IT systems and website development, modifications and updates;
- (e) promotion, communication, publicity or information linked to an operation or to a cooperation programme as such;
- (f) financial management;
- (g) services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- (h) participation in events (e.g. registration fees);
- (i) legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- (j) intellectual property rights;
- (k) verifications under [point (a) of Article 68(1)] of Regulation (EU) [new CPR] and Article 45(1) of this Regulation;
- (l) costs for the accounting function on programme level under Article [70] of Regulation (EU) [new CPR] and Article 46 of this Regulation;
- (m) audit costs on programme level under Articles [72] and [75] of Regulation (EU) [new CPR] under Articles 47 and 48 of this Regulation;
- (n) the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee;
- (o) travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- (p) other specific expertise and services needed for operations.

Article 42
Equipment costs

1. Costs for equipment purchased, rented or leased by the beneficiary of the operation other than those covered by Article 39 shall be limited to the following:
 - (a) office equipment;
 - (b) IT hardware and software;
 - (c) furniture and fittings;
 - (d) laboratory equipment;

- (e) machines and instruments,
 - (f) tools or devices;
 - (g) vehicles;
 - (h) other specific equipment needed for operations.
2. Costs for the purchase of second-hand equipment may be eligible subject to the following conditions:
- (a) no other assistance has been received for it from the Interreg funds or the Funds listed in [point (a) of Article 1(1)] of Regulation (EU) [new CPR];
 - (b) this price does not exceed the generally accepted price on the market in question;
 - (c) it has the technical characteristics necessary for the operation and complies with applicable norms and standards.

Article 43

Costs for infrastructure and works

Costs for infrastructure and works shall be limited to the following:

- (a) purchase of land in accordance with [point (c) of Article 58(1)] of Regulation (EU) [new CPR];
- (b) building permits;
- (c) building material;
- (d) labour;
- (e) specialised interventions (e.g. soil remediation, mine-clearing).

CHAPTER VI

Interreg programme authorities, management, control and audit

Article 44

Interreg programme authorities

1. Member States and, where applicable, third countries, partner countries and OCTs participating in an Interreg programme shall identify, for the purposes of Article [65] of Regulation (EU) [new CPR], a single managing authority and a single audit authority.
2. The managing authority and the audit authority shall be located in the same Member State.
3. Concerning the PEACE PLUS programme, the Special EU Programmes Body, when identified as the managing authority, shall be considered as located in a Member State.
4. Member States and, where applicable, third countries, partner countries and OCTs participating in an Interreg programme may identify an EGTC as managing authority of that programme.

5. With regard to an Interreg programme under component 2B or under component 1 where the latter covers long borders with heterogeneous development challenges and needs, Member States and, where applicable, third countries, partner countries and OCTs participating in an Interreg programme may define sub-programme areas.
6. Where the managing authority identifies an intermediate body under an Interreg programme in accordance with Article [65(3)] of Regulation (EU) [new CPR], the intermediate body shall carry out those tasks in more than one participating Member State or, where applicable, third country, partner country or OCT.

Article 45

Functions of the managing authority

1. The managing authority of an Interreg programme shall carry out the functions laid down in Articles [66], [68] and [69] of Regulation (EU) [new CPR] with the exception of the task of selecting operations referred to in point (a) of Article 66(1) and Article 67 and of payments to beneficiaries referred to in point (b) of Article 68(1). Those functions shall be carried out in the whole of the territory covered by that programme, subject to derogations set out under Chapter VIII of this Regulation.
2. The managing authority, after consultation with the Member States and, where applicable, any third countries, partner countries or OCTs participating in the Interreg programme, shall set up a joint secretariat, with staff taking into account the programme partnership.

The joint secretariat shall assist the managing authority and the monitoring committee in carrying out their respective functions. The joint secretariat shall also provide information to potential beneficiaries about funding opportunities under Interreg programmes and shall assist beneficiaries and partners in the implementation of operations.
3. By way of derogation from [point (c) of Article 70(1)] of Regulation (EU) [new CPR], expenditure paid in another currency shall be converted into euro by each partner using the monthly accounting exchange rate of the Commission in the month during which that expenditure was submitted for verification to the managing authority in accordance with [point (a) of Article 68(1)] of that Regulation.

