



Guidance

Version 15/12/2015



European Union
European Regional Development Fund



RÉGION
NORD-PAS DE CALAIS

The present Guidance has been produced in the framework of the first Call for Proposals for the selection of Urban Innovative Actions projects.

It has been conceived to complement the Terms of Reference of the Calls for Proposals. It aims to provide detailed information on the UIA Initiative as well as on how to submit an application form, how to define the work plan, budget and related deliverables/outputs and how to manage an UIA project. It details the main rules and procedures to be respected in the framework of the UIA Initiative. It will also act as the main reference document for project implementation.

The Guidance will remain valid for all call for proposals launched by the UIA Initiative but it could be updated with additional information and details. The updated versions of the Guidance will be duly highlighted on the UIA website.

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1. Introduction and background

1.1 Context and rationale for Urban Innovative Actions

Approximately 359 million people – 72% of the total EU population – live in cities, towns and suburbs. Although the speed of transformation has slowed down, the share of urban population in Europe continues to grow, and it is likely to reach more than 80% by 2050¹.

The concentration of consumers, workers and businesses in a place or area, together with the formal and informal institutions that are found in urban areas, makes them more than just centres of population. Urban areas are where threats and opportunities for sustainable development come together.

The density of people, economic activities and built environment amplifies social and environmental problems. Urban areas face multiple and interconnected internal and external challenges related to employment, migration, demography, air, water and soil pollution, climate change, economic development, etc.

But, urban areas are also places of innovation, engines of new ideas and solutions, drivers for local and global economy and where wealth and jobs are created. They are dynamic places where change can happen on a larger scale and at a more rapid pace.

Over recent decades, a large consensus has emerged that, in order to successfully address complex and interwoven challenges, urban authorities need to design and implement integrated answers combining measures promoting education, economic development, social inclusion and environmental protection.

Since 1989, the European Union has recognised the key role of urban authorities and supported them, mainly through the tools and mechanisms of cohesion policy, in order to develop and implement integrated strategies for sustainable urban development. For the 2014-2020 period, the European Commission strongly supports an increased focus on integrated sustainable urban development. In the context of cohesion policy, the EU devotes a large budget to sustainable urban

¹ European Commission (JRC, EFGS, DG Regional and Urban Policy)

development. It can be estimated that at least EUR 80 billion from the European Regional Development Fund (ERDF) will, directly or indirectly, be invested in urban areas. In addition, in order to empower urban authorities throughout the EU, almost EUR 15 billion ERDF will be directly under the control of urban authorities for the purposes of integrated sustainable urban development strategies which tackle the economic, environmental, climate, demographic and social challenges affecting urban areas².

At a wider strategic level, an EU Urban Agenda is being developed. This process aims to better involve urban authorities in the design of EU/national policies and to mobilise them in the implementation of EU/ national policies. This will make urban authorities more effective and efficient on the ground. It will also yield concrete results for all levels (EU/national/local) in terms of better regulation, better funding and better knowledge base and exchange³.

Moreover, there is strong evidence suggesting that the nature and scale of the challenges facing urban authorities demand much more than traditional policies and services. Urban authorities need to be bold and innovative in designing and experiment new services and products to respond to increasingly complex challenges. Innovation is therefore becoming an increasingly familiar concept for urban policy makers and practitioners across Europe, and beyond.

A standard definition of innovation is provided by OECD – Oslo Manual (2005). “An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations”. However other definitions of innovation can be considered. For example, “the successful implementation of new ideas” (BIS), “change that creates a new dimension of performance” (Peter Drucker), “new ideas that work” (Nesta), “fresh thinking that creates added value” (Richard Lyons).

For an urban authority to innovate implies a very sharp understanding of the reality, a high degree of creativity and willingness to take risk. Understanding how things work, how they can be improved and what is actually missing (yet not existing). To be innovative means applying creativity and

² For more information on the provisions of article 7 ERDF:

http://ec.europa.eu/regional_policy/sources/docgener/informat/themes2012/urban_en.pdf

³ For more information on the EU Urban Agenda:

http://ec.europa.eu/regional_policy/en/newsroom/news/2015/06/the-eu-urban-agenda-commission-unveils-results-of-public-consultation

imagination to design, prototype, test and eventually scale up novelties which citizens and users would perceive as having an added value, therefore providing a wider, if not completely new, market for them.

However, whilst research on urban issues is well developed, with many universities, urban planners and the urban authorities themselves proposing new and innovative ideas, these potential solutions are not always put into practice. One of the reasons is that urban authorities are reluctant to use their own financial resources to fund ideas that are totally new, unproven and hence risky. Budget constraints are therefore limiting the capacities of urban authorities for experimentation and testing. This lack of experimentation is one of the reasons why the Commission decided to create a new instrument called **Urban Innovative Actions (UIA)**.

1.2 Management of the UIA Initiative

The UIA Initiative is an instrument of the Commission and is managed by the DG Regional and Urban Policy via indirect management. The UIA Initiative is originally set out in Article 8 ERDF, which states that “At the initiative of the Commission, the ERDF may support innovative actions in the area of sustainable urban development”. Delegated Act No 522/2014 was then adopted; it defines the main rules concerning the selection and management of innovative actions in the area of sustainable urban development to be supported by ERDF.

In line with Article 1 UIA, the Commission has designated the Region Nord-Pas de Calais (France) as Entrusted Entity for the implementation of the UIA Initiative.

A Delegation Agreement has been signed between DG Regional and Urban Policy and the Region Nord-Pas de Calais which sets out in detail the working arrangements and the requirements. Tasks comprise:

- To prepare guidance for applicants and beneficiaries
- To prepare an annual work programme
- To organise calls
- To set up an expert panel
- To select actions
- To sign with the Urban Authority a Subsidy Contract

- To examine the reports submitted by the project and execute payments to the Urban Authority
- To monitor individual actions
- To organise communication activities
- To disseminate results
- To set up and ensure the functioning of an effective and efficient internal control system
- To ensure the individual actions are audited
- To report to the Commission on implementation

A Permanent Secretariat (PS) has been created to manage the UIA Initiative⁴.

1.3 Main features of a successful Urban Innovative Action

As stated in Article 8 ERDF, UIA shall support pilot projects to identify and test new solutions which address issues related to sustainable urban development. The main objective of UIA is to provide urban authorities throughout Europe with space and resources to experiment new innovative answers to the interconnected and complex local challenges. Through this new Initiative, urban authorities have the possibility to test how new and unproven solutions work in practice and how they respond to the complexity of real life. The Initiative has a total ERDF budget of around EUR 372 million.

Urban authorities should seize the opportunity offered by the UIA Initiative to move from “normal projects” (that could be financed through “traditional” sources of funding, including mainstream ERDF Programmes) and take the risk to turn ambitious and creative ideas into prototypes that can be tested in real urban settings.

UIA projects will be selected through annual calls for proposals from 2015 to 2020 on one or more topics proposed by the Commission. Each action can receive up to a maximum of EUR 5 Million ERDF co-financing. Project implementation must take place within a maximum period of 3 years. There is no fixed minimum size for UIA project budgets. However, small projects (i.e. below EUR 1 million ERDF requested) may have a reduced probability of being selected as they may struggle to demonstrate that the actions are of sufficient scale to produce meaningful conclusions.

⁴Detailed information about the PS is available here: www.uia-initiative.eu

Each of the projects funded within the frame of the UIA Initiative shall address a challenge that is of relevance at Union level and support one or several ERDF Thematic Objectives and related Investment Priorities as set out in the first paragraph of Article 9 CPR and in Article 5 ERDF.

Throughout the implementation of the project, by experimenting and testing new processes and solutions, urban authorities will tackle the local challenges identified, but they will also generate an important wealth of knowledge about the experimentation process (what worked, what did not work and what could be done differently). This knowledge will be captured (mainly through the involvement of experts) and shared with other policy makers and practitioners across Europe. Different mechanisms will be set up to ensure the capitalisation and transfer of knowledge, the main one will be the involvement of the urban authorities supported by UIA in the activities of the Urban Development Networks (UDN)⁵.

Specifically, the UIA Initiative supports projects that are:

- **Innovative:** Projects should be new, bold, creative and experimental. Urban authorities should propose projects that might not been financed under a mainstream Programme and are not merely part of normal local activities. Building on research and benchmarking, urban authorities should be able to demonstrate that the proposed project has not been previously tested and implemented on the ground in the urban area or elsewhere in the EU.
- **Of good quality:** Projects should meet key quality standards such as clear and logical interrelation of objectives/activities/outputs, evidence of preparatory work, realistic ambitions, effective management structures and procedures.
- **Participative:** Urban authorities should seek to benefit from sources of external expertise such as universities, NGOs, businesses, citizens and other levels of government both in the design and in the implementation of the project. To ensure the participative approach they need to define effective mechanisms of consultation, coordination and co-design.
- **Measurable:** Urban authorities should be able to clearly explain what the changes are that they want to achieve in the local context as a result of their projects. They need to

⁵The participation of UIA urban authorities in the activities of the Urban Development Network is compulsory. More information about UDN are available here: http://ec.europa.eu/regional_policy/en/policy/themes/urban-development/

demonstrate how any change in the local situation is directly attributable to the new solution developed and how the results can be measured, quantified and evaluated.

- **Transferable:** Solutions developed in the framework of the projects should be applicable and replicable by other organisations throughout Europe. Urban authorities should demonstrate that the challenge addressed has an Europe-wide relevance and that the resources needed for the implementation of the projects can be found in other local contexts.

A detailed presentation of the selection criteria for UIA projects is provided in Chapter 3 of the present Guidance.

1.4 Eligible authorities

Article 2 UIA establishes that the following authorities may apply for support to undertake Urban Innovative Actions:

- a. Any urban authority of a local administrative unit defined according to the degree of urbanisation as city, town or suburb comprising at least 50 000 inhabitants
- b. Any association or grouping of urban authorities of local administrative units defined according to the degree of urbanisation as city, town or suburb where the total population is at least 50 000 inhabitants; this can include cross-border associations or groupings, associations or groupings in different regions and/or Member States

Definitions for the concepts of local administrative units and degree of urbanisation are provided by Eurostat⁶. In particular, in the framework of the UIA Initiative the concept of local administrative unit refers to the democratically elected administrative body relevant to the urban area concerned (e.g. city council, municipality, borough, etc.).

⁶ Definition of Local Administrative Unit: http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Local_administrative_unit_%28LAU%29

Definition of degree of urbanisation: http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Degree_of_urbanisation

In order to ensure the consistency of the figures related to the total number of inhabitants, in the case of single urban authorities as well as for associations and groupings of cities, applicants are invited to refer to the information provided in spreadsheet elaborated by Eurostat⁷.

However, as not all Member States describe their locally governed areas as local administrative units, it is possible that there are some inconsistencies and gaps in the Eurostat spreadsheets. As such, if an urban authority believes that it is eligible but does not appear in the Eurostat spreadsheet, or it feels that the information is somehow inconsistent with the reality of its situation, it is invited to apply. However, in case which are uncertain the UIA PS will liaise with all relevant partners, including Eurostat, to determine the eligibility.

The category of associations and groupings of urban authorities where the population is at least 50 000 inhabitants can include institutions with a legal status of organised agglomerations⁸, and therefore considered as tiers of government by the national legislation (i.e. Communautés d'Agglomération in France, Città Metropolitane in Italy, Metropolitan Authorities in the United Kingdom), but also organisations without a legal status of organised agglomeration, created on a voluntary basis by the urban authorities involved (already existing or created for the purpose of the UIA Initiative).

In the case of associations and groupings recognised as organised agglomerations, the institution, including all the other urban authorities involved, will be considered as the Urban Authority.

In the case of associations and/or groupings of urban authorities without a legal status of organised agglomeration, the urban authorities involved are requested to identify one Main Urban Authority and the Associated Urban Authorities. More information on the role of the Main and Associated Urban Authorities are provided in section 2.1 of the present Guidance.

