



# UJA Guidance

Version 5 – 16 September 2019



**This present Guidance replaces and supersedes the UIA Guidance version 4 dated 15 October 2018; it is applicable to all UIA approved projects and Calls.**

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 (AF), 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 also acts as the main reference document for project implementation.

This Guidance remains valid for all Calls for Proposals launched by the UIA Initiative but it could be updated with additional information and details.

# Table of Contents

<b>1</b>	<b>INTRODUCTION AND BACKGROUND</b>	<b>6</b>
<b>1.1</b>	<b>Context and rationale for Urban Innovative Actions</b>	<b>6</b>
<b>1.2</b>	<b>Management of the UIA Initiative</b>	<b>8</b>
<b>1.3</b>	<b>Main features of a successful Urban Innovative Action</b>	<b>8</b>
<b>1.4</b>	<b>Eligible authorities</b>	<b>11</b>
1.4.1	First category	12
1.4.2	Second category	13
1.4.3	Common requirements for eligible urban authorities	14
<b>1.5</b>	<b>Thematic coverage</b>	<b>15</b>
<b>1.6</b>	<b>UIA Experts</b>	<b>17</b>
<b>1.7</b>	<b>Funding principles</b>	<b>18</b>
1.7.1	Total costs principle	18
1.7.2	ERDF payments	18
<b>2</b>	<b>PROJECT GENERATION AND DEVELOPMENT</b>	<b>20</b>
<b>2.1</b>	<b>Partnership for UIA</b>	<b>20</b>
2.1.1	Partnership principles	20
2.1.2	Typology of UIA partners	21
2.1.3	Examples of partnership structures	23
<b>2.2</b>	<b>Project work plan</b>	<b>24</b>
2.2.1	Work Package "Project preparation"	25
2.2.2	Work Package "Project Management"	26
2.2.3	Work Package "Communication"	27
2.2.4	Work Packages "Implementation"	27
2.2.5	Work Package "Investment" (not mandatory)	28
2.2.6	Work Package "Closure and Knowledge transfer"	29
<b>3</b>	<b>PROJECT APPLICATION AND SELECTION</b>	<b>31</b>
<b>3.1</b>	<b>Project application</b>	<b>31</b>
<b>3.2</b>	<b>Selection process</b>	<b>32</b>
3.2.1	Eligibility check	32
3.2.2	Strategic Assessment	33
3.2.3	Operational Assessment	35
3.2.4	Assessment scoring system	37
<b>3.3</b>	<b>Complaints procedure during the project selection</b>	<b>38</b>
<b>4</b>	<b>ELIGIBILITY OF EXPENDITURE</b>	<b>39</b>
<b>4.1</b>	<b>General principles of eligibility</b>	<b>39</b>

<b>4.2</b>	<b>Budget lines</b> .....	<b>40</b>
4.2.1	Staff .....	40
4.2.2	Office and administration.....	43
4.2.3	Travel and accommodation .....	43
4.2.4	External expertise and services .....	45
4.2.5	Equipment .....	47
4.2.6	Infrastructure and construction works.....	49
<b>4.3</b>	<b>Ineligible expenditure</b> .....	<b>50</b>
<b>4.4</b>	<b>Eligibility period and retention of documentation</b> .....	<b>51</b>
<b>4.5</b>	<b>Other UIA eligibility rules</b> .....	<b>53</b>
4.5.1	Use of the euro and exchange rates.....	53
4.5.2	Revenues .....	54
4.5.3	Partner contribution.....	55
4.5.4	Budget flexibility.....	56
4.5.5	Ownership and durability .....	56
4.5.6	Procurement.....	57
4.5.7	State aid.....	61
<b>5</b>	<b>PROJECT COMMUNICATION</b> .....	<b>65</b>
<b>5.1</b>	<b>The project’s brand and identity</b> .....	<b>65</b>
<b>5.2</b>	<b>Project activities and deliverables under Work Package "Communication"</b> .....	<b>65</b>
<b>5.3</b>	<b>EC Requirements regarding EU Funds and visibility</b> .....	<b>67</b>
<b>6</b>	<b>PROJECT IMPLEMENTATION</b> .....	<b>69</b>
<b>6.1</b>	<b>Initiation Phase and contracting</b> .....	<b>69</b>
6.1.1	Principles of the Initiation Phase .....	69
6.1.2	Main documents.....	70
<b>6.2</b>	<b>Reporting and monitoring</b> .....	<b>71</b>
6.2.1	Preventative monitoring.....	72
6.2.2	Project reporting – APR and FC .....	73
6.2.3	Reporting periods and deadlines.....	73
<b>6.3</b>	<b>Audit and control</b> .....	<b>74</b>
6.3.1	First Level Control (FLC).....	74
6.3.2	Second Level Control (SLC) .....	77
6.3.3	Other types of control: CA, Entrusted Entity/PS, European Commission, OLAF, etc. ....	77
6.3.4	Urban Innovative Actions Anti-Fraud Statement .....	77
<b>6.4</b>	<b>Project changes</b> .....	<b>78</b>
6.4.1	Minor changes .....	79
6.4.2	Major changes .....	80
6.4.3	Basic principles applying to project changes .....	81
<b>7</b>	<b>REFERENCE DOCUMENTS</b> .....	<b>83</b>
<b>8</b>	<b>GLOSSARY</b> .....	<b>85</b>

## **List of abbreviations**

<b>AF</b>	Application Form
<b>APR</b>	Annual Progress Report
<b>AUA</b>	Associated Urban Authority
<b>CA</b>	Certifying Authority
<b>EE</b>	Entrusted Entity
<b>EC</b>	European Commission
<b>EEP</b>	Electronic Exchange Platform
<b>EGTC</b>	European Grouping of Territorial Cooperation
<b>ERDF</b>	European Regional Development Fund
<b>EU</b>	European Union
<b>FC</b>	Financial Claim
<b>FLC</b>	First Level Control(ler)
<b>GBER</b>	General Block Exemption Regulation
<b>NGO</b>	Non-governmental organisation
<b>MUA</b>	Main Urban Authority
<b>PP</b>	Project Partner
<b>PA</b>	Partnership agreement
<b>PS</b>	Permanent Secretariat
<b>SLC</b>	Second Level Control(ler)
<b>SME</b>	Small and medium sized enterprises
<b>VAT</b>	Value-added tax
<b>WP</b>	Work package

# 1 Introduction and background

## 1.1 Context and rationale for Urban Innovative Actions

Approximately 359 million people – 72% of the total European Union population – live in cities, towns and suburbs. The share of urban population in Europe continues to grow, and it is likely to reach more than 80% by 2050<sup>1</sup>. 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.

The EU recognises the key role of urban authorities and supports 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 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 areas<sup>2</sup>.

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<sup>1</sup> European Commission (JRC, EFGS, DG Regional and Urban Policy).

<sup>2</sup> For more information on the provisions of article 7 ERDF:

[http://ec.europa.eu/regional\\_policy/sources/docgener/informat/themes2012/urban\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/themes2012/urban_en.pdf).

At a wider strategic level, in the framework of the Pact of Amsterdam, an Urban Agenda for the EU has been approved by all Member States. The Urban Agenda is a new working method to ensure maximum utilisation of the growth potential of cities and to successfully tackle social challenges. It aims to promote cooperation between Member States, cities, the European Commission and other stakeholders, in order to stimulate growth, liveability and innovation in the cities of Europe. It will also yield concrete results for all levels (EU/national/local) in terms of better regulation, better funding and better knowledge base and exchange<sup>3</sup>. 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 organisational method in business practices, workplace organisation 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 good understanding of the situation on the ground, 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 imagination to design, prototype, and test in a real urban setting and eventually scale up and transfer successfully novelties which citizens and users would perceive as having an added value.

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. This limits the capacities of urban authorities for experimentation and testing. This lack of experimentation is one of

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<sup>3</sup> For more information on the EU Urban Agenda:

[http://ec.europa.eu/regional\\_policy/en/information/publications/decisions/2016/pact-of-amsterdam-establishing-the-urban-agenda-for-the-eu.](http://ec.europa.eu/regional_policy/en/information/publications/decisions/2016/pact-of-amsterdam-establishing-the-urban-agenda-for-the-eu)

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 EU and is managed by the DG Regional and Urban Policy via indirect management. The UIA Initiative is set out in Article 8 of EU Regulation No 1301/2013 on the ERDF and on specific provisions concerning the Investment for growth and jobs which states that “[a]t the initiative of the Commission, the ERDF may support innovative actions in the area of sustainable urban development”. Commission Delegated Regulation No 1410/2014 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 of the Delegated Regulation (hereafter UIA), the Commission has designated the Region Hauts-de-France<sup>4</sup> (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 Hauts-de-France which sets out in detail the working arrangements and the requirements. A Permanent Secretariat (PS) has been created to manage the UIA Initiative<sup>5</sup>.

## 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 try out innovative approaches and new technologies outside the scope of “**normal projects**” (that could be financed through “traditional” sources of funding, including mainstream ERDF Programmes). UIA allows cities to turn ambitious and creative ideas into prototypes that can be tested in real urban settings. In other words, UIA can support pilot projects that are too risky to be funded by traditional sources of funding, provided that they are highly innovative and experimental.

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<sup>4</sup> Formerly Region Nord - Pas de Calais (France).

<sup>5</sup> Detailed information (including contact details) about the PS is available here: [www.uia-initiative.eu](http://www.uia-initiative.eu).