Article 46

The accounting function

1. Member States and, where applicable, third countries, partner countries and OCTs participating in an Interreg programme shall agree on the arrangements for carrying out the accounting function.
2. The accounting function shall consist of the tasks listed in [points (a) and (b) of Article 70(1)] of Regulation [new CPR] and shall also cover the payments made by the Commission and, as a general rule, the payments made to the lead partner in accordance with [point (b) of Article 68(1)] of Regulation (EU) [new CPR].

Article 47
Functions of the audit authority

1. The audit authority of an Interreg programme shall carry out the functions provided for in this Article and in Article 48 in the whole of the territory covered by that Interreg programme, subject to the derogations set out in Chapter VIII.

However, a participating Member State may specify when the audit authority is to be accompanied by an auditor from that participating Member State.

2. The audit authority of an Interreg programme shall be responsible for carrying out system audits and audits on operations in order to provide independent assurance to the Commission that management and control systems function effectively and that expenditure included in the accounts submitted to the Commission is legal and regular.
3. Where an Interreg programme is included in the population from which the Commission selects a common sample under Article 48(1), the audit authority shall carry out audits of operations selected by the Commission in order to provide independent assurance to the Commission that management and control systems function effectively.
4. Audit work shall be carried out in accordance with internationally accepted audit standards.
5. The audit authority shall draw up and submit to the Commission each year by 15 February following the end of the accounting year an annual audit opinion in accordance with Article [63(7)] of Regulation [FR-Omnibus] using the template set out in Annex [XVI] to Regulation (EU) [new CPR] and based on all audit work carried out, covering each of the following components:
 - (a) the completeness, veracity and accuracy of the accounts;
 - (b) the legality and regularity of the expenditure included in the accounts submitted to the Commission;
 - (c) the management and control system of the Interreg programme.

Where the Interreg programme is included in the population from which the Commission selects a sample pursuant to Article 48(1), the annual audit opinion shall only cover the components referred to in points (a) and (c) of the first subparagraph.

The deadline of 15 February may exceptionally be extended by the Commission to 1 March, upon communication by the Member State hosting the managing authority concerned.

6. The audit authority shall draw up and submit to the Commission each year by 15 February following the end of the accounting year an annual control report in accordance with [point (b) of Article 63(5)] of Regulation [FR-Omnibus] using the template set out in Annex [XVII] of Regulation (EU) [new CPR] and, supporting the audit opinion provided for in paragraph 5 of this Article and setting out a summary of the findings, including an analysis of the nature and extent of any errors and deficiencies in the systems as well as the proposed and implemented corrective actions and the resulting total error rate and residual error rate for the expenditure entered in the accounts submitted to the Commission.
7. Where the Interreg programme is included in the population from which the Commission selects a sample under Article 48(1), the audit authority shall draw up

the annual control report referred to in paragraph 6 of this Article and fulfilling the requirements of [point (b) of Article 63(5)] of Regulation (EU, Euratom) [FR-Omnibus] using the template set out in Annex [XVII] to Regulation (EU) [new CPR] and supporting the audit opinion provided for in paragraph 5 of this Article.

That report shall set out a summary of the findings, including an analysis of the nature and extent of any errors and deficiencies in the systems as well as the proposed and implemented corrective actions, the results of the audits of operations carried out by the audit authority in relation to the common sample referred to in Article 48(1) and the financial corrections applied by the Interreg programme authorities for any individual irregularities detected by the audit authority for these operations.

8. The audit authority shall transmit system audit reports to the Commission as soon as the required contradictory procedure with the relevant auditees is concluded.
9. The Commission and the audit authority shall meet on a regular basis and at least once a year, unless otherwise agreed, to examine the audit strategy, the annual control report and the audit opinion, to coordinate their audit plans and methods and to exchange views on issues relating to the improvement of management and control systems.

Article 48

Audit of operations

1. The Commission shall select a common sample of operations (or other sampling units) using a statistical sampling method for the audits of operations to be carried out by the audit authorities for the Interreg programmes receiving support from the ERDF or an external financing instrument of the Union in respect of each accounting year.

The common sample shall be representative for all the Interreg programmes constituting the population.

For the purposes of selecting the common sample, the Commission may stratify groups of Interreg programmes according to their specific risks.

2. The programme authorities shall provide the information necessary for the selection of a common sample to the Commission by 1 September following the end of each accounting year at the latest.

That information shall be submitted in a standardised electronic format, shall be complete and shall reconcile with the expenditure declared to the Commission for the reference accounting year.