Previous experiences show that single projects delivered by associations or grouping of cities without a status of organised agglomeration, comprising more than 3 urban authorities, and without territorial contiguity, risk losing coherence and having difficulties in delivering meaningful results. As

⁷EUROSTAT/ Urban Audit database, Correspondance table LAU2-NUTS2010, EU28 (2012):

<http://ec.europa.eu/eurostat/web/nuts/local-administrative-units>

⁸ Organised agglomerations are defined as associations and groupings of urban authorities represented by politico-administrative institutions having delegated competences for policy-making and implementation in the policy area covered by the UIA project.

such, it is recommended that associations and/or groupings of urban authorities (without the status of organised agglomerations) who wish to apply should be territorially contiguous and seek to limit the number of Associated Urban Authorities involved. It should also be noted that:

- All Urban Authorities shall be located in an EU Member State
- Only the authorities listed above may submit an Application Form in the framework of a Call for Proposals for UIA
- An Urban Authority or an association/grouping can submit only one project proposal in the framework of each Call for Proposals

1.5 Thematic coverage

In the framework of the consultation on the EU Urban Agenda, it was agreed by all key stakeholders (urban authorities, Member States, the Commission and the European Parliament) that in order to achieve meaningful and measurable results at local level, one of the central aims of the EU Urban Agenda shall be to better target the funds, initiatives and efforts of the Commission towards those urban challenges that local authorities and inhabitants feel are most pressing.

The Commission strongly believes that the UIA Initiative should concretely contribute to this operational aim of the EU Urban Agenda. As a consequence, the topics that urban authorities can address within the frame of the UIA Initiative should be closely aligned to those that Member States, representatives of local authorities, NGOs, European and national associations of cities, as well as experts and the Commission, have identified within the frame of the EU Urban Agenda.

These topics are as follows:

- Jobs and skills in the local economy
- Urban poverty (in particular child poverty, deprived neighbourhoods and homelessness)
- Housing
- Inclusion of migrants and refugees
- Sustainable use of land and nature based solutions
- Circular economy
- Climate adaptation
- Energy transition (in particular energy efficiency and local renewable energy systems)

- Sustainable urban mobility
- Air quality
- Digital transition (in particular data collection, data management and digital services)
- Innovative and responsible public procurement

Each call for proposals for UIA will focus on a limited number of topics. The topics for each call will be defined annually by the Commission. They will be announced on the websites of DG Regional and Urban Policy and of the UIA Initiative. They will be described in the Terms of Reference of each Call for Proposals.

It should be noted that the EU Urban Agenda is a developing process which will evolve in the coming years as the various stakeholders involved calibrate to the optimum way of working. It is therefore anticipated that as the process develops, some of the topics listed above could be modified and/or reframed. Modifications to the topics listed above will be communicated if this is the case.

1.6 UIA Experts

Each project financed in the framework of the UIA Initiative will benefit from the support of a UIA expert. More specifically, UIA Experts will provide projects with:

- Advice and guidance on the substance of the action, especially regarding the innovative content
- Assistance in the development of documentation and outputs that will capture and disseminate lessons learnt, good practice, etc. to the wide audience
- Support to ensure that the action remains on track and is in line with the agreed proposal

The support and advice will be provided by UIA Experts on an ongoing basis throughout the implementation process of projects as well as during the closing phase, when projects are requested to draw lessons and share the knowledge generated with a wider audience of policy-makers and practitioners across Europe.

It is expected that UIA Experts work with Urban Authorities of approved projects for a maximum of 40 days over the implementation phase of the projects (3 years plus 1 year for knowledge transfer

activities). UIA Experts are individuals with in-depth knowledge of the urban topics of relevance for each Call for Proposals; experience in working with urban authorities; as well as a good understanding of and proven experience in supporting urban experimentation and innovation.

UIA Experts are selected by the PS through annual Calls for Applicants linked to the Calls for Proposals for the selection of projects. Once UIA projects are approved for funding, the PS, in coordination with the Urban Authorities, will allocate UIA experts to projects.

The detailed work plan for UIA Experts will be agreed by the PS, the Urban Authority and the UIA Expert after the approval of the project, based on the specific experiences and needs of the Urban Authority.

The UIA Initiative will cover all costs related to the activities of UIA Experts (including costs for travel and accommodation).

1.7 Funding principles

Total costs principle

The UIA Initiative follows the total costs principle. The project receives ERDF co-financing up to 80% of the eligible costs. Every partner receiving ERDF needs to secure public or private contributions to complete its budget (20% at least) either from its own resources or from other sources (regional or national government for example). However, it is encouraged that the majority of contributions come from public sources.

ERDF advance payment

The UIA payment scheme is mainly based on the principle of advance ERDF payment:

- A first ERDF advance payment corresponding to 50% of the ERDF grant is made to the Urban Authority on signature of the subsidy contract (and of the Partnership Agreement when necessary).
- A second ERDF advance payment corresponding to 30% of the ERDF grant is made to the Urban Authority after the submission and approval of an interim progress report which includes audited project expenditure. The expenditure must at least reach 70% of the first pre-financing instalment (corresponding to 35% of the total eligible budget).

- A third ERDF payment is made upon approval of the final progress report which also includes the audited project expenditure. This progress report is submitted no later than 3 months after the project end date. It should be noted that during this last phase, project partners need to pre-finance their expenditure.
- A final ERDF payment is made to the project after the submission and approval of the final qualitative report. The payment, which amounts to maximum EUR 12 000 ERDF corresponds to the lump sum covering the project closure and transfer of knowledge. The final qualitative report is submitted no later than one year after the project end date.

2. Project generation and development

2.1 Partnership for UIA

Given the complexity and the interconnected nature of the challenges to be addressed, Urban Authorities cannot act in isolation in designing and implementing effective and sustainable policies and solutions. The participative approach – the development of strong partnerships between public bodies, the private sector and civil society (including citizens and inhabitants) - is widely recognized as a cornerstone of efficient urban development policies.

Urban Authorities need to bring around the table the different interests at stake and different perspectives to frame problems and agree on policy priorities, and design concrete solutions so as to address these problems in the most efficient way. This cannot be a “one size fits all” solution. Depending on the issue to be addressed and based on the local context and previous experiences, Urban Authorities should involve a different mixture of local stakeholders (e.g. members of other departments, elected representatives, different tiers of government, NGOs, private sector etc.).

The participative approach is even more important in the generation and development of genuinely innovative and experimental projects. If projects are to address the challenges that are perceived as the most pressing by the target groups, and if they are to be truly bold and innovative, then they should seek to benefit from the diffuse knowledge and expertise that exists outside of the Urban Authorities. The involvement of the right stakeholders will also assist with the scaling-up of the project when the time comes.

Within the UIA projects, Urban Authorities are expected to establish strong local partnerships with the right mix of complementary partners. All project partners need to be from the EU. A partnership can be made up of the following:

- **Urban Authority:** the UIA Initiative functions on the basis of an Urban Authority responsible for the overall implementation and management of the entire project. The Urban Authority bears the entire financial and juridical responsibility vis-à-vis the Entrusted Entity. Other project partners keep their own responsibility vis-à-vis the Urban

Authority. The responsibilities of the partnership represented by the Urban Authority are described in a Subsidy Contract.

The Urban Authority is responsible for the management, communication and implementation and coordination of the activities among the partners. Project management entails both the coordination of the activities as the administration and financial management of the project. Project partners however, will contribute to the implementation of project activities and undertake sound financial management at their own level.

The Urban Authority should ensure the involvement of all partners in the design phase of the project as well as in its implementation.

Nota bene:

- In the case of associations and groupings recognised as organised agglomerations, the institution, including all the other urban authorities involved, will be considered as the Urban Authority in the framework of the UIA project
- In the case of associations and/or groupings of urban authorities without a legal status of organised agglomeration, the urban authorities involved are requested to identify one Main Urban Authority and the Associated Urban Authorities. More especially:
 - The Main Urban Authority is responsible for the overall implementation and management of the entire project and bears the entire financial and juridical responsibility vis-à-vis the Entrusted Authority
 - The Associated Urban Authorities will be responsible for the delivery of specific activities and the production of related deliverables/outputs. Associated Urban Authorities will have a share of the project budget and will report the costs incurred for the delivery of the activities. Detailed information on the Associated Urban Authorities (including legal status, experiences and competencies, contact persons, etc.) shall be provided in the Application Form.

- **Delivery Partners:** institutions, agencies, organisations, private sector partners, associations that will have an active role in the design and implementation of the project. They will be

responsible for the delivery of specific activities and the production of the related deliverables/outputs. Delivery Partners will have a share of the project budget and will report the costs incurred for the delivery of the activities. Detailed information on Delivery Partners (including legal status, experiences and competencies, contact persons, etc. shall be provided in the Application Form). It should be noted that only organisations having legal personality are entitled to participate in a project as formal partners. Consultancy firms having as primary objective the development and management of European projects are not entitled to participate in a project as formal partners.

A **wider group of stakeholders** should also be involved in the project including: institutions, agencies, organisations and associations. These won't have a direct role but are considered relevant in order to ensure a smooth and effective delivery as well as shared ownership of the project. This group should include representatives of the target groups of the project. Partners involved in the wider group of stakeholders can be involved in the design phase, the implementation phase, in the communication and dissemination as well as in the monitoring and evaluation of the project results.

In the design phase of the project, Urban Authorities should involve the key stakeholders in order to clarify the specific challenges to be addressed, to understand the changes that target groups want to see as result of the project, to strengthen the evidence base, to map the potential contributions and, as much as possible, to co-create the solutions to be tested and experimented.

In the implementation phase, Urban Authorities should maintain the participative approach sharing tasks and responsibilities with the key stakeholders. To ensure an effective involvement of partners in both phases, Urban Authorities are expected to define and set up effective mechanisms of coordination and governance.

2.2 Project activities

Project activities within the frame of the UIA Initiative shall be organised around Work Packages. The organisation of the activities in Work Packages ensures a shared knowledge about the project's structure and objectives among all partners; it increases the capacities of the Urban Authority to follow up the implementation of the expected activities and facilitates the procedures for reporting and accounting of expenditure. Each work package is composed of defined activities and related deliverables and expected outputs:

- An activity is a specific task performed for which resources are used
- A deliverable is a tangible or intangible object produced as a side-product of the project that contributes to the achievement of a project output. In general terms 2 or more deliverables are necessary to produce a project output
- An output is what has actually been produced as a result of the funding given to the project. It shall be captured by an output indicator and directly contributes to the achievement of project result(s)

Any activities undertaken in the frame of the project shall be for the direct benefit of the area concerned by the urban authorities involved in the project.

Here is a description of the different Work Packages found in the Application Form:

▪ **Work Package Project preparation**

Work Package Project Preparation shall include all activities, and related deliverables, needed for the definition and the design of the project proposal. This can include the different meetings with the participation of the wide stakeholders in order to define the main challenge to be addressed, to collect data and evidence of the local situation, to identify the main objectives, to define the different potential contributions and ultimately to co-design the project proposal and write the application.

In the Application Form, this Work Package is pre-filled. The main deliverable under this work package is the completed Application Form to be submitted. Furthermore, costs for the Work Package 1 are covered by a lump sum of EUR 20 000 total eligible costs (corresponding to maximum EUR 16 000 ERDF). The Urban Authority will be the sole recipient for the UIA Initiative and can distribute according to the involvement of each partner.

▪ **Work Package Project Management**

The activities to be developed under this Work Package aim to ensure a sound management and coordination of the project concerning both the overall project management and all aspects linked to the financial management. The Work Package also aims to organise the work between the partners involved by building a strong collaborative relationship formalized in a Partnership

Agreement. The organisation of the partner's responsibilities should result in the successful implementation of the project as well as in the production and submission of the administrative documents for accounting of expenditure and reporting on the activities implemented.

Urban Authorities are expected to group under this work package the activities related to the strategic and operational management, more specifically:

- Structure, responsibilities and procedures for the day to day management and coordination (including whether it is foreseen to externalize the management)
- Communication within the partnership (steering group)
- Reporting and evaluation procedures
- Risk and quality management

The proposal should clearly describe who will be in charge of the project management, how much personnel and time will be devoted to this task and how and by whom decisions on the project will be made during the project period. It is strongly recommended that the project manager be full time.

It is expected that the project management is carried out by the staff of the Urban Authority. However, outsourcing of project management is possible on the basis of an appropriate justification, provided that the Main Urban Authority retains full and day to day control of the project. The proposal should clearly describe how this control will be guaranteed.