The results and experience gained in UIA will allow urban actors to develop the knowledge base and confidence that is needed for subsequent up-scaling and broad market introduction of innovative solutions, e.g. through the implementation of "normal" implementation projects, supported by the mainstream programmes. Specifically, the UIA Initiative supports projects that are<sup>6</sup>:

- **Innovative:** Projects should be new, bold, creative and experimental. Urban authorities should propose projects that would not have been financed under a mainstream Programme and that are not merely part of normal local activities. The proposed project must go beyond the present state-of-the-art and business-as-usual. Building on research and benchmarking, urban authorities should demonstrate that the proposed project has not been previously tested and implemented on the ground in the urban area, in the Member State where the urban area is located or elsewhere in the EU. Urban authorities can propose solutions (products, services, processes) that have evolved over time based on lessons learned from experience (evolutionary approach where the innovation lies in the new elements added to the idea) or completely new solutions never tested before in the policy field concerned (revolutionary approach) in the EU. As sustainable urban development projects are normally a complex set of actions, it is important to demonstrate that the innovative elements included are the central components to the solution proposed.
- **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, good value for money.
- **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. Key stakeholders with an active role in the implementation of UIA projects should be involved as Delivery Partners (see section 2.1 of the present Guide for more details).
- **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 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.<sup>7</sup>

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<sup>6</sup> A detailed presentation of the selection criteria for UIA projects is provided in Chapter 3 of the present Guidance.

<sup>7</sup> URBACT has published the guidance "Applying the result framework to Integrated Action Plans" that could prove useful to design monitoring and evaluation strategies and tools. It is available at <http://urbact.eu/library-contents>.

- **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 a Europe-wide relevance and that the resources needed (human, financial, etc.) for the implementation of the projects can be found in other local contexts. Urban authorities should also explain how the results of the projects will be used (i.e. exploitation) and how the project, if successful, could be scaled-up.

UIA projects are 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 should take place within a maximum period of 3 years<sup>8</sup>. There is no ideal size for UIA project budgets. 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. Whereas, projects including significant investment costs, particularly at the end of the implementation period, should demonstrate that the cost fits the project's purpose and are duly justified.

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 UIA 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)<sup>9</sup>.

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<sup>8</sup> In exceptional cases, the project implementation can be extended by maximum one year. It is only applicable to projects from Call 3 and on.

<sup>9</sup> The participation of UIA Urban Authorities in the activities of the Urban Development Network is compulsory. More information about UDN is available here: [http://ec.europa.eu/regional\\_policy/en/policy/themes/urban-development/](http://ec.europa.eu/regional_policy/en/policy/themes/urban-development/)

#### 1.4 Eligible authorities

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

- 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
- 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

Only eligible urban authorities as defined by the Article 2 of the Delegated Act can submit an Application Form in the framework of an UIA Call for Proposals.

The definition of Local Administrative Units (LAUs) as well the classification according to the degree<sup>10</sup> of urbanisation and the figures on the number of inhabitants are based on information provided in the UIA Correspondence table “EU-28-LAU-2018-NUTS-2016-FR&PT\_POP2017” (2018)<sup>11</sup>. This table will be used by the UIA PS as its main reference document for the Eligibility Check. Applicants are invited to refer to Correspondence table to verify their eligibility and provide information on the LAUs included in its administrative borders and the figures concerning the number of inhabitants. It is expected that, over the duration of the Initiative, Eurostat will publish updated versions of the Correspondence Table. In case an updated version will be used by the PS as main reference for the eligibility check, the information will be duly communicated in the specific Terms of Reference of the Call for Proposals and on the UIA website. Additional detailed information on the eligibility of urban authorities is provided in the following sections.

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<sup>10</sup> Definition of Local Administrative Units and degree of urbanisation are available here:

<http://ec.europa.eu/eurostat/web/nuts/local-administrative-units> ; [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Degree\\_of\\_urbanisation](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Degree_of_urbanisation).

<sup>11</sup> UIA Correspondence table “EU-28-LAU-2018-NUTS-2016-FR&PT\_POP2017” (2018) can be downloaded from the respective Call page on the UIA website. Please note that this table was created, based on the information in Eurostat Correspondence table “LAU – NUTS 2016, EU-28 and EFTA / available Candidate Countries” (2018) and Eurostat Correspondence table “LAU – NUTS 2016, EU-28 and EFTA / available Candidate Countries” (2017). Because of that, please note that for FR and PT there are two tabs in the spreadsheet, while for the rest of the member states the information is consolidated in one tab per country.

#### 1.4.1 First category

- Municipalities/city councils/districts whose administrative borders correspond to a single LAU. In this case the LAU shall be classified as city, town and suburbs according to the degree of urbanisation (code 1 and/or 2 in the Correspondence table – column Degree of Urbanisation) and have at least 50 000 inhabitants
- Municipalities/city councils whose administrative borders include several LAUs. This is the case for municipalities/city councils in Portugal, United Kingdom, Ireland, Greece, Malta and Latvia where the Eurostat definition of LAU does not correspond to municipalities/city councils but to infra-municipal units (parishes) or statistical units (electoral wards). In this case the municipality/city council can be eligible only if it has a total of 50 000 inhabitants and if the majority (more than 50%) of the inhabitants lives in LAUs classified as cities, towns or suburbs according to the degree of urbanisation (code 1 and/or 2 in the Correspondence table – column Degree of Urbanisation)
- Organised agglomerations which are an association/grouping of urban authorities fulfilling the following criteria:
  - To be officially recognised as a tier of local government (different from the regional and provincial level) by national law with the obligation for municipalities/city councils to join the supra-municipal organisation (therefore in this category are not included associations that are composed on a voluntary basis, for a specific purpose and/or with a limited duration)
  - To be composed only by municipalities/city councils (therefore in this category are not included associations involving other institutions such as universities, chambers of commerce, etc.)
  - To have specific competences, fixed by national law, delegated by the municipalities involved for policy areas relevant for the UIA project. Associations are invited to provide precise reference to the national legal framework. Organised agglomeration shall have exclusive competences for the design and implementation in policy areas relevant for the UIA project
  - To have a specific political (with indirect representation of the municipalities involved) and administrative (dedicated staff) structure

Examples of eligible organised agglomerations in the framework of the UIA Initiative are:

- France: Métropoles, Communautés Urbaines, Communautés d'Agglomération, Etablissements Publics Territoriaux (EPT) and Communautés de Communes

- Italy: Città Metropolitane and Unione di Comuni
- Germany: Landkreis
- Spain: Mancomunidades and Area Metropolitana Barcelona
- United Kingdom: Combined Authorities
- Portugal: Comunidades Intermunicipais (CIMs)

European Grouping of Territorial Cooperation (EGTC) whose partnerships are composed only of urban authorities (as defined above) and with specific competencies for policy design and implementation relevant for the UIA Call are considered as organised agglomerations and therefore they can apply in the framework of UIA Calls for Proposals as Main or Associated Urban Authorities. EGTCs whose partnerships include other organisations (e.g. Member States, regional authorities, associations, universities, etc.) are not considered as organised agglomerations and cannot apply as Main or Associated Urban Authorities but they can join as Delivery Partners in a proposal submitted by an eligible urban authority.

In the framework of the UIA Initiative, organised agglomerations are considered as a single urban authority representing all the municipalities/city councils involved. For this reason, in a project proposal submitted by an organised agglomeration, this shall be indicated as Main Urban Authority. To verify the eligibility of organised agglomerations, the PS will check that the total number of inhabitants is at least 50 000 and that the majority (more than 50%) of inhabitants live in LAUs involved in the agglomeration that are classified as cities, towns or suburbs according to the degree of urbanisation.

#### **1.4.2 Second category**

Any association of urban authorities (national/regional associations of urban authorities, territorial pacts, development districts, etc.) as well as individual urban authorities without formalised cooperation agreements but willing to jointly apply in the framework of the UIA Initiative, cannot apply as a single urban authority. They shall identify a MUA among the municipalities/city councils involved and list the others as Associated Urban Authorities.

In order to be eligible, all urban authorities involved (Main and Associated) shall be recognised as LAUs and be classified as cities, towns or suburbs according to the degree of urbanisation. In case of urban authorities whose administrative borders include more than one LAU, the same rules for the definition of the degree of urbanisation described under point a.2 of the present section apply. The relationship

between the Main and the Associated Urban Authorities does not need to be formalised at the time of submitting the AF. In case the proposal is approved and supported, the UIA PS will provide the MUA with a template of Partnership Agreement to be signed by all partners involved (Associated Urban Authorities and Delivery Partners) during the first months of the implementation phase. For more details on the roles and responsibilities of the Main and Associated Urban Authorities (and Delivery Partners) applicants shall refer to the section 2.1 of the present UIA 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 (Main and Associated Urban Authorities) without territorial contiguity, risk losing coherence and having difficulties in delivering meaningful results. As such, it is recommended that associations and/or groupings of urban authorities (without a status of organised agglomerations) who wish to apply should be territorially contiguous and seek to limit the number of Associated Urban Authorities involved.