3. Without prejudice to the requirement to carry out an audit referred to in Article 47(2), the audit authorities for Interreg programmes covered by the common sample shall not carry out additional audits of operations under those programmes, unless requested by the Commission in accordance with paragraph 8 of this Article or in cases for which an audit authority has identified specific risks.
4. The Commission shall inform the audit authorities of the Interreg programmes concerned of the common sample selected in time to allow those authorities to carry out the audits of operations, in general, by 1 October following the end of each accounting year, at the latest.

5. The audit authorities concerned shall submit information on the results of these audits as well as on any financial correction taken in relation to individual irregularities detected at the latest in the annual control reports to be submitted to the Commission pursuant to Article 47(6) and (7).
6. Following its assessment of the results of audits of operations selected pursuant to paragraph 1, the Commission shall calculate a global extrapolated error rate with regard to the Interreg programmes included in the population from which the common sample was selected, for the purposes of its own assurance process.
7. Where the global extrapolated error rate referred to in paragraph 6 is above 2% of the total expenditure declared for the Interreg programmes included in the population from which the common sample was selected, the Commission shall calculate a global residual error rate, taking account of financial corrections applied by the respective Interreg programme authorities for individual irregularities detected by the audits of operations selected pursuant to paragraph 1.
8. Where the global residual error rate referred to in paragraph 7 is above 2% of the expenditure declared for the Interreg programmes included in the population from which the common sample was selected, the Commission shall determine whether it is necessary to request the audit authority of a specific Interreg programme or a group of Interreg programmes most affected to carry out additional audit work in order to further evaluate the error rate and assess the required corrective measures for the Interreg programmes affected by the irregularities detected.
9. Based on the assessment of the results of the additional audit work requested pursuant to paragraph 8, the Commission may request additional financial corrections to be applied on the Interreg programmes affected by the irregularities detected. In such cases, the Interreg programme authorities shall carry out the required financial corrections in accordance with Article [97] of Regulation (EU) [new CPR].
10. Each audit authority of an Interreg programme for which the information referred to in paragraph 2 is missing or incomplete or has not been submitted by the deadline laid down in the first subparagraph of paragraph 2 shall carry out a separate sampling exercise for the respective Interreg programme in accordance with Article [73] of Regulation (EU) [new CPR]).

CHAPTER VII

Financial management

Article 49

Payments and pre-financing

1. The ERDF support and, where applicable, the support from external financing instruments of the Union to each Interreg programme shall be paid, in accordance with Article 39(2), into a single account with no national subaccounts.
2. The Commission shall pay a pre-financing based on the total support from each Interreg fund, as set out in the decision approving each Interreg programme under Article 18, subject to available funds, in yearly instalments as follows and before 1 July of the years 2022 to 2026, or, in the year of the approving decision, no later than 60 days after that decision is adopted:

- (a) 2021: 1%;
 - (b) 2022: 1%;
 - (c) 2023: 1%;
 - (d) 2024: 1%;
 - (e) 2025: 1%;
 - (f) 2026: 1%.
3. Where external cross-border Interreg programmes are supported by the ERDF and IPA III CBC or NDICI CBC, the pre-financing for all funds supporting such an Interreg programme shall be made in accordance with Regulation (EU) [IPA III] or [NDICI] or of any act adopted thereunder.

The pre-financing amount may be paid in two instalments, where necessary, according to budgetary needs.

The total amount paid as pre-financing shall be reimbursed to the Commission if no payment application under the cross-border Interreg programme is sent within 24 months of the date on which the Commission pays the first instalment of the pre-financing amount. Such reimbursement shall constitute internal assigned revenue and shall not reduce the support from the ERDF, IPA III CBC or NDICI CBC to the programme.

Article 50 **Recoveries**

1. The managing authority shall ensure that any amount paid as a result of an irregularity is recovered from the lead or sole partner. Partners shall repay to the lead partner any amounts unduly paid.
2. Where the lead partner does not succeed in securing repayment from other partners or where the managing authority does not succeed in securing repayment from the lead or sole partner, the Member State, third country, partner country or OCT on whose territory the partner concerned is located or, in the case of an EGTC, is registered shall reimburse the managing authority any amounts unduly paid to that partner. The managing authority shall be responsible for reimbursing the amounts concerned to the general budget of the Union, in accordance with the apportionment of liabilities among the participating Member States, third countries, partner countries or OCTs laid down in the Interreg programme.
3. Once the Member State, third country, partner country or OCT has reimbursed the managing authority any amounts unduly paid to a partner, it may continue or start a recovery procedure against that partner under its national law. In the event of successful recovery, the Member State, third country, partner country or OCT may use those amounts for the national co-financing of the Interreg programme concerned. The Member State, third country, partner country or OCT shall not have any reporting obligations towards the programme authorities, the monitoring committee or the Commission with regard to such national recoveries.
4. Where a Member State, third country, partner country or OCT has not reimbursed the managing authority any amounts unduly paid to a partner pursuant to paragraph 3, those amounts shall be subject to a recovery order issued by the AOD which shall be executed, where possible, by offsetting against amounts due to the Member State,