It should be noted that under this Work Package, one activity has to be exclusively devoted to capitalisation activities (capturing knowledge produced by the project and drawing lessons on an ongoing basis). These include the involvement of UIA experts during the project implementation (see section 1.5 of the present guide for more information about UIA Experts) to provide:

- Advice and guidance on the substance of the action, especially regarding the innovative content
- Assistance in the development of documentation and outputs that will capture and disseminate lessons learnt, good practices, etc. to the wide European audience
- Support to ensure that the action remains on track and is in line with the agreed proposal

Capitalisation activities shall also include the participation in the activities of the Urban Development Network (UDN) as well as participation in other national/international conferences to share the knowledge generated by the project and the main lessons learnt on an ongoing basis.

▪ **Work Package Communication**

The Communication Work Package should define the project's Communication Strategy and the planning of its deliverables. No additional communication strategy document will be required. The Work Package however must develop an exhaustive description of the following points:

- Define the Objectives/Messages/Target groups your project communication wants to achieve
- Quantify your communication products (target values) and propose a detailed planning and estimated budgets
- Make a distinction between internal (management) and external communication
- Allocate sufficient time and resources to communication activities and make sure there is one person responsible for communication inside your project (it can be an appointed communication officer or the project manager, for instance). Describe how other partners will interact/ disseminate results and if some tasks will be delegated to any suppliers
- Indicate how your communication activities will be evaluated with relevant indicators

In the Communication work package, in addition to the description of the general communication activities, project partners must pay special attention to detailing how they will respect their regulatory obligations with regard to acknowledging and promoting receipt of ERDF and fulfilling the EU communication and information requirements. More details regarding Communication can be found in Chapter 5.

▪ **Work Packages Project Implementation**

It is worth reminding that a Work Package is a group of related project activities required to produce project outputs. The articulation of the Work Packages will constitute a project's work plan. Project

partners are expected to organise their main activities for the implementation of the project under maximum 4 Work Packages.

Under each Work Package for implementation, Urban Authorities shall provide a summary description explaining how the WP will contribute to the project implementation, the list and the description of the main activities, information on the partners involved as well as a description of the related deliverables and expected outputs.

A maximum of 5 activities can be listed under each Work Package and these activities shall support the ERDF Thematic Objective and the related Investment Priorities.

In terms of support to ERDF Thematic Objectives and Investment Priorities, the overall project needs to be viewed as supportive of the thematic objectives and investment priorities for ERDF. However UIA projects contributing to Thematic Objectives 8-10 (i.e. those that are more social orientated) will be able to be financed provided that:

- The knowledge generated by the overall project can be viewed as supportive of the thematic objectives and investment priorities for ERDF; and
 - The project is not overwhelmingly focused on European Social Fund (ESF) type of activity
- **Work Package Investment**

Under this Work Package projects shall include all investments they plan within the frame of the UIA Initiative. Investment refers to a project output that remains in use by the project's target group after the completion of the project. In line with Article 3 ERDF, productive investments, investments in infrastructure and fixed investments in equipment are among the types of activities that can be supported by UIA.

An overall Work Package description needs to be provided as well as individual investment descriptions for each proposed investment giving a general description, a justification, a location, an analysis of the related risks, the list of the required documents (i.e. technical requirements, working permits, etc.) as well as details on the final ownership.

- **Work Package Closure and Knowledge transfer**

The last Work Package includes the activities related to the administrative closure of the project and to the transfer of the knowledge generated during the project implementation.

For the administrative closure, projects have 3 months after the official end date of the project to provide the PS with the required final administrative documents, more especially the final progress report, the audited expenditure and the final payment claim.

For the Knowledge Transfer activities, projects have 12 months after the official end of the project to produce a final qualitative report that draws the main lessons learnt and captures the main knowledge generated during the project implementation. The PS will provide projects with a standard format for the final qualitative report. UIA Experts will support projects in the preparation of the final qualitative report and will produce a final evaluation of the projects. During the 12 months, projects are also requested to participate in national/international conferences to share the main lessons learned and to explore the possibility to actively transfer the project to other cities across Europe (e.g. by applying for a URBACT Transfer Network⁹).

Costs for the Work Package Closure and Knowledge Transfer are covered by a lump sum of EUR 15 000 total eligible costs (corresponding to maximum EUR 12 000 ERDF).

⁹ A Transfer Network is an URBACT project that allows a city (Giving city) to transfer a practice in the field of sustainable urban development to other cities (Receiving cities). More information are available at: www.urbact.eu

3. Project application and Selection

3.1 Project application

Application Forms for UIA projects shall be submitted during the eligible time period defined in the Call for Proposals. These calls are expected to occur on an annual basis between 2015 and 2020. Applications forms need to be submitted by the Call deadline.

A published Terms of Reference will define the specifications and requirements for each call, including the list of topics for which Urban Authorities can submit a project proposal.

The submission of the Application Form and annexes is 100% paperless through the use of UIA's Electronic Exchange Platform (EEP). A courtesy working document is provided on UIA's website. Guidance is provided on how to complete the form.

It is strongly recommended that applicants fill in the Application Form in clear English, although it may also be submitted in any of the official EU languages.

It should be noted that the Strategic and Operational Assessment will be done on the basis of the English version of the Application Form (to be translated in English by an external service provider contracted by the PS in case the Application Form is submitted in another language). The quality of the translation will not be guaranteed by the PS and therefore is at the applicants' risk. Moreover the Subsidy Contract, project management, formal reporting, key deliverables and all communication with the Entrusted Entity and the PS will have to be in English.

Additional documents other than the required annexes will not be taken into account when assessing the project proposal. The documents to be sent are:

- **Application Form:** The Application Form can be filled in using the online platform. It is composed of sections presenting the project idea and the rationale (including information on the innovativeness of the proposal), the partnership (including the Urban Authority, the Delivery Partners, and if relevant the Associated Urban Authorities), the main objectives and expected results, the proposed work plan and budget. Editing and

submission is only possible during an open call for proposals. The application includes a number of automatic links, formulae and checks. These features mean that error messages appear in the form if it is not properly filled in, and it cannot be submitted. This helps to significantly reduce the risk of submitting ineligible applications.

- **Confirmation sheet:** The confirmation sheet is automatically generated by the online platform when the Application Form is completed. It has to be printed, signed by a legal representative of the Urban Authority (or the Main Urban Authority in the case of an association/grouping without a legal status of organised agglomeration), scanned and uploaded in the EEP.

3.2 Selection process

Following submission, each application is subject to a selection process organised along the following steps:

1. Eligibility and Admissibility checks
2. Strategic assessment
3. Operational assessment

3.2.1 Eligibility and Admissibility checks

Upon closure of a Call, an assessment is carried out as to the compliance of the received Application Forms and their annexes with the formal eligibility and admissibility criteria. These criteria consist of minimum technical requirements which unconditionally apply to all proposals submitted.

The purpose of the eligibility and admissibility assessments is to:

- Verify that the proposal fulfils minimum requirements
- Avoid further assessment of ineligible applications
- Ensure equal treatment of all proposals to be selected for funding

A. Eligibility check

The eligibility assessment is carried out by the PS to assess whether an application complies with the eligibility rules for projects. For the most part, this verification will be automatically carried out by the EEP. The following elements constitute the eligibility assessment:

1. The Application Form has been submitted electronically via the EEP before the deadline indicated in the Terms of Reference of the Call for Proposals
2. The Application Form is completely filled in
3. The applicant is an urban authority of a local administrative unit defined according to the degree of urbanisation as city, town or suburb and comprising at least 50 000 inhabitants

OR

The applicant is an association or grouping of urban authorities of local administrative units defined according to the degree of urbanisation as city, town or suburb where the total population is 50 000 inhabitants

4. In case of an association or grouping without a legal status of organised agglomeration, a Main Urban Authority and the Associated Urban Authorities are presented
5. Time limits are respected: the end date of the project respects the Call and the Initiative requirements
6. The maximum budget requirements and the co-financing principle are respected

If not all requirements set out above are complied with, the application will be deemed ineligible and no further assessment will be undertaken.

B. Admissibility check

The admissibility check, carried out by the PS, is meant to ensure that all applications received in the framework of the Call for Proposals are completed with the submission of the confirmation sheet signed by a legal representative of the Main Urban Authority. The signed confirmation sheet shall be uploaded in the EEP system and attached to the Application Form by the end of the Call deadline. If the signed confirmation sheet is not uploaded in the EEP by the deadline indicated in the Call for Proposals, the concerned application will be deemed inadmissible and no further assessment will be undertaken.

3.2.2 Strategic Assessment

Applications that are declared eligible and admissible will be subject to a Strategic Assessment carried out by a panel of External Experts. The Strategic Assessment accounts for 80% of the weighting given to the overall project assessment.

For each Call for Proposals, a panel of External Experts is set up through a Call for Applicants¹⁰ to cover the specific topics relevant for the Call. The panel of External Experts shall be composed of independent experts with an in-depth knowledge of the urban topics of relevance for each Call; a good understanding of the urban dimension of EU policies; as well as a proven track record in assessing applications of urban projects including applying scoring systems and making recommendations for selection. The panel shall be geographically balanced and ensure that the territorial diversity of the EU's urban areas is taken into account.

The following elements are under evaluation during the Strategic Assessment:

Innovativeness <i>To what extent is the applicant able to demonstrate that the project proposal is a new solution that has the clear potential to add value?</i>	The project demonstrates that the solutions proposed have not been previously tested and implemented on the ground (i.e. in the urban area concerned or elsewhere in the EU)	40%
	The project demonstrates the potential of the new solution to add value in relation to the topic concerned	
	The project provides clear evidence of research into the existing best practice in this area	
	The project describes well the potential obstacles/resistance to the innovation and how they will be overcome	
	The project makes use and builds on existing policies and practices	
Partnership	Key stakeholders (i.e. stakeholders which provide expertise and experience on the topic) have been	

¹⁰The Calls for Applicants for the constitution of the External Experts Panel will be available on the UIA website.

<p><i>To what extent is the involvement of key stakeholders relevant for the implementation of the project?</i></p>	<p>identified and are involved in the design and implementation of the proposed innovative action</p>	<p>15%</p>
	<p>With respect to the project's objectives, the group of Delivery Partners (and Associated Urban Authorities, if relevant) :</p> <ul style="list-style-type: none"> • is balanced as regards to the governance levels and sectors • consists of partners that complement each other 	
	<p>Delivery Partners (and Associated Urban Authorities, if relevant) have proven experience in the thematic field concerned, as well as the necessary capacity to implement the project (financial, human resources, etc.)</p>	
<p>Measurability of project's results and outputs</p> <p><i>To what extent will the project deliver measurable results?</i></p>	<p>The expected results of the projects are properly described and quantified</p>	<p>15%</p>
	<p>The project's outputs, results and target groups are clearly relevant to the urban challenge to be addressed and are of sufficient scale to produce meaningful conclusions</p>	
	<p>The project identifies clear indicators and proposes a realistic methodology for data collection and monitoring of outputs and results</p>	
	<p>The project is able to demonstrate that the methodology used for measuring results is able to isolate the change attributable to the projects activities and discount external factors</p>	
<p>Project's transferability and scaling up</p> <p><i>To what extent will the project be</i></p>	<p>The relevance of the proposal (concerning the challenge and the solution proposed) to other urban authorities in the EU is clear and well expressed</p>	<p>10%</p>
	<p>There is clear evidence that the project (process as well as main outputs and results) can be applicable and replicable by other</p>	

<i>transferable to other urban areas across Europe?</i>	organisations/regions/countries outside of the project partnership	
	Project provides clear explanation about how the action will be scaled up, if successful	

As a result of the Strategic Assessment the panel of External Experts elaborates an assessment of the applications and ranks them. In agreement with the Commission, applications which score above a certain threshold will go forward for an Operational Assessment. Applicants will be notified at the end of the Strategic Assessment process of the decision.

3.2.3 Operational Assessment

The Operational Assessment is carried out by the PS and accounts for 20% of the weighting given to the overall project assessment. The main objective of the Operational Assessment is to assess the quality of the proposal i.e. is it justified, realistic, consistent and coherent, well managed and value for money?