#### **1.4.3 Common requirements for eligible urban authorities**

In addition to the principles outlined above for each specific category of eligible urban authorities, the following principles apply to all eligible urban authorities in the framework of the UIA Initiative:

- All urban authorities shall be located in an EU Member State.
- Only eligible urban authorities as defined above may submit an AF in the framework of an UIA Call for Proposals. An AF submitted by a Delivery Partner will be declared ineligible.
- Urban authorities (as defined above) can be listed in a project proposal only as Main and/or Associated Urban Authorities. The category of Delivery Partners is reserved only to institutions and/or organisations that are not recognised as urban authorities in the framework of the UIA Initiative.
- An urban authority or an organised agglomeration can be involved in only one project proposal in the framework of each Call for Proposals (even if these project proposals are submitted under different topics in the same Call for Proposals). The rule applies also to the Associated Urban Authorities (a municipality can be involved in only one project proposal whether it is as MUA or as Associated Urban Authority).
- Urban authorities already supported in an approved project by the UIA Initiative in the framework of a previous Call for Proposals cannot submit a new AF on the same topic over the entire duration of the Initiative.

Agencies and companies (e.g. in the field of energy/waste management, economic development, touristic promotion, etc.) fully or partially owned by the municipality/city council are not considered as Local Administrative Units and therefore cannot be recognised as eligible urban authorities. Nevertheless these organisations can be involved in the partnership as Delivery Partners (more details on the roles and responsibilities of Delivery Partners are provided in section 2.1 of the present Guidance). As stated in the previous paragraphs, the UIA PS will use as the main tool for verifying compliance with the eligibility criteria the spreadsheet UIA Correspondence table “EU-28-LAU-2018-NUTS-2016-FR&PT\_POP2017” (2018). Applicants are therefore strongly advised to check the spreadsheet and carry out an eligibility self-assessment before filling in the AF. In case of gaps, inconsistencies or doubts concerning the interpretation of the data included in the Eurostat spreadsheet, applicants are strongly advised to contact the UIA PS before filling in and submitting the AF. During the eligibility check, in cases any applicant's status as eligible candidate is uncertain, the UIA PS will liaise with all relevant partners, including Eurostat, to determine the eligibility.

### 1.5 Thematic coverage

According to the Amsterdam Pact, The Urban Agenda for the EU will be implemented through a coherent set of actions and between others it refers to the need for alignment of the Urban Innovative Actions with the selected Themes for the Urban Agenda for the EU by the European Commission. In order to achieve meaningful and measurable results at local level, one of the central aims of the 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 UIA Initiative should concretely contribute to this operational aim of the 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 Urban Agenda for the EU. 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 UIA Call for Proposals will focus on a certain number of topics. The topics for each Call will be defined 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 UIA Call for Proposals. It should be noted that the Urban Agenda for the EU 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.

Urban authorities submitting an AF in the framework of an UIA Call for Proposals shall select only one of the topics described in the Terms of Reference of the Call. However, in section C of the AF, a specific question is dedicated to the integrated approach proposed. This is where urban authorities can describe links and externalities with other topics and policy fields. 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 oriented) will be able to be supported 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

Applicants should bear in mind that during the selection and implementation of project proposals, the complementarity and synergies with other EU funding programmes and policies, as well as supported projects, is of utmost importance. The UIA Initiative Selection Committee will seek to avoid any duplication when deciding on which projects to support.

## 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 at a strategic and operational level 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. UIA Experts will assist in the development of documentation and will produce outputs (including a journal chronicling the project's progress) as well as capturing and disseminating the results and lessons learnt. They will share the knowledge generated with a wider audience of policy-makers and practitioners across Europe. Although not their main task, they will support projects in the preparation of the Final Qualitative Report. It is expected that UIA Experts work with urban authorities of approved projects for a maximum of 50 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.

The selection of UIA Experts is linked to the Calls for Proposals for the selection of projects. The Calls for Applicants for UIA Experts will be published following the selection of projects for each UIA Call for Proposals. The selected projects will be listed and described in the Calls for Applicants for UIA Experts in order for candidate experts to clearly indicate the project(s) they wish to work with. The PS, with the support of an external service provider, will assess all applications submitted by candidate experts and establish a shortlist of relevant candidates for each selected UIA project. The final decision on the UIA Expert to be appointed will be taken by the representatives from urban authorities of approved projects in coordination with the PS, building on the shortlist and taking into account urban authorities' specific needs for expertise. The detailed work plan for UIA Experts will be agreed by the PS, the MUA and the UIA Expert after the approval of the project, based on the specific experiences and needs of the Urban Authority.

**The UIA Initiative directly cover all costs related to the activities of UIA Experts (including costs for travel and accommodation). Therefore applicants should not foresee any budget for the UIA Experts in their AF.**

## **1.7 Funding principles**

### **1.7.1 Total costs principle**

The UIA Initiative follows the total costs principle. This means that while the project receives ERDF co-financing up to 80% of the eligible costs, every partner receiving ERDF needs to secure 20% at least of public or private contribution to complete its budget either from its own resources or from other sources (but not from another EU funding source). The partners contribution can be in the form of cash and/or in-kind<sup>12</sup>.

### **1.7.2 ERDF payments**

The UIA payment scheme is mainly based on the principle of advance ERDF payments<sup>13</sup> but also on the principle of reimbursement of costs<sup>14</sup> that were actually incurred (including flat rates):

- A first ERDF (advance) payment corresponding to 50% of the ERDF grant is made to the MUA within 90 days from the signature of the Subsidy Contract (and of the Partnership Agreement when necessary) and provided that no lacuna or irregularity has been found during the ex-ante control carried out by the FLC. This first advance payment also covers the lump sum for preparation costs (maximum EUR 16 000 ERDF).
- A second ERDF (advance) payment corresponding to 30% of the ERDF grant is made to the MUA after the submission and approval of a first Financial Claim that includes project expenditure validated by the FLC. Prior to the validation by the FLC, the reported expenditure must reach at least 35% of the total project budget. In case the project expenditure validated by the FLC falls below 35%, the second ERDF advance payment is paid on a pro-rata basis.
- A third ERDF payment corresponding to maximum 20% of the ERDF grant (minus the lump sum dedicated for the project closure and transfer of knowledge, see below) is made to the MUA after the submission and approval of the final progress report. This report, submitted no

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<sup>12</sup> It should be noted that unpaid volunteer work is not eligible under UIA eligibility rules while paid staff should be considered as contribution in cash.

<sup>13</sup> As stated in the Delegation Agreement signed between the European Commission and Région Hauts-de-France (ex-Région Nord-Pas-de-Calais) in 2015.

<sup>14</sup> Idem.

later than 3 months after the project end date, includes the final project expenditure validated by the FLC. It is important to note that the third payment is no more based on the principle of advance payment but on the principle of reimbursement of incurred and paid costs. Therefore project partners need to pre-finance their expenditure during the last phase of project implementation.

- A Final payment is made to the MUA after the approval of the final qualitative report (submitted no later than one year after the project end date). The payment amounts to maximum EUR 12 000 ERDF and covers the phase "project closure and transfer of knowledge".

## 2 Project generation and development

### 2.1 Partnership for UIA

#### 2.1.1 Partnership principles

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 recognised 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 different municipal departments, elected representatives, different tiers of government, agencies, NGOs, private sector etc.). Partnerships should seek to promote horizontal (including actors dealing with the different dimensions of the urban challenge to be addressed) and vertical integration (including different actors in the framework of a multilevel governance).

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 diffused knowledge and expertise that exists outside of the Urban Authorities. The involvement of the right stakeholders also assists with the scaling-up of the project when the time comes. Within UIA projects, Urban Authorities are expected to establish strong local partnerships involving key stakeholders able to contribute to the implementation of the project with experience and expertise. It should be stressed that in the framework of an UIA project, **urban authorities are not requested to set up a transnational partnership** with partners from different Member States. However it is possible to involve partners from different countries in the same project provided that they are from one of the EU Member States and that there is a clear justification in terms of added value for the project. Applicants should be aware that partnerships with more than 10 partners may require extra efforts and resources to ensure an effective management.

### **2.1.2 Typology of UIA partners**

In the framework of the UIA initiative, all organisations having an active project/activities implementation role and financial contribution to UIA project which is reflected in the share of the budget ensured by a PP are considered UIA partners. A partnership for a UIA project can be made up of a Main Urban Authority (MUA), Associated Urban Authorities (AUA) and Delivery Partners (DP); all located in the EU. A wider group of stakeholders shall be identified and involved but its members are not considered as partners of a UIA project.

#### **Main Urban Authority**

The UIA Initiative functions on the basis of a MUA 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 EE. Other PPs keep their own responsibility vis-à-vis the MUA. The responsibilities of the partnership represented by the MUA are described in a Subsidy Contract and in the PA to be signed by all partners involved (MUA, AUA and DPs) after the approval of the project. The MUA should ensure the involvement of all PPs in the design phase of the project as well as in its implementation.

*Nota bene:* in the case of organised agglomerations, the institution, including all the other urban authorities involved, is considered as a single Urban Authority in the framework of the UIA project and therefore the agglomeration shall be listed as the MUA. In the case of associations and/or groupings of urban authorities, the urban authorities involved are requested to identify one municipality as MUA and the other municipalities as Associated Urban Authorities.

#### **Associated Urban Authorities**

Any existing association of urban authorities (national/regional associations of urban authorities, territorial pacts or associations, development districts etc.) with or without legal status of organised agglomeration as well as individual urban authorities without formalised cooperation agreement but willing to jointly apply in the framework of the UIA shall list in the AF one LAU as MUA and the other LAUs as AUAs. The AUAs are responsible for the delivery of specific activities and the production of related deliverables/outputs. AUAs have a share of the project budget and report the costs incurred for the delivery of the activities. Detailed information on the AUAs (including legal status, experiences and competencies, contact persons, etc.) shall be provided in the AF.