third country, partner country or OCT under subsequent payments to the same Interreg programme or, in the case of a third country, partner country or an OCT, under subsequent payments to programmes under the respective external financing instruments of the Union. Such recovery shall not constitute a financial correction and shall not reduce the support from the ERDF or any external financing instrument of the Union to the respective Interreg programme. The amount recovered shall constitute assigned revenue in accordance with Article [177(3)] of Regulation (EU, Euratom) [FR-Omnibus].

CHAPTER VIII

Participation of third countries or partner countries or OCTs in Interreg programmes under shared management

Article 51

Applicable provisions

Chapters I to VII and Chapter X shall apply to the participation of third countries, partner countries and OCTs in Interreg programmes subject to the specific provisions set out in this Chapter.

Article 52

Interreg programme authorities and their functions

1. Third countries, partner countries and OCTs participating in an Interreg programme shall either allow the managing authority of that programme to carry out its functions in its respective territory or shall identify a national authority as contact point for the managing authority or a national controller to carry out management verifications as provided for in [point (a) of Article 68(1)] of Regulation (EU) [new CPR] in its respective territory.
2. Third countries, partner countries and OCTs participating in an Interreg programme shall either allow the audit authority of that programme to carry out its functions in its respective territory or shall identify a national audit authority or body, functionally independent from the national authority.
3. Third countries, partner countries and OCTs participating in an Interreg programme shall delegate staff to the joint secretariat of that programme or shall set up a branch office in its respective territory, or shall do both.
4. The national authority or a body equivalent to the Interreg programme communication officer as provided for in Article 35(1), shall support the managing authority and partners in the respective third country, partner country or OCT with regard to the tasks provided for in Article 35(2) to (7).

Article 53

Management methods

1. External cross-border Interreg programmes supported both by ERDF and IPA III CBC or NDICI CBC shall be implemented under shared management both in the Member States and in any participating third country or partner country.

The PEACE PLUS programme shall be implemented under shared management both in Ireland and in the United Kingdom.

2. Component 2 and 4 Interreg programmes combining contributions from the ERDF and from one or more external financing instrument of the Union shall be implemented under shared management both in the Member States and in any participating third country or partner country or, with regard to component 3, in any OCT, whether or not that OCT receives support under one or more external financing instruments of the Union.
3. Component 3 Interreg programmes combining contributions from the ERDF and one or more external financing instruments of the Union shall be implemented in any of the following ways:
 - (a) under shared management both in the Member States and in any participating third country or OCT;
 - (b) under shared management only in the Member States and in any participating third country or OCT with regard to ERDF expenditure outside the Union for one or more operations, whereas the contributions from one or more external financing instruments of the Union are managed under indirect management;
 - (c) under indirect management both in the Member States and in any participating third country or OCT.

Where all or part of a component 3 Interreg programme is implemented under indirect management, Article 60 shall apply.

Article 54 **Eligibility**

1. By way of derogation from Article [57(2)] of Regulation (EU) [new CPR] expenditure shall be eligible for a contribution from external financing instruments of the Union if it has been incurred by a partner or the private partner of PPP operations in the preparation and implementation of Interreg operations from 1 January 2021 and paid after the date when the financing agreement with the respective third country, partner country or OCT was concluded.

However, expenditure for technical assistance managed by programme authorities located in a Member State shall be eligible as of 1 January 2021, even when paid for actions implemented in favour of third countries, partner countries or OCTs.

2. Where an Interreg programme selects operations based on calls for proposals, such calls may include applications for a contribution from external financing instruments of the Union, even when launched before the relevant financing agreement was signed, and operations may already be selected before such dates.

However, the managing authority may not provide the document provided for in Article 22(6) before such dates.