The following elements are under evaluation during the Operational Assessment:

Quality <i>How well is a need for the project justified?</i>	<ul style="list-style-type: none"> • The project contributes to one or more Thematic Objectives of cohesion policy for 2014-2020 • The project proposes integrated answers to the challenges identified and it is in line with the principles of sustainable urban development 	
	<ul style="list-style-type: none"> • The project elements are logically interrelated: objectives, activities, outputs and results • Proposed activities and deliverables are relevant and lead to the planned main outputs and results • The project outputs and results are realistic, specific, concrete and measurable • The monitoring of both the impact of the 	
<i>To what extent is the work plan realistic, consistent and coherent?</i>		

<p><i>To what extent are management structures and procedures in line with the project size, duration and needs?</i></p>	<p>project and the progress of the project are foreseen</p> <ul style="list-style-type: none"> • Distribution of tasks among partners is appropriate (sharing of tasks is clear, logical, in line with partners' role in the project, etc.) • Time plan is realistic (contingency included) • Activities, deliverables and outputs are in a logical time-sequence • If applicable, the proposed investments are realistic and consistent with the overall work plan of the project 	<p>20%</p>
<ul style="list-style-type: none"> • Management structures (e.g. project steering committee) are appropriate considering the project size and needs and allow partners' (Delivery Partners and, if relevant , Associated Urban Authorities) involvement in decision making • Management procedures (such as reporting and evaluation procedures in the area of finance, project content, communication) are clear, transparent, efficient and effective • Project management includes regular contact between project partners and ensures transfer of expertise across the partnership (internal communication within the partnership) • There is evidence of coordination mechanisms to ensure the effective involvement of the wider group of stakeholders (other than Delivery Partners and, if relevant , Associated Urban Authorities) in the implementation of the project • The Urban Authority demonstrates competency in managing EU co-financed projects or can ensure adequate measures for 		

<p><i>To what extent does the project budget demonstrate value for money?¹¹</i></p>	<p>management support</p> <ul style="list-style-type: none"> • Necessary provisions for risk and quality management are in place 	
<p><i>To what extent is the budget coherent and proportionate?</i></p>	<ul style="list-style-type: none"> • Sufficient and reasonable resources are planned to ensure project implementation • Project budget appears proportionate and corresponds to the proposed work plan and the main outputs and results aimed for • Total partner budgets reflect real partners' involvement (are balanced and realistic) 	
<p><i>To what extent are communication activities appropriate and forceful to reach the relevant target groups and stakeholders and help achieve the project objectives?</i></p>	<ul style="list-style-type: none"> • Budget allocation per budget line is in line with the work plan • Budget allocation per period is in line with the work plan • Budget allocation per WP is in line with the work plan • The need for the investments is justified and their budgets are realistic • There is no evidence of ineligible costs • State aid requirements are respected 	
	<ul style="list-style-type: none"> • The project has a specific communication strategy with clear communication objectives and well-defined target groups • Communication activities and deliverables are appropriate to reach the relevant target groups and stakeholders • Communication activities are in line with: project objectives, proposed work plan, main outputs and results • The communication strategy is in line with the CPR regarding EU publicity rules 	

¹¹It should be noted that the concept of value for money is expressly quoted here however it represents a transversal criterion that needs to be evaluated all along the proposal. This will be part of internal guidance provided to evaluators.

After the Operational Assessment, a Selection Committee comprised of the Entrusted Entity and the Commission will meet to make the final selection. The Commission provides the final agreement as to which projects are selected. Applicants will be notified at the end of the Operational Assessment process of the decision.

3.2.4 Assessment scoring system

A scoring system will be used to help in the decision making process. A score of 1 to 5 will be attributed to each weighted criterion which will result in an average score per project. The following scoring scale is used:

- 5 – excellent
- 4 – good
- 3 – adequate
- 2 – poor
- 1 – very poor

3.2.5 Complaint procedure during the project selection

Project applicants of rejected proposals are informed in writing about the decision. Any questions in relation to the assessments will be examined and answered by the Entrusted Entity and/or the PS.

Projects that have not been selected for funding have the right to file a formal complaint on the decision of the UIA Initiative regarding the non-selection of a proposal. However, such a complaint must be well grounded and follow a specific procedure. Please note that further details and specific complaints may be published within the Terms of Reference of each Call for Proposals.

In principle, complaints can only be logged against the following criteria:

- The assessment does not correspond to the information provided by the applicant
- The project assessment and selection process failed to comply with the specific procedures laid down in the Terms of Reference of the Call and in the UIA Guidance that materially affected or could have affected the decision

Only the project applicants can file a complaint. Complaints must be submitted in writing (post or email) to the PS within 3 weeks after the official notification of the non-selection of the project. This deadline shall not prejudice the start of the approved projects. The complaints will be examined and answered by a Complaint Panel involving the Entrusted Authority, the Commission and the PS.

4. Project Implementation and Closure

4.1 General principles of eligibility

There are different levels of eligibility rules for expenditure:

- European level: EU regulations
- UIA level: specific UIA rules (i.e. UIA guidance)
- National level: national rules applicable in each Member State
- Partner institutional level: internal rules applicable to each partner organisation

In case of differences between the rules, the stricter one prevails.

Generally speaking, to be eligible, project costs must:

- Be reasonable, justified, and in accordance with the principles of sound financial management
- Be identifiable, verifiable, plausible and determined in accordance with the relevant accounting principles (except where expenditure is reimbursed on the basis of a lump sum or flat rate)
- Be incurred and paid by the partner organisation (except where expenditure is reimbursed on the basis of a lump sum or flat rate)
- Relate to activities set out in the application form, be essential for the implementation of a project and not have been incurred if the project had not been carried out (additionality)
- Be in euro when reported to UIA; expenditure incurred in a currency other than the euro shall be converted into euro by the project partner
- Comply with the principles of efficiency, economy and effectiveness (provide value for money)

Additionally:

- Double financing of the same costs is not allowed (e.g. expenditure which is already co-

financed from another EU-funding source or public subsidy is not eligible)

- Any revenues generated by project activities must be reimbursed or deducted from the total eligible costs claimed
- Expenses related to contracts between partners concerning the delivery of services, supplies or works among themselves are not eligible
- When applicable, the relevant public procurement procedures have to be observed
- Project expenses related to project independent audits and the involvement of UIA external experts need to be covered through budget line “external expertise and services”

4.2 Budget lines

The following sections provide an overview on the eligibility principles for the different budget lines of each project partner:

- Staff
- Office and administration
- Travel and accommodation
- External expertise and services
- Equipment
- Infrastructure and construction works

For each budget line, a definition is provided as well as guidance for budgeting and reporting. Partners are strongly recommended to seek advice from their respective auditor or the PS if there is any issue related to the eligibility of expenditure that is not answered by the present rules.

4.2.1 Staff

Staff costs cover gross employment costs of persons employed directly by the partner organisation and working full or part time on the project in line with their respective employment contracts. The following options for staff costs are eligible:

- Real costs
- 20% flat rate of all direct costs but staff

Each project partner shall decide on whether to apply the real costs or the flat rate principle in the application form. This choice is valid for all staff members of the project partner in question and cannot be modified during the entire project duration. This also means that within the same project, different partners may follow different options.

4.2.1.1 Staff costs based on real costs

If staff costs are calculated on the real costs method, the following **principles** have to be obeyed:

- Staff members can either be already employed by the partner or contracted specifically for the project
- The staff costs calculation is based on costs actually paid out and proofed by pay slips or documents of equivalent probative value (e.g. data from the project partner accounting system which allows the proof of the payments for each single staff member may be accepted)
- The staff costs must be calculated individually for each staff member
- A written assignment for each staff member clearly showing the percentage of time that the employee works on the project (see audit trail for more details)

The following **cost components are eligible**:

- Salary payments (fixed in an employment/work contract)
- Other costs directly linked to salary payments (e.g. employment taxes or social security, including health coverage and pension contributions) that are:
 - Fixed in an employment document or by law
 - In accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation
 - Not recoverable by the employer

The following **cost components are ineligible** under this budget line:

- Unpaid voluntary work (i.e. contribution in kind) is not eligible

- Voluntary payments (e.g. payments not in line with the employment contract or the employment policy of the partner or payments without any legal commitment) are not eligible
- Staff costs, per diems and any other travel and accommodation for employees not officially assigned to the project are ineligible
- Dividends
- Overheads cannot be reported under this budget line (to be reported under the budget line “office and administration”)

The following **calculation method** applies: the gross employment costs multiplied by the fixed percentage of time worked on the project is eligible. As already highlighted, the percentage shall be fixed in the written assignment of each staff member.

Audit trail

In order to ensure a proper **audit trail** the following documentation is required if the partner follows the **real costs principle**:

- Employment contract or any other equivalent legal agreement that allows the identification of the employment relationship with the partner’s organisation
- Official, written assignment of the employee to the project activities with information on the main tasks to be performed and outputs to be delivered. In more details:
 - The assignment shall also specify information on the involvement on work package level, the duration for which the staff member is assigned to the project and the percentage of assignment
 - The assignment is issued at the beginning of the period to which it applies
 - It is dated and signed by the employee and a line manager/supervisor
 - The percentage of assignment has to be fixed and must be in line with the project related tasks, responsibilities and outputs defined for this employee. This percentage remains applicable for the entire duration of the assignment. It can only be changed in well justified cases (eg changes in the tasks and responsibilities of the employee). In this case the employer must issue an amendment to the assignment (see audit trail), setting out the changes in detail

- The time allocation and description of tasks are reviewed on a regular basis (e.g. annually on the occasion of the staff appraisal) and adjusted if needed (e.g. due to changes in tasks and responsibilities)
- Documents identifying the real salary costs (gross salary and employer's social charges) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable

4.2.1.2 Staff costs based on a flat rate

The staff costs are calculated as **a flat rate of 20%** of the partner's direct costs other than staff costs. The eligible amount for staff costs is thus equal to 20% of the total eligible amount declared under the following budget lines:

- Travel and accommodation
- External expertise and services costs
- Equipment expenditure
- Infrastructure and construction works

When reporting staff costs using this option, the distribution of costs between work packages shall reflect the distribution between work packages of the respective direct costs (e.g. costs for external experts and equipment amount to 40% of work package 1 and 60% of work package 2; thus 40% of staff costs shall be allocated to work package 1 and 60% to work package 2).

Audit trail

The advantage of this methodology is that the project partners do not need to provide any justification or supporting documents to claim staff costs. Nor do they need to document that the expenditure has been incurred or corresponds to reality. The auditor focuses on the correct reporting of the other partners' direct costs.

4.2.2 Office and administration

Office and administration expenditure covers operating and administrative expenses of partners. They are limited to:

- Office rent
- Insurance and taxes related to the building where the staff is located and to the equipment of the office (e.g. fire and theft insurances)
- Utilities (e.g. electricity, heating, water)
- Office supplies (e.g. paper, files, pencils)
- General accounting (provided inside the partner organisations)
- Archives
- Maintenance, repair and cleaning
- Security
- IT systems (hardware and software of general nature)
- Communication (e.g. telephone, fax, internet, postal service, business card)
- Bank charges for opening and administering an account
- Charges for transnational financial transactions

Office and administration expenditure is covered by a **flat rate of 15% of the reported staff costs**. The above list is exhaustive and all listed items are to be considered as covered by the flat rate and cannot be reported under any other budget line. If no staff costs are foreseen and reported, no office and administration costs can be charged.

Audit trail

No specific audit trail is necessary. Project partners do not need to document that the expenditure has been incurred and paid. The auditor focuses on the correct reporting of the staff costs and verifies that no expenditure related to the office and administrative budget line is included in any other budget line.

4.2.3 Travel and accommodation

This budget line covers travel and accommodation costs of employees of partners that relate to project activities. They will be declared as real costs and shall be limited to the following items:

- Travel (e.g. tickets, travel and car insurance, fuel, car mileage, toll and parking fees)
- Meals
- Accommodation

- Visa
- Daily allowances

The following **principles** shall be obeyed:

- These costs are borne by a partner (direct payment of costs by a staff member must be supported by a proof of reimbursement from the employer) in line with its travel and accommodation policy/rules
- The choice of transport and accommodation should be led by effectiveness, cost-efficiency and eco-friendliness
- Travel and accommodation costs of external experts and service providers are ineligible under this budget line (to be reported under the budget line external expertise and services in accordance with the respective contract)
- Elements of travel costs covered by the daily allowance of the partner shall not be reimbursed in addition to the daily allowance (e.g. the cost of a meal is not eligible if the concerned staff member receives a daily allowance)
- Public transport has priority over private or company cars and taxis
- Cancellation costs or costs of any unused travel tickets or booking (due to cancelled travels) are ineligible in any case
- Costs of travel and accommodation related to activities outside of the European Union are only eligible, if they have been included in the approved application form or approved beforehand by the PS. In all cases, benefits of such activities to the project must be demonstrated

Audit trail

In order to ensure a proper audit trail, the following documentation is required:

- Documentation according to the travel and accommodation policy/rules of the partner
- Agenda of the event (e.g. meeting, seminar, conference)
- Proof of participation (signed participation list, boarding pass, tickets etc.)
- Paid invoices or daily allowance claims, including proof of reimbursement by the employer to the employee

4.2.4 External expertise and services

This budget line covers expenses related to professional services and expertise provided by external service providers (other than the project partners) contracted to carry out certain activities linked to the delivery of the project. These expenses will be declared as real costs and include:

- Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)
- Training
- Translations
- IT systems and website development; modifications and updates
- Promotion, communication, publicity or information
- Financial management
- Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation)
- Participation in events (e.g. registration fees¹²)
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services
- Intellectual property rights and consultancy fees
- Provision of guarantees by a bank or other financial institution when required by Union or national law or in a programming document
- Travel and accommodation costs for external experts, speakers, chairpersons of meetings and service providers of the project
- Other specific expertise and services needed

The following **principles** have to be obeyed:

- The applicable procurement rules must be followed
- As legal basis, a written contract (or any document of equivalent probative value) specifying the service to be delivered is necessary between the partner and the service provider
- The services or expertise are essential to the project and be carried out by the project partners themselves

¹² Any other costs related to the participation in external events such as accommodation, travel costs and daily allowances shall be reported in the budget line “travel and accommodation”.