The MUA remains responsible for the overall implementation and management of the entire project and bears the entire financial and juridical responsibility vis-à-vis the EE. AUAs formalise the contractual relation with the MUA only after the official approval of the project. Following the approval of the project, the PS provides the MUA with a PA template to be signed by all PPs involved in the project (MUA, AUAs and DPs). **All AUAs shall fulfil the eligibility requirements as listed in the section 1.4 of the present guide.**

### **Delivery Partners**

DPs can be any organisation with the exception of urban authorities, seen as relevant for the successful delivery of the project. DPs (institutions, agencies - even if fully owned by municipalities/city councils, higher education institutes, private sector partners, associations, NGOs etc.) shall have an active role in the design and implementation of the project. DPs are responsible for the delivery of specific activities and the production of the related deliverables/outputs. DPs have a share of the project budget and report the costs incurred for the delivery of the activities. Detailed information on DPs (including legal status, experiences and competencies, contact persons, etc.) must be provided in the AF.

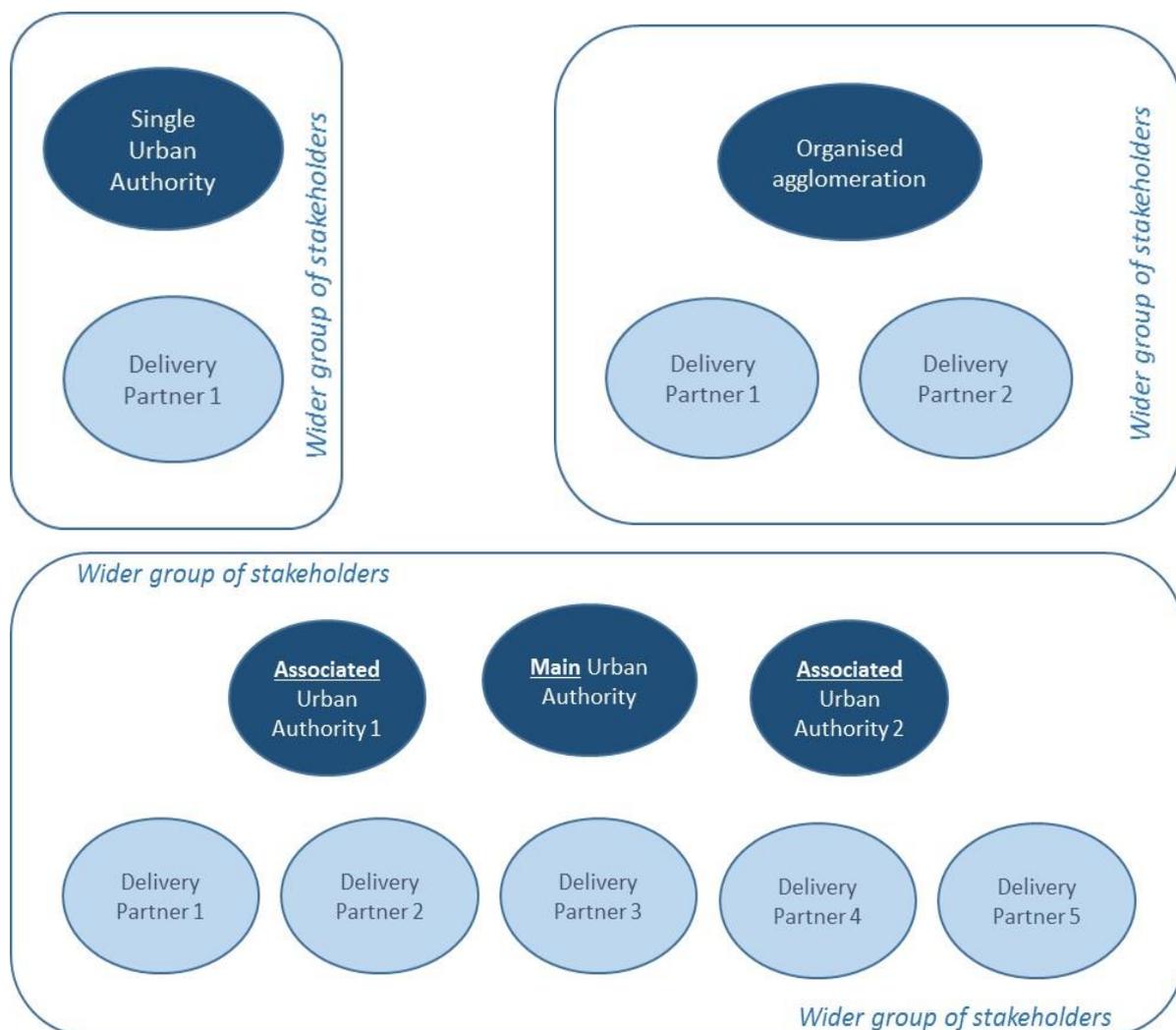
An urban authority cannot be considered and listed as DP but only as MUA or AUA, provided it fulfills the eligibility criteria listed under section 1.4 of the present UIA Guidance. It should be noted that only organisations having legal personality are entitled to participate in a project as DPs. Urban Authorities should select their DPs in respect of the principles of transparency and equal treatment. Consultancy firms having as primary objective the development and management of European projects are not entitled to participate in a project as DPs. In principle a DP could be involved in several project proposals in the framework of the same Call for Proposals provided that the contribution and the added value in the different projects are clearly justified.

### **Wider group of stakeholders**

The wider group of stakeholders (including for example local, regional, national and EU institutions, agencies, organisations and associations) has no direct role in the project implementation. Therefore, they have no specific budget allocated, neither explicit responsibilities in the project implementation but are considered as relevant to ensure a smooth and effective delivery of the project. This group should include representatives of the target groups of the project. Organisations 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 local 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.

### 2.1.3 Examples of partnership structures

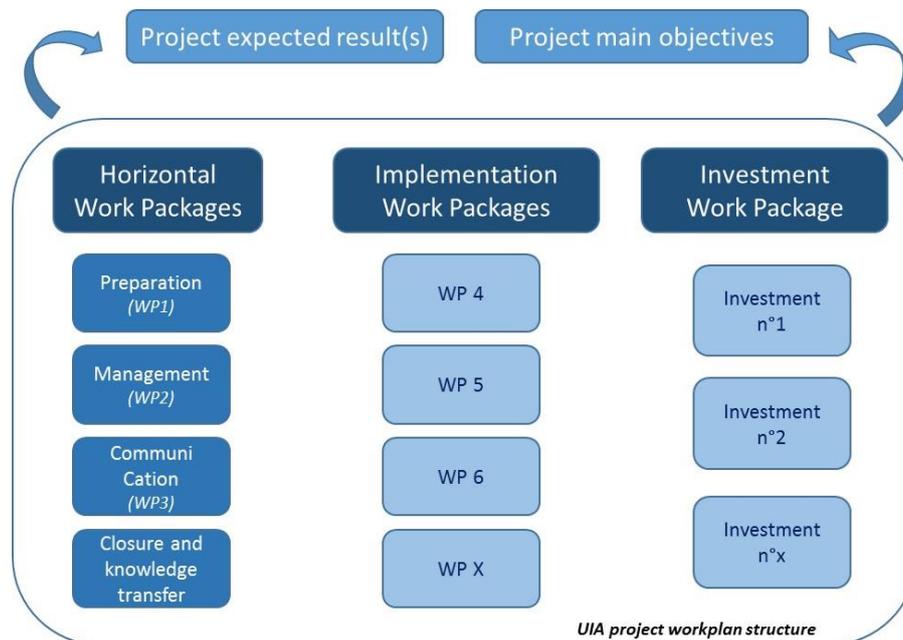


## 2.2 Project work plan

Project activities are organised in Work Packages (WP). A WP is a group of related project activities required to produce project outputs. Together, the WP descriptions constitutes the project's Work Plan. The planned activities should be necessary and sufficient to deliver the project's objectives and results. This organisation of activities ensures among all PPs a shared understanding about the structure and objectives of the project; it increases the capacities of the MUA to follow up the implementation of the expected activities and facilitates the procedures for reporting and accounting of expenditure. To this end, different types of implementation related WPs should be used:

- WP project management
- WP communication
- WP implementation
- WP investment

Except for the investment WP, all the other types of WPs are mandatory in UIA project applications.