Article 55 **Large infrastructure projects**

1. Interreg programmes under this section may support 'large infrastructure projects' meaning operations comprising a set of works, activities or services intended to fulfil an indivisible function of a precise nature pursuing clearly identified objectives of

common interest for the purposes of implementing investments delivering a cross-border impact and benefits and where a budget share of at least EUR 2 500 000 is allocated to the acquisition of infrastructure.

2. Each beneficiary implementing a large infrastructure project or a part thereof shall apply the applicable public procurement rules.
3. Where the selection of one or more large infrastructure projects is on the agenda of a monitoring committee or, where applicable, steering committee meeting, the managing authority shall transmit a concept note for each such project to the Commission at the latest two months before the date of the meeting. The concept note shall be a maximum of three pages and shall indicate the name, the location, the budget, the lead partner and the partners as well as the main objectives and deliverables thereof. If the concept note concerning one or more large infrastructure projects is not transmitted to the Commission by that deadline, the Commission may request that the chair of the monitoring committee or steering committee remove the projects concerned from the agenda of the meeting.

Article 56

Procurement

1. Where the implementation of an operation requires procurement of service, supply or works contracts by a beneficiary, the following rules shall apply:
 - (a) where the beneficiary is a contracting authority or a contracting entity within the meaning of the Union law applicable to public procurement procedures, it shall apply national laws, regulations and administrative provisions adopted in connection with Union laws;
 - (b) where the beneficiary is a public authority of a partner country under IPA III or NDICI whose co-financing is transferred to the Managing Authority, it may apply national laws, regulations and administrative provisions, provided that the financing agreement allows it and that the contract is awarded to the tender offering best value for money, or as appropriate, to the tender offering the lowest price, while avoiding any conflict of interests.
2. For the award of goods, works or services in all cases other than those referred to in paragraph 1, the procurement procedures under Articles [178] and [179] of Regulation (EU, Euratom) [FR-Omnibus] and Chapter 3 of Annex 1 (Points 36 to 41) to that Regulation shall apply.

Article 57

Financial management

The Commission decisions approving Interreg programmes also supported by an external financing instrument of the Union shall meet the requirements necessary to constitute financing decisions in terms of Article [110(2)] of Regulation (EU, Euratom) [FR-Omnibus].

Article 58

Conclusion of Financing Agreements under shared management

1. In order to implement an Interreg programme in a third country, partner country or OCT, in accordance with Article [112(4)] of Regulation (EU, Euratom) [FR-Omnibus], a financing agreement shall be concluded between the Commission

representing the Union and each participating third country, partner country or OCT represented in accordance with its national legal framework.

2. Any financing agreement shall be concluded at the latest on 31 December of the year following the year when the first budget commitment was made and shall be considered concluded on the date when the last party has signed it.

Any financing agreement shall enter into force either on the date

- (a) when the last party has signed it; or
 - (b) when the third or partner country or OCT has completed the procedure required for ratification under its national legal framework and informed the Commission .
3. Where an Interreg programme involves more than one third country, partner country or OCT, at least one financing agreement shall be signed by both parties before that date. The other third countries, partner countries or OCTs may sign their respective financing agreements at the latest on 30 June of the second year following the year when the first budget commitment was made.
 4. The Member State hosting the managing authority of the relevant Interreg programme either
 - (a) may also sign the financing agreement; or
 - (b) shall sign, on the same date, an implementing agreement with each third country, partner country or OCT participating in the respective Interreg programme setting out the mutual rights and obligations with regard to its implementation and financial management.

When transmitting the signed copy of the financing agreement or a copy of the implementing agreement to the Commission, the Member State hosting the managing authority shall also send, as a separate document, a list of the planned large infrastructure operations as defined in Article 55, indicating the prospective name, location, budget and lead partner thereof.

5. An implementing agreement signed pursuant to point (b) of paragraph 4 shall at least cover the following elements:
 - (a) detailed arrangements for payments;
 - (b) financial management;
 - (c) record keeping;
 - (d) reporting obligations;
 - (e) verifications, controls and audit;
 - (f) irregularities and recoveries.
6. Where the Member State hosting the managing authority of the Interreg programme decides to sign the financing agreement pursuant to point (a) of paragraph 4, that financing agreement shall be considered a tool to implement the Union budget in accordance with the Financial Regulation and not an international agreement as referred to in Articles 216 to 219 of the TFEU.