- Any expenses based on contracts concluded between project partners are ineligible; no project partners shall be contracted as service providers by any other project partner (in order to avoid any conflict of interest in the procurement of services and goods)
- Contractual advances are eligible if they are in line with normal commercial law and practice, stipulated in a written contract between the partner and the expert/service provider, supported by receipted invoices and provided that the service/supply has been delivered within the project eligibility period
- The costs of services contracted by project partners for arranging the travel and accommodation of their own staff members (e.g. travel agencies, etc.) must be claimed under the budget line travel and accommodation
- Promotional giveaways¹³ (e.g. project gadgets) are eligible provided that they relate to project's communication activities. The cost of the single item must remain limited and in any case below EUR 50
- Costs related to UIA Experts (including their travel and accommodation) and auditors will be covered by the UIA Initiative; therefore no budget should be foreseen

Audit trail

In order to ensure a proper audit trail the following documentation is required:

- Evidence of the procurement process in line with applicable EU, UIA, national and internal procurement rules
- Written contract (or any document of equivalent probative value) laying down the services to be provided with clear reference to the project. Any changes to the contract must comply with the procurement rules and must be sufficiently documented
- Invoice (or request for reimbursement) providing all relevant information in line with the applicable accountancy rules
- Proof of outputs or services delivered
- Proof of payment

¹³ Communication products as roll-ups and posters that are not produced to be given away or publications containing information on the project and its results are not considered as giveaway promotional material and are thus not subject to the above restrictions.

4.2.5 Equipment

This budget line covers equipment purchased, rented or leased by a partner, other than those covered by the office and administration budget line, shall be reported. It also includes costs of equipment already in possession by the partner organisation and used to carry out project activities. Equipment is limited to the following items:

- Office equipment
- IT hardware and software
- Furniture and fittings
- Laboratory equipment
- Machines and instruments
- Tools or devices
- Vehicles
- Any other equipment necessary for the project

Equipment can only be co-financed if it is necessary for the project implementation or if it is considered as a project output. Distinction is made between:

- An **equipment necessary for the project implementation** is a tool or device used to carry out project activities. It must be necessary for the delivery of the project outputs and used for that purpose. The full purchase price is eligible if used solely for the purpose of the project and depreciable within the eligible period. Otherwise a pro-rata depreciation value needs to be calculated on the basis of a justified and equitable method. This method must consider the depreciation period and the percentage of use by the project.
- An **equipment considered as (part of) a project investment** (WP investment) is a tool or device that remains in use by the target group after the completion of the project. The full purchase price is eligible.

The following **principles** have to be obeyed:

- Equipment and depreciation is eligible if it is not covered by the office and administration costs (e.g. the IT system of the partner is covered by the budget line

office and administration while any IT system developed for the project specifically can be included under equipment)

- The relevant public procurement rules must be respected and properly documented by all partners that are subject to public procurement law
- Costs of equipment which are purchased, rented or leased from another partner are not eligible
- Second-hand equipment is eligible if not originally acquired with the support of EU funds and if its price does not exceed the generally accepted market price
- Costs related to the site preparation, delivery or installation of the equipment are eligible

Audit trail

In order to ensure a proper audit trail the following documentation is necessary:

- Evidence that the procurement was done in line with the applicable procurement rules
- Invoice providing all relevant information in line with the applicable accountancy rules
- Proof of payment
- Equipment necessary for the project implementation: applicable calculation scheme for depreciation
- Equipment considered as (part of) a project investment: contract laying down the investment to be provided, with clear reference to the project

4.2.6 Infrastructure and construction works

The Infrastructure and construction works budget line covers costs related to investments in infrastructure that do not fall into the scope of other budget lines. This includes costs for:

- Purchase/provision of land¹⁴
- Purchase/provision of real estate
- Site preparation

¹⁴ Limited to maximum 10% of the total project budget, for derelict sites and for those formerly in industrial use (e.g. brownfields) which comprise buildings, that limit shall be increased to 15%. In exceptional and duly justified cases, the limit may be raised above the respective aforementioned percentages for operations concerning environmental conservation (Article 69(3)(b) CPR)

- Delivery
- Handling
- Installation
- Renovation
- Other costs necessary to the implementation of construction works

Infrastructure and construction works will be financed only if crucial for the achievement of the project's outputs and results, and if they are inscribed in the investment work packages described in the Application Form.

The following **principles** have to be obeyed:

- All costs are subject to applicable EU, UIA, national and internal procurement rules. The partners in charge of the infrastructure and construction works are responsible for ensuring that these rules are respected
- The full cost of infrastructure and construction works can be reported under this budget line insofar as it is fully justified as part of the project's activities (no depreciation will be applied)
- A project can also claim the provision of land and/or real estate in the form of in-kind contribution (see section on **contribution in kind**)

Audit trail

In order to ensure a proper audit trail the following documentation is necessary:

- Evidence of compliance with the applicable EU, UIA, national and internal procurement rules
- Documents pertaining to the work may be required such as feasibility studies, environmental impact assessment and planning permission
- In the case of land and real estate purchase (or provision in the form of contribution in kind), a certificate from an independent qualified evaluator or duly authorised official body confirming that the cost is in line with the market value
- In the case of land and real estate provided in the form of contribution in kind, evidence of compliance with the applicable rules in the field of in-kind contribution

- Documents specifying the ownership of land and/or real estate where the works are carried out, as well as proof of commitment to establish and maintain an inventory of all fixed assets acquired, built or improved under the ERDF grant

4.3 Ineligible expenditure

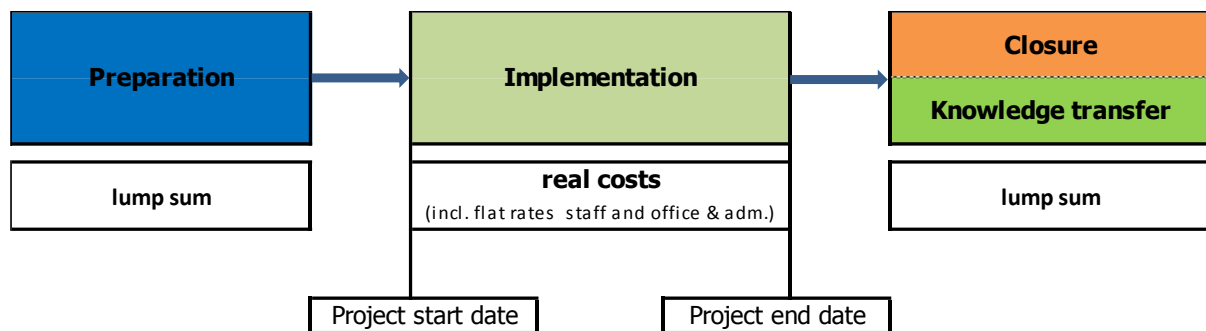
Non-exhaustive list of ineligible expenditure:

- VAT unless it is genuinely and definitely borne by the project partner
- Interests on debts
- Exchange rate losses
- National banking charges
- Fines, financial penalties and expenditure on legal disputes and litigation
- Unpaid voluntary work
- Any costs incurred before the project start date and after the project end date as these project phases are covered by lump sums
- Communication material that is not in line with the UIA rules on communication
- Gifts (except promotional giveaways)
- Tips
- Fees between partners of the same project for services, supplies and work carried out within the project
- Costs related to the contracting of employees of the partner organisations as external experts (e.g. as freelancers)

As the list of ineligible expenditure is not exhaustive, expenditure not listed should not be necessarily considered as eligible.

4.4 Eligibility period and retention of documentation

Any expenditure must be incurred during the eligible period. Following the UIA's definition, each project consists of 3 phases:



Project preparation: it comprises all activities related to the elaboration of the project application and ends with the approval of the project by the UIA Initiative. For the preparation activities, UIA grants a **lump sum of EUR 20 000 total eligible costs** (corresponding to maximum EUR 16 000 ERDF) provided the project is approved. Consequently, costs incurred during the preparation phase can never be claimed on a real costs basis (even if paid after the project approval). The lump sum is granted to the Main Urban Authority who can share it amongst the project partners in proportion to their involvement in the preparation of the project. No further documentation is necessary; i.e. project partners do not need to document that the expenditure has been incurred and paid, or that the lump sum corresponds to the reality.

Project implementation: the implementation starts with the project approval (project start date) and lasts maximum 3 years until the approved project end date. All implementation related activities must be completed by the end date. To be eligible, costs related to the project implementation must be incurred between the project start date and the project end date. These costs must be invoiced and paid at the latest during the project closure and in any case before the submission of the final finance report to the PS.

Administrative closure and knowledge transfer: this phase covers all activities taking place after the project end date:

- **Administrative closure:** after the project end date, the project has 3 months to submit the final progress report. During that period, only expenditure related to the project closure is eligible. The expenditure must be incurred and paid prior to the submission of the final progress report
- **Knowledge transfer:** after the project end date, partners must draw the lessons learnt and capture the main knowledge generated during the project implementation; it

culminates with the submission of the final qualitative report, one year maximum after the project end date

Similarly to the preparation phase, this phase is covered by a lump sum. Following the successful administrative closure of the project and the approval of the final qualitative report by the UIA authorities EUR 15 000 total eligible costs (corresponding to a maximum of EUR 12 000 ERDF) are granted to the Main Urban Authority which can share it amongst the project partners in proportion to their involvement.

No further documentation is necessary; i.e. project partners do not need to document that the expenditure has been incurred and paid, or that the lump sum corresponds to the reality.

It needs to be noted that all supporting documents (such as invoices, public procurement files, contracts, etc.) shall be made available for a 4 year period from the date when the final ERDF balance is paid to the project.

The conditions for archiving project documentation will be as follows:

- The documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only
- The documents shall be kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the data were collected or for which they are further processed
- The procedure for certification of conformity of documents held on commonly accepted data carriers with the original document shall be laid down by the national authorities and shall ensure that the versions held comply with national legal requirements and can be relied on for audit purposes
- Where documents exist in electronic form only, the computer systems used shall meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes

4.5 Other UIA rules

4.5.1 Project Communication

Every executive and project manager would agree that effective communication has a positive impact on their project successes. But recent research also acknowledged that ineffective communication has a cost, contributing to the project's failure¹⁵. Communication is an integral part of your project management, and a strategic project tool. It isn't just there for the sake of communication, but rather actively contributes to your project objectives. It brings together all members of your partnership around common goals, and will make your external target groups change their behaviour in order to support and adopt your innovative solution.

Therefore, sufficient time and resources should be dedicated to the project communication from the start. Each project is required to develop its own communication strategy, which is being checked through in Work package Communication of the Application Form.

4.5.1.1 The project's brand and identity

Consistency is a central element of a brand identity. For this reason and in order to save the project costs, a common brand identity has been developed by the UIA Initiative. The project is required to use an integrated Initiative and project logo (template provided by UIA).

In exceptional cases and when duly justified, projects may develop their own brand and identity for the solution they develop. This would have to be justified in the Application Form.