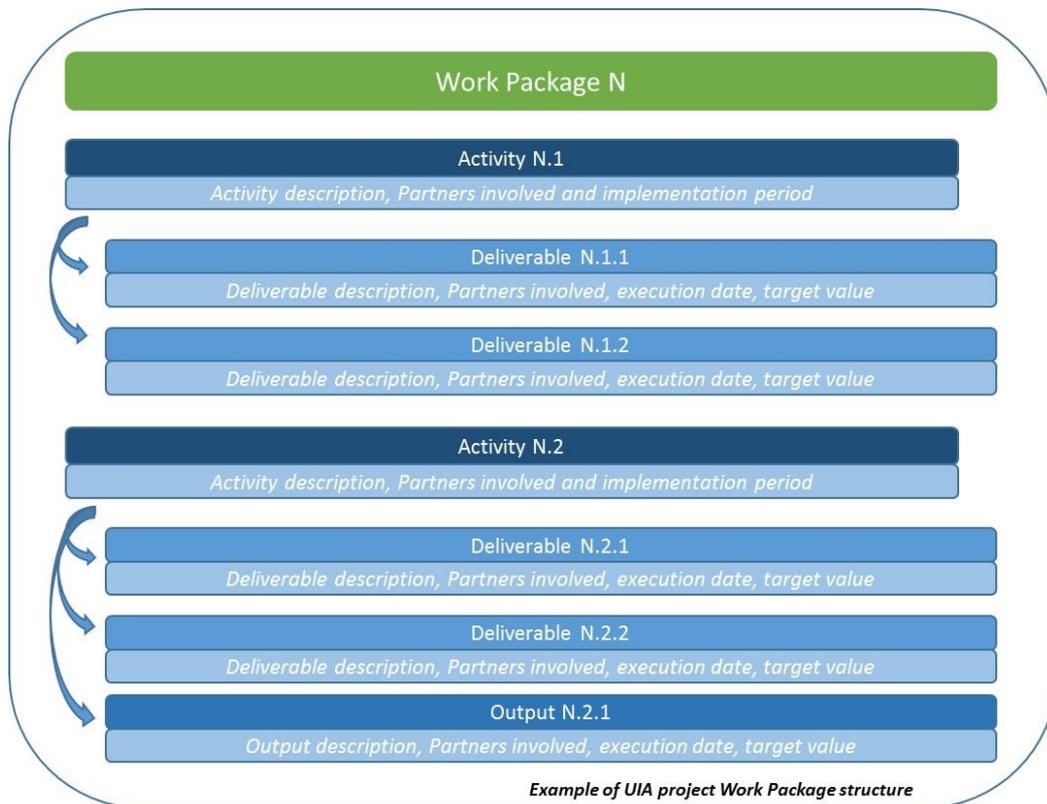
Each WP is composed of defined activities and related deliverables and expected outputs:

- An **activity** is a specific task performed for which resources are used. Each activity shall result in at least a deliverable and/or an output.
- A **deliverable** is a tangible or intangible object delivered by the project and/or an intermediary step in the delivery of a project output. Deliverables shall therefore directly contribute to the

achievement of a project output. Deliverables should also reflect relevant steps of a single activity. 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 and is a main product of the project. It shall directly contribute to the achievement of project result(s). Each implementation WP should lead to the delivery of at least one output.

Any activity carried out in the framework of the project shall be for the direct benefit of the area concerned by the Urban Authority(ies) involved in the project.



### 2.2.1 Work Package "Project preparation"

WP "Project Preparation" includes 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 wider group of stakeholders in order to define the main challenge(s) 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 AF, this WP is pre-filled. The main deliverable under this WP is the completed AF to be submitted. Furthermore, costs for the WP Preparation are covered by a lump sum of EUR 20 000 total eligible

costs (corresponding to maximum EUR 16 000 ERDF). The MUA is the sole recipient for the UIA Initiative and can distribute it between the partners according to their respective involvement.

### **2.2.2 Work Package "Project Management"**

The activities to be developed under this WP 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 WP also aims to organise the work between the partners involved by building a strong collaborative relationship formalised in a PA. 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 WP 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 externalise the management)
- Governance (e.g. decision-making body, involvement of the wider group of stakeholders etc.) and communication within the partnership. Details regarding for example internal tools, frequency of meetings, and roles of the different PPs in the decision-making process should be provided
- Reporting (project activities and expenditure) as well as monitoring and evaluation procedures
- Risk and quality management

The proposal should clearly describe who is in charge of the project management, how much personnel and time are devoted to this task (in conjunction with the budget description) and how and by whom decisions on the project are 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 MUA. However, delegation (to another partner) or outsourcing of project management is possible on the basis of an appropriate justification, provided that the MUA retains full and day-to-day control of the project. The proposal should clearly describe how this control is guaranteed.

It should be noted that under this WP, 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 1.6 of the present guidance for more information). Capitalisation activities shall also include the

participation in 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.

### **2.2.3 Work Package "Communication"<sup>15</sup>**

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

- Define the Objectives/Messages/Target groups the project communication wants to achieve
- Quantify the communication products (target values) and propose a detailed planning, a clear description of tasks and responsibilities of the different partners 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 the project (it can be an appointed communication officer or the project manager)
- Describe how other partners will interact/ disseminate results and if some tasks will be delegated to any suppliers. Activities shall ensure a success communication as well as dissemination of project results and outputs to relevant stakeholders (cf. "transferability")
- Indicate how the communication activities will be evaluated with relevant indicators

### **2.2.4 Work Packages "Implementation"**

These WPs are the heart of any UIA project. They describe in detail how the proposed innovative solution will be carried out. Activities include the "experimental setup" (e.g. equipment and works); the demonstration and testing phase; as well as the implementation process. It should also describe the project evaluation activities to assess how the proposed solutions perform in reality. Under each implementation WP, PP shall describe the main activities, the resources, timetable, the related deliverables and outputs as well as partner roles and responsibilities at activity, deliverable and output levels. While designing the WPs "Implementation", PP should pay particular attention to describe the different intermediary steps (activities/deliverables) necessary to deliver the proposed outputs.

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<sup>15</sup> Additional details regarding Communication can be found in Chapter 5.

In the AF, projects can create up to maximum four WPs for implementation corresponding to the main pillars of the project. A maximum of 5 activities can be listed under each implementation WP. It is strongly advised that projects make optimum use of these WPs to ensure good readability of the activities proposed, related costs and distribution of tasks amongst partners. 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;
- the project is not overwhelmingly focused on European Social Fund (ESF) type of activity

Each WP Implementation must lead to at least one output. Applicants should also emphasize cross-references between the different WPs to ensure a clear and logical coherence in the overall work plan. Also if applicable a specific link to the investment WP should be made.

### **2.2.5 Work Package "Investment" (not mandatory)**

Under this WP, applicants include all investments foreseen in the framework of the UIA project. 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 of the ERDF regulation, productive investments, investments in infrastructure and fixed investments in equipment are among the types of activities that can be supported by UIA. For more information about eligibility of costs, please refer to section 4 below. As a general rule, **investments shall be foreseen in UIA projects only to the extent that they are necessary for the achievement of the project's outputs and results**. Depending on the nature of the innovative solutions proposed, investments should be essential support infrastructures/equipment for the related implementation WP or key outputs of the project itself. Investments should be proportionate to the work plan and budget, and should therefore represent good value for money. Stand-alone investments without clear justification and added-value for the project will not be supported.

Although there is only one WP investment, there could be several individual investments, which should be individually described and considered as separate outputs. Each description should relate to only one physical investment. An overall WP description needs to be provided as well as individual

investment descriptions for each proposed investment giving a general description, a justification, a location (and if already known, the exact address of the investment), an analysis of the related risks, the list of required documents and permits (i.e. technical requirements, working permits, etc.) as well as details on the durability and final ownership (for more information about ownership please refer to section 4.5.5 below).

### 2.2.6 Work Package "Closure and Knowledge transfer"

The last WP 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 provides projects with a standard template for the final qualitative report. UIA Experts will support projects in the preparation of the final qualitative report. 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.

Costs for the WP Closure and Knowledge Transfer are covered by a lump sum of EUR 15 000 total eligible costs, corresponding to maximum EUR 12 000 ERDF (even if more activities than originally planned in the AF are added).

#### Examples of activities, outputs and deliverables

Examples of Activity	Examples of deliverables ( <i>implementation steps</i> )	Examples of outputs ( <i>main product of the project</i> )
Training programme for citizens	<ul style="list-style-type: none"> <li>• Needs analysis conducted</li> <li>• Training material designed</li> <li>• 1<sup>st</sup> group of trainees recruited (Year 1)</li> <li>• 2<sup>nd</sup> group of trainees recruited (Year 2)</li> <li>• Evaluation report</li> </ul>	<ul style="list-style-type: none"> <li>• Training programme delivered</li> </ul>
Business incubator in the	<ul style="list-style-type: none"> <li>• Needs analysis carried out</li> <li>• Technical specifications of incubator space</li> <li>• Renting agreement signed</li> </ul>	<ul style="list-style-type: none"> <li>• Business incubator</li> </ul>

green economy sector	<ul style="list-style-type: none"> <li>• Recruitment of management team</li> <li>• Furniture and IT equipment installed</li> </ul>	
Pilot refurbishment of 3 buildings	<ul style="list-style-type: none"> <li>• Terms of Reference drafted</li> <li>• Call for tenders published</li> <li>• Selected suppliers procured</li> <li>• Site preparation</li> <li>• 1<sup>st</sup> building delivered</li> <li>• 2<sup>nd</sup> and 3<sup>rd</sup> buildings delivered</li> </ul>	<ul style="list-style-type: none"> <li>• Buildings refurbished</li> </ul>

**Tips for applicants:**

Based on lessons learnt from the previous Calls for Proposals, below are listed some tips for applicants when filling-in the AF:

- Carefully read the UIA Guidance, Terms of Reference, EEP Guidance and AF Guidance (AF – courtesy document or directly in the AF on EEP).
- Consider the right intervention logic of the project: what are the concrete objectives and results you aim to achieve? How do the WPs contribute to these objectives? Which outputs to deliver against these objectives and to achieve the expected results?
- Pay attention to quantification. Target values of the deliverables/outputs should be consistent with the description of the related activities and capture the quantity of deliverables/outputs produced, not the expected number of beneficiaries.
- For the different WPs, clearly describe PP roles and responsibilities at activities/deliverables and outputs level.
- Use cross-references between the different WPs and activities to indicate where an activity/deliverable/output is building on another one.
- When applicable, pay attention to the integration of the investment into the overall work plan by describing how it is related to and supports the implementation WP.
- Ensure a clear coherence between the description of the activities and the justification of the budget breakdown per PP.
- As assessors may not be familiar with the local context and challenges, be clear and precise, use easy to grasp concepts and provide enough details for the proposed solution.