Article 59

Third country, partner country or OCT contribution other than co-financing

1. Where a third country, partner country or OCT transfers to the Managing Authority a financial contribution to the Interreg programme other than its co-financing of the Union support to the Interreg programme, the rules concerning that financial contribution shall be contained in the following document:
 - (a) where the Member State signs the financing agreement pursuant to point (a) of Article 58(4), in a separate implementing agreement signed either between the Member State hosting the managing authority and the third country, partner country or OCT or directly between the managing authority and the competent authority in the third country, partner country or OCT;
 - (b) where the Member State signs an implementing agreement pursuant to point (b) of Article 58(4), in one of the following:
 - (i) a distinct part of that implementing agreement; or
 - (ii) an additional implementing agreement signed between the same parties referred to point (a).

For the purposes of point (b)(i) of the first subparagraph, sections of the implementing agreement may, where applicable, cover both the transferred financial contribution and the Union support to the Interreg programme.

2. An implementing agreement under paragraph 1 shall at least contain the elements concerning the third country's, partner country's or OCT's co-financing listed in Article 58(5).

In addition, it shall set out both of the following:

- (a) the amount of the national co-financing;
 - (b) the intended use and conditions for its use, including conditions for applications for that additional contribution.
3. With regard to the PEACE PLUS programme, the financial contribution to Union activities from the United Kingdom in the form of external assigned revenue as referred to in [point (e) of Article 21(2)] of Regulation (EU, Euratom) [FR-Omnibus] shall make part of the budget appropriations for Heading 2 'Cohesion and Values', sub-ceiling 'Economic, social and territorial cohesion'.

That contribution shall be subject to a specific financing agreement with the United Kingdom in accordance with Article 58. The Commission and the United Kingdom as well as Ireland shall be parties to this specific financing agreement.

It shall be signed before the beginning of the implementation of the programme thus allowing the Special EU Programmes Body to apply all the Union legislation for the implementation of the programme.

CHAPTER IX

Specific provisions for direct or indirect management

Article 60

Outermost regions' cooperation

1. Where part or all of a component 3 Interreg programme is implemented under indirect management pursuant to point (b) or (c) respectively of Article 53(3), implementation tasks shall be entrusted to one of the bodies listed in point [(c) of the first subparagraph of Article 62(1)] of Regulation (EU, Euratom) [FR-Omnibus], in particular to such a body located in the participating Member State, including the managing authority of the Interreg programme concerned.
2. In accordance with [point (c) of Article 154(6)] of Regulation (EU, Euratom) [FR-Omnibus], the Commission may decide not to require an *ex-ante* assessment as referred to in paragraphs 3 and 4 of that Article when the budget implementation tasks referred to in [point (c) of the first subparagraph of Article 62(1)] of Regulation (EU, Euratom) [FR-Omnibus] are entrusted to a managing authority of an outermost regions' Interreg programme identified pursuant to Article 37(1) of this Regulation and in accordance with Article [65] of Regulation (EU) [new CPR].
3. Where the budget implementation tasks referred to in [point (c) of the first subparagraph of Article 62(1)] of Regulation [FR-Omnibus] are entrusted to a Member State organisation, Article [157] of Regulation (EU, Euratom) [FR-Omnibus] shall apply.
4. Where a programme or action co-financed by one or more external financing instrument is implemented by a third country, a partner country, an OCT or any of the other bodies listed to in [point (c) of the first subparagraph of Article 62(1)] of Regulation (EU, Euratom) [FR-Omnibus] or referred to in Regulation (EU) [NDICI] and Council Decision [OCT Decision] or both, the relevant rules of these instruments shall apply, in particular Chapters I, III and V of Title II of Regulation (EU) [NDICI].

Article 61

Interregional innovation investments

At the initiative of the Commission, the ERDF may support interregional innovation investments, as set out in point 5 of Article 3, bringing together researchers, businesses, civil society and public administrations involved in smart specialisation strategies established at national or regional levels.

CHAPTER X

Final provisions

Article 62

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 16(6) shall be conferred on the Commission from [*as of one day after its publication = date of entry into force*] until 31 December 2027.
3. The delegation of power referred to in Article 16(6) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Article 16(6) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of [two months] of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by [two months] at the initiative of the European Parliament or of the Council.

Article 63

Committee Procedure

1. The Commission shall be assisted by the committee set up pursuant to Article [108(1)] of Regulation (EU) [new CPR]. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

Article 64

Transitional provisions

Regulation (EC) No 1299/2013 or any act adopted thereunder shall continue to apply to programmes and operations supported by the ERDF under the 2014-2020 programming period.

Article 65

Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President