4.5.1.2 Project activities and deliverables under Work Package Communication

Communication Strategy: it defines what you want to achieve, who you are talking to, what message you want to display, and what strategic approach should be adopted accordingly. It includes the following elements:

- Objectives: your communication objectives must be goal-driven and help you deliver specific project objectives. They should be clear, brief, and few.

¹⁵ Project Management Institute: "The High cost of low Performance: the essential role of communications"

For instance, “Raise awareness” or “disseminate results” are not sufficient communication objectives: they should be specific and measurable.

- **Target Groups:** well-defined key audiences will determine the success of your activities. For instance, “policy makers” is not a well-defined target group. “Policy makers dealing with education”, “Public Transport Authority” will be much more effective. Project communication should also target citizens and the general public given that they are sufficiently specified as well. Communication shall be undertaken in the local language.
- **Activities:** what is the best way to reach each given target group? It can be a brochure, a conference, an on-site visit, a newsletter... The activities planned must be consistent with your project activities.
- **Budget:** the budget for communication activities needs to be planned in the application phase. If the project chooses to contract external experts, it should be reflected in the “External Expertise and services” budget line.
- **Evaluation:** it is important to put in place tools to measure the effectiveness of your communication activities. They should be planned during the elaboration of your communication strategy (Annex XII, Article 4 CPR).

Updated project webpage on the UIA website: In order to ensure accessibility, durability and consistency of the information, and to save costs for the project, each UIA project will have its own dedicated page on the UIA website. The project page will include a pre-filled information field completed by the PS, and dynamic information to be filled in manually by projects. It is the responsibility of the project to update this page at least once a month with the latest news. This webpage is the opportunity to showcase your project to a wider audience: information should be lively, legible, and in English.

Good examples of news could be: kick-off event, meetings with the local partnership, relevant milestones (first version being tested by a sample of users...), on-site visit by external stakeholders and politicians, UIA on-site visit, good quality photos, article from local press mentioning your project, project publications... Technical and working documents should be avoided.

If the project wishes to develop its own website, it will have to be approved by the PS during the assessment of the project.

Communication start-up activity: it can be a kick-off event, bringing together your local partnership, local politicians, elected members and the PS staff, or any other activities relevant to launch your project.

Communication materials about project activities

- Publications: printed or web publications must make clear reference to ERDF and UIA funding.
- Digital activities (web and social medias): UIA is present on social media (Twitter, LinkedIn, Flickr, Youtube) and projects are welcome to create their account.
- Public events dedicated to well-defined target groups.
- Promotional materials: UIA has a strict approach regarding project giveaways. Only communication material showing relevance to reach one of the defined target groups and objectives may be produced. They require prior approval of the Secretariat and shall not exceed EUR 50 per gift.

Media relations: UIA encourages projects to produce a press kit, with press releases, photos, fact sheets, identify key media at the different levels and regularly inform them.

Final dissemination activity: it can be an event (e.g. an inauguration event with officials and the press), an exhibition, a publication, or any activity relevant for the project. The aim is to showcase what has been achieved and your results. If an event, representatives of the PS should be invited as speaker.

Third-party events: it is highly recommended to network and talk about your project at events dealing with your issue at local, national and European level.

4.5.1.3 EC Requirements regarding EU Funds and visibility

Projects are co-financed by public funds and must consequently acknowledge their funding source. Annex XII, section 2.2 CPR lays down project partners' obligations regarding information and communication measures for the public:

- Display of the EU emblem and reference to the ERDF on all information and communication provided by the project. This also implies displaying the EU flag at events organised by the project. Make sure to insert the following sentence on each communication material: *“This project is co-financed by the European Regional and Development Fund through the Urban Innovative Actions Initiative”*.
- A project poster: within 6 months after the approval of the project, at least one poster with information about the project (minimum size A3), including the financial support from the ERDF, at a location readily visible to the public.
- Branding for infrastructure and construction sites: for all projects with a public contribution of more than EUR 500 000 (i.e. funds from UIA or any other public sources), a temporary billboard of significant size has to be placed, and be replaced by a permanent plaque 3 months after completion of works.
- Projects have to provide information on the project on their institutional website (where such website exists). They should provide a short description of the project, its aim and result, and highlight the ERDF support.

Please note that non-compliance with the above rules will lead to the withholding of payment.

<p>Templates provided by the UIA Initiative (available on our website)</p> <ul style="list-style-type: none"> ➤ Logo set ➤ Power Point template ➤ Project poster template ➤ Permanent plaque template ➤ Working word document template

4.5.2 Use of the euro and exchange rates

All financial budgeting, reporting and project follow-up will be in euro. This includes that expenditure must be reported to the PS in euro and all ERDF payments will be made in euro. Partners located outside the euro zone will have to convert their expenditure from their national currency into euro. They will have to use the exchange rate of the Commission applicable in the month the documents are submitted for verification to the auditor.

Partner located	Expenditure incurred in	Exchange rate to apply
Outside the euro zone	euro	No conversion. The expenditure is already in Euro.
Outside the euro zone	Other currency	Exchange rate of the Commission ¹⁶ in the month during which the claim was first electronically submitted to the partner FLC. Note that the exchange rate must only be applied for the expenditure actually incurred by the project partner. If the expenditure in a currency other than euro was firstly paid by the employee and then reimbursed by the project partner, the conversion rate will apply to the amount finally paid by the organisation.

For partners located inside the Euro zone and incurring expenditure in another currency, internal rules apply.

Partner located	Expenditure incurred in	Exchange rate to apply
Inside the euro zone	euro	None. The expenditure is already in euro.
Inside the euro zone	other currency	Institutional (internal) rules apply.

4.5.3 Revenues

Revenues are defined as cash in-flows directly paid by users for goods or services provided by a project, such as charges borne directly by users for the use of infrastructure, sale or rent of buildings, payment for services, fees for a project event.

Net revenues are revenues as defined above less any operating and replacement costs for short-life equipment incurred during the corresponding period.

Revenues generated by the project should be considered:

¹⁶ http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm

- At the project application stage: the eligible expenditure will be reduced in advance to take into account the potential of the project to generate net revenues over a specific period – covering both the implementation of the project and the period after its completion. If known beforehand, the amount of net revenues should be specified in the Application Form, in the net revenues budget line. Net revenues will be deducted from total eligible expenditure and will consequently decrease the ERDF contribution. If the net revenues are only partially generated due to the eligible expenditure they should be reported on a pro-rata basis
- At the project implementation stage: all revenues (including revenues that are not foreseen at the application stage) generated during the project's implementation stage must be reported in the project progress reports before the closure of the project. Project partners are responsible for keeping proper accounts of all the revenues and for keeping these available (e.g. for control purposes)
- After the completion of the project: if revenues are expected to be generated after the project's end date (e.g. to ensure durability of the results), it must be estimated and deducted from the budget at the application stage. Where it is objectively not possible to estimate revenues in advance, the project should contact the PS to get further guidance

4.5.4 Contribution in kind

Contributions in kind in the form of provision of goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made, may be eligible provided specific conditions are met:

- The public support paid to the operation which includes contributions in kind does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation
- The value attributed to contributions in kind does not exceed the costs generally accepted on the market in question
- The value and the delivery of the contribution can be independently assessed and verified

- In the case of provision of land or real estate, a cash payment, for the purposes of a lease agreement of a nominal amount per annum not exceeding a single unit of the currency of the Member State, may be made

Contributions in kind are eligible only if they are included in the approved application form; if they comply with the applicable EU rules and if they do not contravene national rules. In-kind contributions in the form of equipment can be deemed eligible insofar as the item of equipment was not previously paid for or co-financed by EU funds.

The value of in-kind contribution in the forms of equipment, land and real estate must be in line with the current open market value and must be certified by an independent qualified expert or duly authorised official body.

In-kind contribution in the form of unpaid voluntary work is not eligible in UIA.

4.5.5 Budget flexibility

Projects are allowed to overspend by a maximum of 20% of the individual project budget lines without the prior approval of the PS. The overall ERDF funding cannot be exceeded. Increases of more than 20% on individual project budget lines must be submitted and duly justified to the Secretariat.

Partner budget lines are not monitored as such, partners can over or underspend their budget and/or budget lines provided that all their activities are implemented and that budget lines at project level stay within the 20% flexibility described above.

4.5.6 Ownership and durability

Ownership of outputs and results having the character of investments in infrastructure or productive investments realised within the project must remain with the concerned project partners for at least 5 years following the final payment to the Urban Authority. Furthermore, and as a guiding principle of serving the general interest with the ERDF public funding, project outputs (e.g. processes leading to new products or services, studies, policy recommendations, good practice guides) are expected to be freely available for the public. In exceptional cases, partnerships might have good reasons to

protect their project outputs and results. These cases must be examined by the assessment process before approval of the project and should therefore be mentioned in the risks section of the Application Form. Projects partners should make use of the Partnership Agreement to make the necessary provisions for questions on ownership and Intellectual Property Rights.

The occurrence of any of the following situations would result in a violation of rules concerning durability:

- Cessation or relocation of a productive activity to outside the project area
- Change in the ownership of an infrastructure item which gives a firm or a public body an undue advantage
- Substantial change affecting the nature, objectives or implementation conditions of the investment, which would result in undermining its original objectives

Should any of the above conditions not be met within 5 years of the final payment to the project, the UIA PS must be immediately informed by the concerned Urban Authority.

4.5.7 Public procurement

Project partners which fulfil the definition of a contracting authority according to the relevant national procurement legislation have to respect the public procurement rules. These rules aim at ensuring that the purchase of services, goods and works follows transparent procedures and that fair conditions of competition for suppliers are provided. UIA projects must obey the applicable public procurement rules. Thus, any purchase of goods, services or public works for the implementation of the UIA Initiative or a project has to be carried out in line with the relevant public procurement rules. Public procurement law is a complex matter and many findings during financial controls in ESI-financed projects are related to procurement errors.

4.5.7.1 Public procurement law

The European Union has set up minimum requirements for public procurement. They vary depending on the nature of purchases and the relevant sector in which purchases are made (specific rules are set e.g. for supply, works or service contracts or for purchases in the water, energy and other similar sectors). Considering the nature of the activities performed in UIA projects, the main

reference document on EU public procurement rules is the directive on public contracts for the acquisition of services, supplies and works, i.e.:

- Directive 2004/18/EC applicable until April 2016
- Directive 2014/24/EU which EU Member States have to transpose into their national law until April 2016

The procurement directive applies to purchases whose estimated value (VAT excluded) is equal to or above certain thresholds:

Type of contractor	Nature of procurement	Estimated value
Central Government authorities (e.g. ministries)	Public contracts for services and supply	≤ EUR 134 000
	Public contracts for works	≤ EUR 5 186 000
Sub-central contracting authorities (e.g. cities)	Public contracts for services and supply	≤ EUR 207 000
	Public contracts for works	≤ EUR 5 186 000

The EU rules set the general framework for the awarding of public contracts. They have to be transposed into national law. Depending on the national legal system, procurement law is made on national, regional or local level.

It should be noted that even below these thresholds, the fundamental principles of public procurement still apply: transparency, effective competition, non-discrimination and equal treatment.

In addition, procurement law is further developed through the jurisprudence of the European Court of Justice and the internal rules of the partners (e.g. stricter procurement procedures or lower thresholds). In any case, the strictest of the applicable procurement rules applies. Therefore it is important that project partners are well aware of the public procurement rules which are applicable to them and act accordingly. In case of doubts, partners should contact their auditor or seek legal advice (e.g. legal department of the project partner, external procurement experts).

Public procurement rules foresee different kinds of procurement procedures. In general it can be stated that the higher the value of a contract to be awarded, the stricter the procurement rules that

have to be complied with (e.g. regarding the prior publication of a call for tenders or the possibility to invite a limited number of suppliers based on a market analyses).

The adherence to public procurement procedures has to be well documented. Documents such as public procurement notes, evaluation process, terms of reference, offers, order forms and contracts have to be available for financial control and audit purposes. Thus, even where national public procurement rules allow for direct contracting for small contract values, the selection procedure has to be documented (e.g. proof of market researches, documents tracing the selection of an operator and the awarding of a contract) and the observance of the principles of economic and efficient use of funds have to be proved.

It is recommended that, even where direct awarding is allowed, project partners still request offers from different providers or provide evidence of adequate market search before selecting one provider, in order to ensure an adequate level of transparency and of economical use of public funds.