## 3 Project application and Selection

### 3.1 Project application

AFs 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 AF and annexes is 100% paperless through the use of UIA's EEP. A courtesy working document is provided on UIA's website. EEP Guidance is provided on how to complete the form. It is strongly recommended that applicants fill in the AF 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 is done on the basis of the English version of the AF (translated in English by an external service provider contracted by the PS in case the AF is submitted in another language). The quality of the translation is not 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 EE and the PS are in English. Only information provided in the AF and the allowed annex are taken into account for the assessment. The documents to be sent are:

- **Application Form:** The AF must 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 (Main) 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. An EEP Guidance with instructions on how to fill in the AF is available on the UIA website.
- **Annex:** Applicants can upload one annex in the EEP system that will be attached to the AF. This could be a map presenting the area of intervention, a graph, an infographic, etc. The type and size of the file to be annexed are specified in the EEP guidance
- **Confirmation sheet:** The confirmation sheet is automatically generated by the online platform when the AF is being completed or after its completion. It has to be printed, signed by a legal

representative of the Urban Authority (or the MUA in the case of an association/grouping without a legal status of organised agglomeration), scanned and uploaded in the EEP.

The PS staff will be ready to assist applicants with any technical questions they may have during the Call for Proposals Contact details can be found on the UIA website. The PS also organises Applicants Seminars in different cities Europe as well as webinars prior to each Call for Proposals. Dates and venues of the Applicants Seminars can be found in the section “Events” of the UIA website.

### **3.2 Selection process**

Following submission, each application is subject to a selection process organised along the following 3 steps: eligibility check, strategic assessment and operational assessment.

#### **3.2.1 Eligibility check**

Upon closure of a Call, the PS carries out an eligibility check on all submitted project applications. The purpose of the eligibility check is to verify the compliance of the received AF and their annexes with the formal eligibility criteria and to ensure equal treatment of all proposals to be selected for funding. The UIA eligibility criteria are the following:

1. The AF has been submitted electronically via the EEP before the deadline indicated in the Terms of Reference of the Call for Proposals
2. The AF is completely filled in (including all mandatory WPs)
3. The applicant is a single 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 with legal status of organised agglomeration composed by Local Administrative Units (LAU), where the majority (more than 50%) of inhabitants lives in LAUs defined according to the degree of urbanisation as cities, towns or suburbs and where the total combined population is at least 50 000 inhabitants

**OR**

The applicant is an association or grouping of urban authorities without legal status of organised agglomerations where all the urban authorities involved (MUA and AUAs) are Local Administrative Units defined according to the degree of urbanisation as cities, towns or suburbs and where the total combined population (MUA and AUAs) is at least 50 000 inhabitants

4. In case of an association or grouping without a legal status of organised agglomeration, a MUA and the AUAs are presented in the AF
5. Eligibility period is 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
7. All partners involved (MUA, AUAs and DPs) are from EU Member States
8. Applying urban authorities (MUA and/or AUAs) are involved in only one project proposal in the framework of the same Call for Proposals.
9. Applying urban authorities (MUA and/or AUAs) have not been selected and funded on the same topic from a previous UIA Call for Proposals.
10. The confirmation sheet duly signed by the MUA's legal representative is uploaded in the EEP system.

If not all requirements set out above are complied with, the application is deemed ineligible and no further assessment is undertaken. Please note there may be specific eligibility criteria related to a specific call. These will be outlined in the Terms of Reference related for that Call.

### **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 Applicants<sup>16</sup> to cover the specific topics relevant for the Call. The panel of External Experts is 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 is geographically balanced and ensures that the territorial diversity of the EU's urban areas is taken into account. The composition of the Panel is agreed between EE and EC. The following elements are under evaluation during the Strategic Assessment:

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<sup>16</sup> The Calls for Applicants for the constitution of the External Experts Panel will be available on the UIA website.

<p><b>Innovativeness</b></p> <p><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></p>	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	
<p><b>Partnership</b></p> <p><i>To what extent is the involvement of key stakeholders relevant for the implementation of the project?</i></p>	Key stakeholders (i.e. stakeholders which provide expertise and experience on the topic) have been identified and are involved in the design and implementation of the proposed innovative action	15%
	With respect to the project's objectives, the group of Delivery Partners (and Associated Urban Authorities, if relevant) : <ul style="list-style-type: none"> <li>• is balanced as regards to the governance levels and sectors</li> <li>• consists of partners that complement each other</li> </ul>	
	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><b>Measurability of project's results and outputs</b></p> <p><i>To what extent will the project deliver measurable results?</i></p>	The expected results of the projects are properly described and quantified	15%
	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	
	The project identifies clear indicators and proposes a realistic methodology for data collection and monitoring of outputs and results	
	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	

<b>Project's transferability and scaling up</b>	The relevance of the proposal (concerning the challenge and the solution proposed) to other urban authorities in the EU is clear and well expressed	10%
<i>To what extent will the project be transferable to other urban areas across Europe?</i>	There is clear evidence that the project (process as well as main outputs and results) can be applicable and replicable by other 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 based on their strategic assessment scoring. In agreement with the Commission, applications above a certain threshold in the overall ranking move forward to the Operational Assessment. Applicants are notified at the end of the Strategic Assessment process of the decision regarding their application (going forward or not). The panel of External Experts also verifies that projects contribute to the thematic objectives for the ESI Funds and Common Strategic Framework as set out in the first paragraph of Article 9 CPR and that they propose integrated answers to the challenges identified and are in line with the principles of sustainable urban development. The Commission and EE may decide not to select a project for lack of contribution if these are not fulfilled.

### 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 if it demonstrates value for money. The following elements are under evaluation during the Operational Assessment:

<b>Quality</b>	<ul style="list-style-type: none"> <li>• The project elements are logically interrelated: objectives, activities, outputs and results</li> </ul>	
<i>To what extent is the work plan realistic, consistent and coherent?</i>	<ul style="list-style-type: none"> <li>• Proposed activities and deliverables are relevant and lead to the planned main outputs and results</li> <li>• The project outputs and results are realistic, specific, concrete and measurable</li> <li>• The monitoring of both the impact of the project and the progress of the project are foreseen</li> </ul>	

<p><i>To what extent are management structures and procedures in line with the project size, duration and needs?</i></p>	<ul style="list-style-type: none"> <li>• Distribution of tasks among partners is appropriate (sharing of tasks is clear, logical, in line with partners' role in the project, etc.)</li> <li>• Time plan is realistic (contingency included)</li> <li>• Activities, deliverables and outputs are in a logical time-sequence</li> <li>• If applicable, the proposed investments are realistic and consistent with the overall work plan of the project</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• 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</li> <li>• Management procedures (such as reporting and evaluation procedures in the area of finance, project content, communication) are clear, transparent, efficient and effective</li> <li>• Project management includes regular contact between PP and ensures transfer of expertise across the partnership (internal communication within the partnership)</li> <li>• 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</li> <li>• The Urban Authority demonstrates competency in managing EU co-financed projects or can ensure adequate measures for management support</li> <li>• Necessary provisions for risk and quality management are in place</li> </ul>	<p>20%</p>
<p><i>To what extent does the project budget demonstrate good value for money?<sup>17</sup></i></p>	<ul style="list-style-type: none"> <li>• Sufficient and reasonable resources are planned to ensure project implementation</li> <li>• Project budget appears proportionate and corresponds to the proposed work plan and the main outputs and results aimed for</li> <li>• Total partner budgets reflect real partners' involvement (are balanced and realistic)</li> </ul>	

<sup>17</sup> It 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.

<p><i>To what extent is the budget coherent and proportionate?</i></p>	<ul style="list-style-type: none"> <li>• Budget allocation per budget line is in line with the work plan</li> <li>• Budget allocation per period is in line with the work plan</li> <li>• Budget allocation per WP is in line with the work plan</li> <li>• The need for the investments is justified and their budgets are realistic</li> <li>• There is no evidence of ineligible costs</li> <li>• State aid requirements are respected</li> </ul>	
<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"> <li>• The project has a specific communication strategy with clear communication objectives and well-defined target groups</li> <li>• Communication activities and deliverables are appropriate to reach the relevant target groups and stakeholders</li> <li>• Communication activities are in line with: project objectives, proposed work plan, main outputs and results</li> </ul> <p>The communication strategy is in line with the CPR regarding EU publicity rules</p>	

After the Operational Assessment, a Selection Committee comprised of the EE and the Commission meets to make the final selection. The Commission provides the final agreement as to which projects are selected. Applicants are notified at the end of the Operational Assessment process.

### **3.2.4 Assessment scoring system**

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

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

The scoring system is applied taking into account not only the specific merits of each project proposal but also in the spirit of a competitive process considering comparatively the other project proposals submitted in the framework of the same Call for Proposals. For this reason, applicants of project proposals not shortlisted for the Operational Assessment or not finally approved are not provided with their respective scores but with detailed comments for all criteria assessed.

### **3.3 Complaints procedure during the project selection**

Project applicants of ineligible or rejected proposals are informed in writing about the decision. The notification includes detailed information on the reasons why the proposal is rejected (eligibility criteria not fulfilled, detailed comments from External Experts and/or PS concerning the Strategic and/or Operational Assessment). If a project wishes to complain, a two-step procedure has to be respected:

**Step 1:** The MUA can address questions about or raise objections against the eligibility or assessment decision to the PS. These queries must be written in English and must be made within 3 weeks after the official notification of the non-selection of the project by the PS. The PS (in liaison with the EE and the Commission) examines and provides answers to the questions.

**Step 2:** If a project is not satisfied with the answers provided and considers that procedures were not respected, then a formal complaint may be filed, for which the detailed procedure is described below. In principle, complaints can only be logged against the following criteria:

- The assessment does not correspond to the information provided by the applicant in the submitted AF and mandatory annexes
- 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 a project applicant (MUA) can file a complaint. It must be submitted in writing (post or email, written in English) to the PS within 2 weeks after the PS has answered the queries submitted by project applicants. This deadline shall not prejudice the start of the approved projects. The complaints will be examined by a Complaints Panel involving the EE, Commission and PS. Upon request to the PS, a form for this procedure (step 1 and 2) is provided to project applicants.

## 4 Eligibility of expenditure

### 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 AF, 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 PP<sup>18</sup>
- 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 funding source)
- Any revenues generated by project activities must be reimbursed or deducted from the total eligible costs claimed (even if not listed in the AF)

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<sup>18</sup> In practice, the expenses are reported in their original currency in the financial claim on UIA EEP. The latter automatically makes the conversion using the exchange rate of the month when the financial claim is submitted for validation to the FLC.

- Expenses related to contracts between PPs concerning the delivery of services, supplies or works among themselves are not eligible
- When applicable, the relevant public procurement procedures have to be observed

## 4.2 Budget lines

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

- 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 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. They must be based on real costs. For staff costs, 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 PP 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 is not eligible
- Voluntary payments (e.g. payments not in line with the employment contract, the employment policy of the partner or payments without any legal commitment) are not eligible
- Staff costs for employees not officially assigned to the project are ineligible
- Dividends<sup>19</sup>
- 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:

- 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<sup>20</sup>, with information on the main tasks to be performed and outputs to be delivered. The staff assignment is used to

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<sup>19</sup> It may concern staff members not being on the payroll of their organisations such as 1 person companies, legal firms or partnerships.

<sup>20</sup> A non-mandatory template is available to approved projects. The assignment can be in English as any other EU national language.

calculate the eligible staff costs and must be, like the other elements of the audit trail, provided in case of financial control. In more details, the assignment shall specify:

- the UIA project, the corresponding PP and the employee's name
- the duration for which the staff member is assigned to the project<sup>21</sup>. The assignment can be issued at the beginning of the period to which it applies
- the assigned tasks performed during the assignment period: complete and detailed information on the employee's contribution to the project at WP level (and if possible at activity level). **The described involvement in the project should be traceable** (e.g. produced deliverables, outputs, list of participants to events or timesheets...) and demonstrate coherence with the declared percentage of the employee's working time dedicated to the project
- the extent of the assignment (corresponding to the percentage of the employee's working time dedicated to the UIA project)<sup>22</sup>. It must be in line with the project related tasks, responsibilities and outputs assigned to the employee. This percentage remains applicable for the entire duration of the assignment, but can be adjusted in justified cases (i.e. in case of changes in tasks and responsibilities, divergence between estimate and reality, different percentage of time spent on the project...). In this case, the employer must issue an amendment to the assignment, setting out the changes in details
- the current involvement of the employee in other publicly funded projects
- the assignment must be dated and signed by the employer's representative responsible for the assignment
- 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. It should be noted that invoices are not accepted.
- Proof of payment

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<sup>21</sup> For an employee working intermittently on the project, or assigned to the project for a long period but with variable levels of work intensity over this period, the following options are possible:

- a single staff assignment covering the entire period of assignment and including the average percentage of assignment dedicated to the project over this period
- several assignments covering successive periods in order to adjust the percentage of assignment to the reality of the employee's involvement in the project during these periods

<sup>22</sup> The extent of assignment (%) refers to the relation of the employee to the project: an employee might be part-time employed but full time assigned, and vice versa. E.g. A part-time employee (20 working hours a week) is 100% assigned to the project in case of 20 working hours a week assigned to the project

#### 4.2.2 Office and administration

Office and administration expenditure covers operating and administrative expenses of partners that could be considered as indirect cost. They could be:

- 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 therefore covered by a **flat rate of 15% of the reported staff costs**<sup>23</sup>. The above list is exhaustive and all listed items are to be considered as covered by the flat rate; they 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. PP 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 are limited to the following items:

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<sup>23</sup> In line with article 68.1.b of Regulation (EU) No 1303/2013

- 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 (they should 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 EU are only eligible, if they have been included in the approved AF or approved beforehand by the PS on the basis of a properly justified request. 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 PP) contracted to carry out certain activities linked to the delivery of the project (e.g. tasks that cannot be carried out by the PP themselves). The work of external service providers must be necessary for the project and should be linked to activities foreseen in the AF. 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 fees<sup>24</sup>)
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services
- Intellectual property rights (IPR) 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
- Schemes supporting the distribution of financial contribution given to third parties (individuals or organisations but no PP) as a reward following a contest such as prizes, vouchers or grants. Such schemes must respect the principles of transparency and equal treatment and should promote the achievement of policy objectives of the Union. The purpose of the scheme, the rules of the contest, the award criteria, the value and total amount of the award and the

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<sup>24</sup> 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”.

payment arrangements must be described in the AF. Individual award must not exceed EUR 60.000. It should be noted that, like with any other project expense, only the amount paid out by the project partner to or for each third party can be claimed to UIA<sup>25</sup>

- 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 should be linked to activities foreseen in the AF
- Any expenses based on contracts concluded between PP are ineligible; no PP shall be contracted as service providers by any other PP (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 PP 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 giveaways<sup>26</sup> (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 FLC are covered by the UIA Initiative; therefore no budget should be foreseen

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<sup>25</sup> For instance: a PP provides EUR 100 to a third party; the PP can report EUR 100 to UIA. The corresponding ERDF amounts to maximum EUR 80

<sup>26</sup> 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.

### *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

#### **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. It also includes costs of equipment already in possession by the partner organisation and used to carry out project activities:

- 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 (e.g. inputs to run the equipment such as fuel, chemicals...)

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 considered as** (part of) a **project output** (investments included) 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. Examples: 3D printer for the vocational centre, server to manage traffic data, solar panels, batteries to store energy...

- 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. Examples: computers and printers for the project team,...

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 a project output: 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 land (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).)
- Purchase/provision of real estate
- Site preparation
- Delivery
- Handling
- Installation
- Renovation
- Other costs necessary to the implementation of construction works

Infrastructure and construction works are financed only if crucial for the achievement of the project's outputs and results, and if they are inscribed in the investment WP described in the AF. 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 can 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 in-kind contribution)

#### *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
- Proof of payment

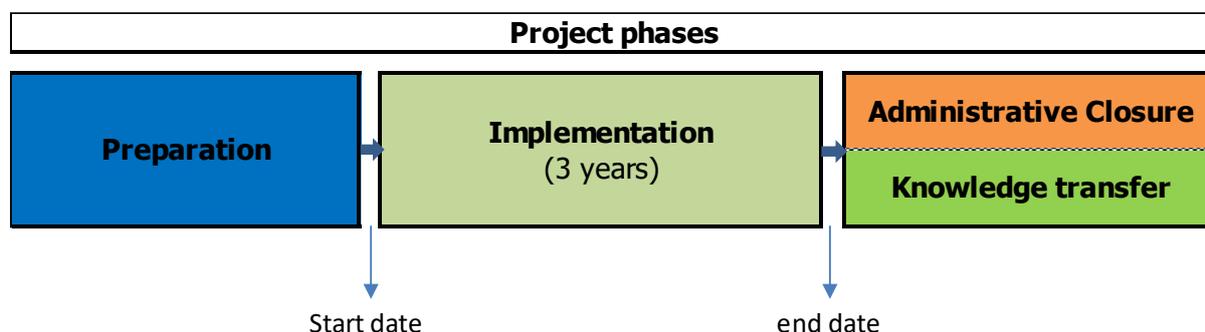
#### 4.3 Ineligible expenditure

Besides expenditure not eligible because of EU or national rules or those imposed by the PP, here is a non-exhaustive list of ineligible expenditures:

- VAT unless it is genuinely and definitely borne by the PP
- 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 PPs of the same project for services, supplies and work carried out within the project
- Costs related to the contracting of employees of the PP organisations as external experts (e.g. as freelancers)

#### 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, covered by first ERDF advance payment, is granted to the MUA who can share it amongst the PP in proportion to their involvement in the preparation of the project. No further documentation is necessary; i.e. PP 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 after the project's official approval (project start date indicated in the Subsidy Contract) and lasts up to 4 years<sup>27</sup> until the approved project end date (indicated in the Subsidy Contract). 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 paid at the latest during the project closure and in any case before the submission of the final FC to the UIA FLC for validation.
- **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 and financial claim. Project expenditure related to the

<sup>27</sup> The duration of Call 1 and Call 2 projects is limited to maximum 3 years. For subsequent Calls, the project duration can be extended by one year to 4 years in duly justified cases unless the Terms of Reference of the Call specify otherwise.

implementation period must be incurred prior to the project end date and paid prior to the submission of the financial claim to the FLC

- **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, the administrative closure and knowledge transfer 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 MUA which can share it amongst the PP in proportion to their involvement. No further documentation is necessary; i.e. PP do not need to document that the expenditure has been incurred and paid, or that the lump sum corresponds to the reality. It should be noted that all supporting documents (such as invoices, public procurement files, contracts, etc.) shall be made available for at least 5 years from the date when the final ERDF balance is paid to the project. Other possibly longer statutory retention periods, as might be stated by national law, remain unaffected. 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 eligibility rules

##### 4.5.1 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 to the FLC for verification.

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	<a href="#">Exchange rate of the Commission</a> <sup>28</sup> in the month during which the claim was first electronically submitted to the partner's FLC. Note that the exchange rate must only be applied for the expenditure actually incurred by the PP. If the expenditure in a currency other than euro was firstly paid by the employee and then reimbursed by the PP, 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 (the rules of the partner organisation).