In-house contracting: public procurement rules foresee very limited and well defined exceptions. One of these concerns the so called in-house contracting. These are contractual relationships established between an authority willing to purchase services/goods/works and a provider (legal person governed by private or public law) which is under the control of this authority (administrative control, control in terms of the activities performed and financial control). These contracts fall outside the scope of public procurement¹⁷ if all of the following conditions are fulfilled:

- The contracting authority exercises over the provider a control which is similar to the control exercised over its own departments
- More than 80% of the activities of this provider are carried out in the performance of tasks entrusted by the controlling contracting authority (or by other legal persons controlled by that contracting authority)
- No direct private capital participation in the controlled provider is given. The only possible exceptions to this rule are forms of private capital participation that are required by national legislative provisions, in conformity with the EU Treaties, and which do not exert a decisive influence on the controlled provider

¹⁷ Article 12 Directive (EU) No 2014/24/EU

This control may be exercised directly by a single contracting authority or jointly with other contracting authorities. Before recurring to any exemption to public procurement rules, project partners should assess carefully whether the contractual relationships they intend to enter actually fulfil the stringent conditions set by public procurement rules.

Market research: project partners which do not fulfil the definition of a contracting authority according to the relevant national procurement legislation (such as private companies or private associations) are normally not subject to public procurement law. However, UIA projects are co-financed with public funds and these funds shall be used in compliance with the principles of efficiency, economy and effectiveness. They must ensure adequate market research by asking for at least 3 comparative offers, internet researches for contracts with a value higher than EUR 5 000 excluding VAT. In case the partner must comply with other stricter rules (e.g. internal rules), these stricter rules apply.

4.5.7.2 Most common procurement errors

The most common procurement errors found in ESI funded projects are:

- Insufficient publication of procurement procedure (e.g. direct award without any prior notification, notification only on national or regional instead of EU level)
- Imprecise definition of the subject/matter of the contract to be awarded
- Excessively short deadlines for the submission of tenders
- Mix-up of selection and award criteria
- Use of discriminatory or dissuasive selection or award criteria
- Unlawful splitting of contracts
- Use of wrong procurement procedure
- Unlawful application of exemption rules
- Unlawful negotiation during award procedure
- Modification of a tender or criteria during evaluation
- Unlawful substantial contract modification or purchase of additional works, services of supplies

Project partners are therefore asked to pay special attention to avoid similar errors.

4.5.7.3 Enforcement of procurement rules

For each project partner, the auditor checks inter alia if the applicable procurement rules have been respected. Therefore, partners have to ensure that any procurement procedure is orderly carried out and documented. Project partners risk losing ERDF financing if they cannot provide documentary proof of compliance with European, national, local and their own internal public procurement rules or with the UIA rules on procurement mentioned above. If a procurement error is detected, the Commission Decision 9527/2013 on guidelines for determining financial corrections to be made for non-compliance with public procurement rules will be considered for the possible corrections. If non-observance of the UIA rules for purchases by private partners is detected, a financial correction will apply of 10% of the value of the contract that is reported to UIA.

4.5.7.4 Where to find more information and support?

An overview on the applicable EU public procurement rules, including aspects such as green public procurement, is available on the dedicated website of the Commission¹⁸.

4.5.8 State aid

The following documentation represents the legal basis to be taken into account as far as State aid is concerned:

- The Treaty on the functioning of the European Union (Articles 106(2), 107 and 108)
- The General Block Exemption Regulation (GBER)
- Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid
- Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (SGEI decision)
- Analytical grids to clarify State aid rules applicable to public funding of infrastructure projects¹⁹

¹⁸ http://ec.europa.eu/growth/single-market/public-procurement/index_en.htm

¹⁹ http://ec.europa.eu/competition/state_aid/studies_reports/state_aid_grids_2015_en.pdf

- Various horizontal and sectoral guidelines²⁰ available on the Commission website

According to Article 107 of the Treaty, the European Union defines State aid as covering any measure involving a transfer of state resources which distorts competition (or threatens to) by favouring certain undertakings (entities offering goods and services on the market) as so far as it affects trade between Member States.

State aid is also defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities.

UIA is a centrally managed EU instrument, implemented through indirect management via an Entrusted Entity, the Région Nord-Pas de Calais. As UIA is not implemented in shared management with Member States, the **ERDF funding for the Initiative is not regarded as resources under control of Member States and therefore it does not constitute State aid** (in the sense of Article 107). Furthermore, in so far as the activities under the Initiative are non-economic, neither the ERDF, nor the national public support for such activities will constitute State aid.

However, some of the projects financed under the UIA Initiative may involve economic activities i.e. offering goods or services on the market. In so far as this is the case, then the ERDF funding for the Initiative must be consistent with State aid rules. **As regards the cofinancing of UIA projects in so far as public funding is involved, this will be subject to State aid rules.** The text below concerns only the national public funding that qualifies as State aid (not the ERDF).

At the time of project submission, the Urban Authority will need to confirm the project complies with State aid rules. State aid compliance will be assessed on the basis of the activities to be undertaken by project partners as described in the submitted Application Forms. In the case State aid is identified, projects should take into account that restrictions may be applied.

During project assessment, there will be checks to detect the presence of State aid. In order for the national public co-financing part to be considered State aid, the answer must be “yes” to all 5 points mentioned below:

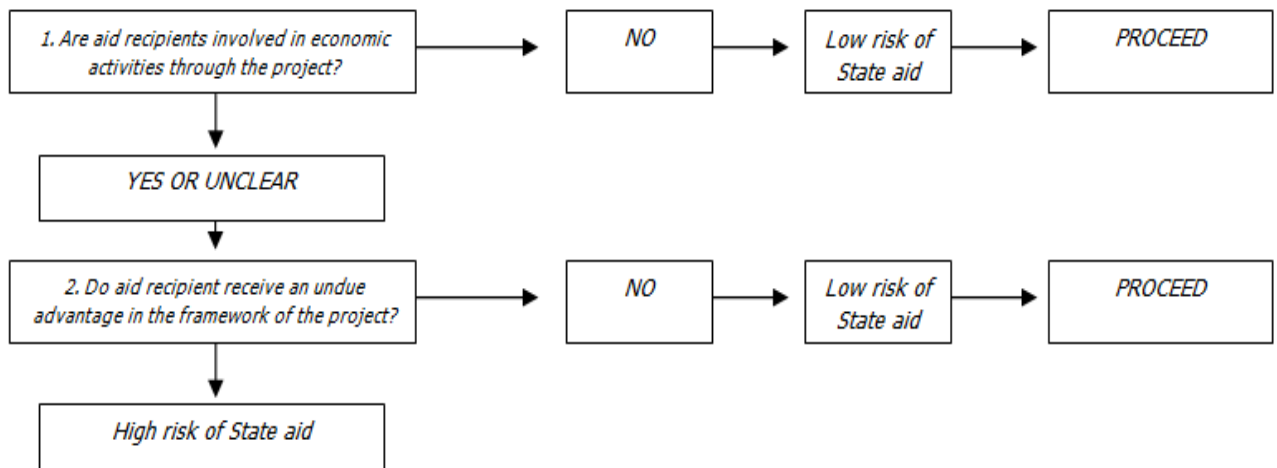
²⁰ http://ec.europa.eu/competition/state_aid/legislation/legislation.html

1. **Undertaking and economic activity:** an “undertaking” is any entity engaged in an economic activity (= **offering goods and services on the market**), regardless of its legal status, ownership and the way it is financed. Even if the entity provides the goods or services free of charge or is financed entirely by the state, it could be subject of the State aid rules. Also if an entity is not profit-oriented, State aid rules will apply as long as it competes with companies that are profit-oriented. Therefore, not only private companies are subject to State aid rules but also public authorities and bodies governed by public law as far as they carry out an economic activity on the market.
2. **Selectivity:** State aid is selective and thus affects the balance between certain companies/market operators and their competitors. “Selectivity” is what differentiates State aid from the so called “general measures”, namely measures which apply without distinction to all enterprises, in all economic sectors, in a Member State (such as most nation-wide fiscal measures). Measures are selective if they apply only, or more advantageously, to some specific undertakings (or to some sectors, or to some regions) and not to all operators on the market.
3. **Transfer of state resources:** State resources must be considered in the wide sense of any public resources. This includes EU (if under the control of the Member State authorities), national, regional or local public funds. It also includes those cases where public resources are granted by a private or public intermediate body on behalf of a public authority (for instance a private bank that is given the responsibility of managing a State funded aid scheme). State aid may take different forms: it is not limited to grants but it also includes interest rate rebates, loan guarantees, accelerated depreciation allowances, capital injections, tax breaks etc.
4. **Advantage:** The measure must confer a benefit or advantage to an undertaking that would not have arisen in the normal course of business. Such an economic advantage can be assumed if the undertaking does not apply any market-driven consideration (e.g. it promises to create jobs in return for State funds received or it buys land from the State for a price lower than the market price). No such advantage is to be assumed if a private investor would have acted in the same way as the State when granting an advantage (e.g. a region participates in a company under the same conditions as a private investor would do).
5. **Effect on competition and trade:** The aid given must **distort or threaten to distort competition**. Here again, the interpretation is very broad as it is sufficient that the goods or services are subject to trade for this criterion to be met. Where the financed project is of a purely local nature with an insignificant number of users from other Member States and not

likely to attract foreign investment, the support may not constitute State aid due to the absence of effect on trade. In any event, support granted under the *de minimis* Regulation is not regarded as State aid, if no more than EUR 200 000 is granted to a single undertaking over a period of 3 years and the other conditions of the Regulation are also respected.

For the national public co-financing under the UIA, some points of the list are always satisfied, or almost always, such as the transfer of state resources, the selectivity and the potential distortion of competition in case there is an advantage.

Checking the presence of State aid shall then be limited to the 2 following questions and will be part of a State aid risk assessment.



If the answers to these questions are all “YES”, then the measure could involve State aid. Depending on the nature of the issue, the project may be rejected, otherwise the UIA Initiative could explore any/all of the below options according to a projects individual situation.

- Eliminate State aid by offering national public contribution on market-conform terms
- Eliminate State aid by meeting the De minimis requirements (up to EUR 200 000 per undertaking over 3 years)
- Provide compatible State aid by comply with General Block Exemption Regulation
- Provide compatible State aid. The implementation of the project is entrusted as a service of general economic interest (SGEI): definition and entrustment of an SGEI, parameters of compensation established ex ante in a transparent manner, amount of compensation not

exceeding the costs for the provision of the SGEI and a reasonable profit, and claw back mechanism ensuring the absence of overcompensation

- Informal contact with the European Commission (DG Competition) and official notification²¹
- Take a risk and proceed anyway

The State aid compliance of the national public contribution to the project is the responsibility of the Member State.

5. Reference Documents

- Regulation (EU) No 1301/2013 – ERDF Regulation: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1301>
- Regulation (EU) No 1303/2013 – Common Provision Regulation (CPR): <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32013R1303>
- Regulation (EU) No 1268/2012: <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1448542196057&uri=CELEX:32012R1268>
- Regulation (EU, EURATOM) No 966/2012: <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1448542033694&uri=CELEX:32012R0966>
- Delegated Regulation (EU) No 522/2014 – UIA: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014R0522>
- Delegated Regulation (EU) No 480/2014: <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1448542146241&uri=CELEX:32014R0480>
- EGESIF 14_0017 - Guidance on Simplified Cost Options: http://ec.europa.eu/regional_policy/index.cfm/en/information/publications/guidelines/2014/guidance-on-simplified-cost-options-scoss-flat-rate-financing-standard-scales-of-unit-costs-lump-sums
- EGESIF 14_0030 - Public procurements: http://ec.europa.eu/regional_policy/en/information/publications/guidelines/2015/public-procurement-guidance-for-practitioners
- Directive (EU) No 2014/24/EU : <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014L0024>

²¹ http://ec.europa.eu/competition/contacts/stateaid_mail.html

- Decision No 9527/2013 - guidelines for determining financial corrections for non-compliance with public procurement rules:
http://ec.europa.eu/regional_policy/sources/docoffic/cocof/2013/cocof_13_9527_en.pdf
- Treaty on the functioning of the European Union: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E/TXT>
- Regulation (EU) No 651/2014 - General Block Exemption Regulation (GBER): <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014R0651>
- Regulation (EU) No 1407/2013 - application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid: <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1448542697465&uri=CELEX:32013R1407>
- Decision (EU) No 2012/21/EU : <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32012D0021>

ANNEX 1: Glossary

Terms	Definition
Activity	Specific task performed for which resources are used. It's a work package component which shall result in a deliverable or an output.
Admissibility check	Checks carried out to ensure that all applications received in the framework of the calls for proposals are complete in terms of required information and documentation.
Application form (AF)	Binding document which describes the project (objectives, results, outputs, partnership, budget) and gives detailed information on the work plan and financial figures. The AF has to be submitted during the selection process and is assessed by the Panel of External Experts and the Permanent Secretariat, in order to select the projects to be funded. Once the project is approved, the AF becomes the reference document for the whole implementation of the project until its closure. The content of it may change to a certain extent during the implementation, but only according to the UIA project modification rules and procedures.
Application pack	All documents related to a Call for Proposal. In the framework of UIA this includes the Terms of Reference for the Call, Application Form and the Confirmation Sheet and guidance.
Association (or grouping) of Urban Authorities	Association and/or grouping of urban authorities with a legal status of organised agglomeration or without a legal status of organised agglomeration and created on a voluntary basis by the authorities involved (already existing or created for the purpose of the UIA Initiative).
Associated Urban Authority (AUA)	Urban Authority involved in a UIA project along with a Main Urban Authority in the framework of an association/grouping of urban authorities without a legal status of organised agglomeration. An Associated Urban Authority is not the main responsible organisation or the overall project implementation (the overall responsibility stays with the Main Urban Authority) but is responsible for the implementation of specific activities and the production of the related deliverables/outputs. It has a share of the budget and reports the costs incurred for the delivery of the activities.
Audit report	A report drafted by the auditor that summarises controls, findings and remarks, undertaken for a given reporting period.
Audit trail	An adequate audit trail ensures that the accounting records maintained and the supporting documents held at the level of the project partners and at Initiative level are adequate to trace expenditures.
Auditor	Company or person in charge of the checks of project expenditure to be made during project implementation each time before submitting a progress report.

Beneficiary	Name given in the EU regulations to the project partners (urban authorities and delivery partners) which receive ERDF co-financing for the implementation of project activities.
Budget line (BL)	A set of cost centres that facilitates reporting on expenditure and revenue. Each cost item can be allocated to one budget line only, according to the nature of the cost.
Call for Proposals	Mechanism whereby an application and selection process is launched to choose projects on a competitive basis.
Capitalisation	Process meant to capture and share with an external audience the knowledge and the lessons learnt generated by the project
City	Local administrative unit (LAU) where the majority of the population lives in an urban centre of at least 50 000 inhabitants. Definition provided by Eurostat (http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:City).
Confirmation sheet	Document automatically generated by the online platform EEP (Electronic Exchange Platform) when the Application Form is completed. It has to be printed, signed by a legal representative of the Urban Authority, scanned and uploaded in the EEP. It is a compulsory document and part of the application pack.
Contribution	Counterpart to the ERDF co-financing secured by the partners (paid by the partners from their own resources or paid to the partners from external sources). Depending on the source of contribution (partner's own resources, external sources) and their legal status, the contribution can be public and/or private. The contribution can be also considered in-kind or cash.
Contribution in-kind	Contributions in the form of provision of goods, services, land and real estate for which no cash payment supported by invoices or documents of equivalent probative value has been made.
Control	Any measure taken to provide reasonable assurance regarding the effectiveness, efficiency and economy of operations, the reliability of reporting, the safeguarding of assets and information, the prevention, detection and correction of fraud and irregularities and their follow-up, and the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of the UIA Initiative as well as the nature of the payments concerned. Controls may involve various checks.
Costs incurred	Costs accumulated in relation to implementation of the project that are recorded as liabilities on a balance sheet of the partner organisation until they are discharged or paid. Incurred costs may include both direct and indirect costs.

Delegated Act	Non-legislative act from the EU Commission to supplement or amend certain elements of EU Regulations of the European Parliament and of the Council. In the framework of UIA it authorises the Commission to delegate the implementation of the Initiative to an Entrusted Entity.
Delegation Agreement	Agreement signed between the Commission and the Entrusted Entity defining the entrusted tasks, the rules applicable to their implementation and the rights and obligations of the parties in their implementation.
Deliverable	Tangible or intangible object produced as a side-product of the project that contributes to the achievement of a project output. In general terms 2 or more deliverables are necessary to produce a project output.
Delivery partner (DP)	Any organisation different from Urban Authorities, which has a direct role in the design and implementation of the project. It is responsible for the delivery of specific activities and the production of related deliverables/outputs. A delivery partner has a share of the budget and reports the costs incurred for the delivery of the activities.
Direct costs	Direct costs are costs that can be attributed directly to the project. They are directly related to an individual activity of the partner organisation, where the link with this individual activity can be demonstrated.
Electronic Exchange Platform (EEP)	Online platform to be used by the projects to generate and submit the Application Form and Confirmation Sheet in the framework of the Calls for Proposals.
Eligibility check	Checks carried out to verify that an application complies with certain eligibility criteria as defined by UIA.
Eligibility period	A timeframe during which project expenditure must be incurred and paid (unless simplified cost options are used) in order to qualify for co-financing from the UIA funds (ERDF).
Eligible expenditure/costs	All expenditure that is compliant with EU, UIA, national and partner organisation rules, and thus is eligible for ERDF co-financing. In the Progress Report, the total eligible expenditure is calculated based on the total expenditure, excluding revenue generated by the project.
Entrusted Entity	An entity delegated by the European Commission for the implementation of the Initiative. In the framework of the Urban Innovative Actions Initiative the Entrusted Entity is the Region Nord-Pas de Calais.
ERDF	European Regional Development Fund.
ERDF Co-financing	The programme financial support provided to the project from ERDF. Combined with the partners' contribution it forms the total project budget.

Flat rate	One of the simplified cost options. Specific categories of eligible costs which are clearly identified in advance are calculated by applying a percentage fixed ex-ante to one or several other categories of eligible costs. Flat rates involve approximations of costs and are defined based on fair, equitable and verifiable calculation methods, or they are established by specific regulations.
Indirect costs	Indirect costs are costs that cannot be assigned in full to the project, as they link to various activities of the partner organisation. As such costs cannot be connected directly to an individual activity, it is difficult to determine precisely the amount attributable to this activity (for instance, telephone, water, electricity expenses, etc.).
Initiative	UIA is an “initiative”, as EU legislation provides that ERDF may support innovative actions “at the initiative of the European Commission”. The terminology is different from a “Programme”, as the impulse exclusively comes from the Commission, and not Member States.
Integrated sustainable urban development	The various dimensions of urban life – environmental, economic, social and cultural – are interwoven and success in urban development can only be achieved through an integrated approach. Measures concerning physical urban renewal must be combined with measures promoting education, economic development, social inclusion and environmental protection. In addition, the development of strong partnerships between local citizens, civil society, the local economy and the various levels of government is a pre-requisite.
Investment	Output of a project activity(ies) that remains in use by the project’s target group after the completion of the project. In line with Article 3 ERDF Regulation (EU) 1301/2013, productive investments, investments in infrastructure and fixed investments in equipment are among the types of activities to be supported by ERDF.
Legal Representative	A person authorised to sign binding documents (e.g., application form, subsidy contract) on behalf of an organisation.
Local Administrative Unit (LAU)	Low level administrative division of a country, ranked below a province, region, or state. In the framework of the UIA Initiative the Local Administrative Unit 2 (LAU) is considered (previously defined as NUTS5). Definition provided by Eurostat (http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Local_administrative_unit_%28LAU%29)
Lump sum	It is a single sum of money paid to the project upon completion of pre-defined terms of agreement on activities and/or outputs. Lump sums involve approximations of costs established based on fair, equitable and verifiable calculation methods. It is one of the simplified cost options.
Main Urban Authority (MUA)	Urban Authority involved in an UIA project along with Associated Urban Authority(ies) in the framework of an association/grouping of urban authorities without a legal status of organised agglomeration. It has to be designated by the Urban Authorities involved in the association/grouping. The Main Urban Authority is the main responsible for the overall project

	implementation and management. It bears the entire financial and juridical responsibility vis-à-vis the Entrusted Entity.
NUTS (code)	The Nomenclature of territorial units for statistics, abbreviated as NUTS (from the French Nomenclature des Unités territoriales statistiques) has been created by Eurostat in order to provide a standard classification of the EU territory. It is a geographical nomenclature subdividing the territory of the European Union into regions at three different levels.
Operational assessment	Carried out by the Permanent Secretariat against the selection criteria defined in the Call for Proposals; it is meant to assess the quality of the eligible applications.
Organised agglomeration	Association and/or grouping of urban authorities having delegated competencies for policy-making and implementation to a politico-administrative body. Organised agglomeration shall be recognised by the national legislation as tier of government (i.e. Communautés d'Agglomeration in France, Città Metropolitane in Italy, etc.).
Output	Tangible or intangible object produced as result of the funding given to the project. It shall be captured by an output indicator and directly contributes to the achievement of project result(s).
Panel of External Experts	The Panel of External Experts is in charge of the strategic assessment of the admissible and eligible Application Forms. Set up through Calls for Applicants, the Panel is composed of independent experts with in depth knowledge of the topic of relevance for each Call for Proposals; a good understanding of the urban dimension of EU policies; a proven track record in assessing applications of urban projects. The panel shall be geographically balanced and ensure that the territorial diversity of the EU's urban areas is taken into account.
Partnership agreement (PA)	Contract signed between all the project partners containing all duties and responsibilities of each project partner before, during and after the project implementation.
Permanent Secretariat (PS)	Composed by a team of experienced professionals, it serves as "one-stop-shop" for all urban authorities and stakeholders involved in the UIA Initiative.
Progress report	A written document submitted by approved projects on a regular basis (reporting period), describing the activities implemented, the deliverables/outputs produced, the results achieved, the resources used...
Project partner (PP)	Urban Authorities and delivery partners involved in the project implementation; they are listed in the approved application form.
Result	The change in the local situation the project is aiming for as direct consequence of the project implementation.

Reporting period	A designated period of time during the project lifetime; activities carried out and expenditure incurred and paid (unless simplified cost options apply) during a reporting period are presented in a progress report, and are subject to ERDF co-financing.
Revenue	Cash in-flows directly paid by users for the goods or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services. Net revenue is defined as the revenue less any operating costs and replacement costs of short-life equipment incurred during the corresponding period.
Risk management	A systematic approach in project management with the identification and assessment of risks and the planning and implementation of risk responses to control the risks.
Selection criteria	Set of criteria against for which Application Forms are assessed in the framework of UIA including Eligibility, Admissibility, Strategic and Operational.
Simplified cost options	Contrary to real costs, simplified cost options modify the concept of expenditure paid by project partners. They involve approximations of costs, and are calculated according to a pre-defined method (e.g., established by the programme on the basis of a fair, equitable and verifiable calculation, or defined by the Fund specific regulations) based on outputs, results, or some other costs.
Stakeholder	Person, group or organisation that can affect, be affected by, or perceive itself to be affected by the project.
State aid	Action by a (national, regional or local) public authority, using public resources, to favour certain undertakings or the production of certain goods. An undertaking that benefits from such aid thus enjoys an advantage over its competitors. Control of state aids reflect the need to maintain free and fair competition within the European Union.
Strategic assessment	Carried out by a panel of external experts against the selection criteria, it is meant to assess the innovativeness of the proposal, the measurability of the outputs and results, the quality and relevance of the partnership proposed and the transferability of the project to other urban authorities in Europe.
Subsidy contract (SC)	Grant agreement between the contracting authority (Entrusted Entity and the Urban Authority (or the Main Urban Authority in case of association or grouping of Urban Authorities without a legal status of organised agglomeration).
Town (and suburb)	Local administrative unit where less than 50 % of the population lives in an urban centre but more than 50 % of the population lives in an urban cluster. Definition provided by Eurostat (http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Town_or_suburb).

UIA Experts	Individuals in charge of providing support and advice to approved projects throughout the implementation and closure phases.
Undertaking	Any entity engaged in an economic activity (offering goods and services on the market), regardless of its legal status, ownership and the way it is financed.
Urban Authority (UA)	Local administrative unit (LAU) defined according to the degree of urbanisation as city, town and suburb. In order to be eligible in the framework of the UIA Initiative, an Urban Authority shall comprise at least 50.000 inhabitants.
Work Package	A group of related project activities required to produce project deliverables and outputs.
Work Plan	Detailed account in time of how a project will go about accomplishing its deliverables and outputs.