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.

<sup>28</sup> [http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/inforeuro\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm).

#### 4.5.2 Revenues

**Revenues** are defined as cash in-flows directly paid by users for goods or services provided by a project and funded by the UIA Initiative. For instance:

- **Investment in infrastructure the use of which is subject to charges borne directly by users:** user fee/ compensation for use, fares paid by train travellers, etc.
- **Sales price or rent of land or buildings:** prices or rents paid for using rooms of a technological park established by the project, rents for exhibitions in a cultural building that was renovated within the framework of the project, etc.
- **Provision of services against payment:** enrolment fees paid by users of training curricula and material developed by the project, attendance fees for project workshops, entrance fees for events, charges for films, sales revenue of project : brochures, publications, books, DVDs, etc.

Revenues generated by the project should be considered:

- At the project application stage: the eligible expenditure is reduced in advance to take into account the potential of the project to generate revenues over a specific period – covering both the implementation of the project and the period after its completion. If known beforehand, the amount of revenues should be specified in the AF, in the revenues budget line. Revenues are deducted from total eligible expenditure and consequently decrease the ERDF contribution. If the revenues are only partially generated due to the eligible expenditure they should be reported on a pro-rata basis
- During the project implementation: any revenues (including revenues that are not foreseen at the application stage) generated by project activities must be reported in a project FC at the latest at the closure of the project (final FC). PP 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 net revenues are to be generated after the project's end date (e.g. to ensure durability of the results), they must be estimated and deducted from the last FC (at the closure of the project). Net revenues are revenues as defined above less any operating, repair maintenance, replacement (for short-life equipment) costs incurred during the corresponding period. Where it is objectively not possible to estimate revenues in advance, the project should contact the PS to get further guidance.

### 4.5.3 Partner contribution

As stated in the funding principles, the UIA Initiative follows the “total costs” principle, a project is co-financed by the ERDF up to 80% of the total eligible costs. Every partner receiving ERDF needs to secure public or private contribution (but not from another EU funding source) which can also derive from own resources to complete its budget (20% at least). PPs’ contributions to a project can be of two types: cash or in-kind.

Contributions **in cash** refer to contributions paid to the project by the partners. In that respect, own staff costs provided to projects must be considered as in cash (salaries are paid monthly by the employer to the employees).

**In-kind** contribution refers to non-cash contributions given to a project that have a monetary value, however for which it is not charged. They are regarded as necessary to carry out the tasks and achieve the project objectives agreed by the PP. Eligible in-kind contribution can be: goods, land and real estate, equipment, studies services or rents under the framework of the UIA Initiative. In-kind contributions, 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 project which includes in-kind contributions does not exceed the total eligible expenditure, excluding in-kind contributions, at the end of the project
- The value of contribution must be in line with the current open market value
- The value of the contribution must be certified by an independent qualified expert or duly authorised official body
- Contributions can be deemed eligible insofar as it was not previously paid for or co-financed by EU funds
- In-kind contribution under staff costs budget line is not eligible as unpaid voluntary work<sup>29</sup> is not eligible under UIA eligibility rules (paid staff should be considered as contribution in cash)

In-kind contributions are eligible only if they are included in the approved AF; if they comply with the applicable EU rules and if they do not contravene national rules. In-kind contribution can be budgeted and declared in the following budget lines:

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<sup>29</sup> Volunteers can participate to project activities but their work cannot be claimed as project expenditure.

- External expertise and services
- Equipment
- Infrastructure and construction works

**In-kind contribution should be included in both the Partners Contribution section and project budget<sup>30</sup>** as they are considered as partner's expenditure. When reported, they shall be validated by the project designated first level Controller like any other project expenditure. The partner having declared in-kind contribution bears full responsibility towards all detected irregularities (even if the final source of the contribution is external to the project partnership). In case the source of in-kind contribution is external, the beneficiary responsible for receiving the contribution shall establish a written agreement with the organisation providing the contribution. The agreement should at least cover the availability of all original documents supporting the reality of the contribution, the transfer of ownership and the certification of its value.

#### **4.5.4 Budget flexibility**

Projects are allowed to overspend by a maximum of 20% or EUR 10 000 (whichever is more favourable to the project) the budget of any partners, WP or budget lines at project level without the prior approval of the PS. If overspending of more than 20% is foreseen then a duly justified request must be submitted for prior approval to the PS (see section project changes). In any case, the originally approved ERDF funding cannot be exceeded.

#### **4.5.5 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 PP** for at least 5 years following the final payment to the (Main) Urban Authority. Only PPs can become owner of the project investments. 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 deliverables and outputs. These cases must be examined by the PS and should be included in section F of the AF on

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<sup>30</sup> For instance: a derelict building valued at EUR 100,000 is "given" to a project by PPx in order to be refurbished and used for project activities. The AF should show EUR 100,000 as in-kind contribution of PPx **and** budgeted in the investment work package

project risks. Projects partners should make use of the PA to make the necessary provisions for questions on ownership and Intellectual Property Rights<sup>31</sup>.

The occurrence of any of the following situations would result in a violation of rules concerning durability and may lead to the recovery of unduly paid ERDF subsidies:

- Cessation or relocation of a productive activity to outside the project area
- Change in the ownership of an investment 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 (Main) Urban Authority.

#### **4.5.6 Procurement**

##### **4.5.6.1 Public procurement**

PP 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. The EU 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 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement

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<sup>31</sup> For more information about IPR, applicants can consult the EU IPR helpdesk: [www.iprhelpdesk.eu](http://www.iprhelpdesk.eu)

- Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts

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 (min)
Central Government authorities (e.g. ministries)	Public contracts for services and supply	≤ EUR 144 000
	Public contracts for works	≤ EUR 5 548 000
Sub-central contracting authorities (e.g. cities)	Public contracts for services and supply	≤ EUR 221 000
	Public contracts for works	≤ EUR 5 548 000

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 PP are well aware of the public procurement rules which are applicable to them and act accordingly. In case of doubts, partners should contact the PS or seek legal advice (e.g. legal department of the PP, 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, PP 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 procurement<sup>32</sup> 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

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, PP should assess carefully whether the contractual relationships they intend to enter actually fulfil the stringent conditions set by public procurement rules.

In-house should be limited to 50% of the budget of the concerned PP and must be reported on a real costs basis. The FLC have to check whether the requirements for in house contracting have been fulfilled. In-house contracting can be eligible under condition that the requirements set up also at national level for in-house contracting are fulfilled.

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<sup>32</sup> Article 12 Directive (EU) No 2014/24/EU.

#### **4.5.6.2 Market research**

PP 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.

#### **4.5.6.3 Most common procurement errors**

PP should pay special attention to avoid procurement errors; the most common ones 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 or supplies

#### **4.5.6.4 Enforcement of procurement rules**

For each PP, the first level controller 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. PP 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. An overview on the applicable EU public procurement rules, including aspects such as green public procurement, is available on the dedicated website of the Commission<sup>33</sup>.

#### 4.5.7 State aid

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

- The [Treaty on the functioning of the EU](#) (Articles 106(2), 107, 108)
- Commission Notice on the notion of State aid as referred to in Article 107(1) TFEU<sup>34</sup>
- [Commission Regulation \(EU\) N°651/2014](#) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (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 EU 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 EU 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 projects<sup>35</sup>
- Various horizontal and sectoral guidelines<sup>36</sup> available on the Commission website

According to Article 107 of the Treaty, the EU defines State aid as covering any measure involving a transfer of State/public resources which distorts competition (or threatens to) by favouring (i.e. conferring an advantage in any form whatsoever) upon certain undertakings (i.e. private or public entities offering goods and services on the market) on a selective basis which results in affecting 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

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<sup>33</sup> [http://ec.europa.eu/growth/single-market/public-procurement/index\\_en.htm](http://ec.europa.eu/growth/single-market/public-procurement/index_en.htm)

<sup>34</sup> [http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:52016XC0719\(05\)&from=EN](http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:52016XC0719(05)&from=EN)

<sup>35</sup> [http://ec.europa.eu/competition/state\\_aid/studies\\_reports/state\\_aid\\_grids\\_2015\\_en.pdf](http://ec.europa.eu/competition/state_aid/studies_reports/state_aid_grids_2015_en.pdf)

<sup>36</sup> [http://ec.europa.eu/competition/state\\_aid/legislation/legislation.html](http://ec.europa.eu/competition/state_aid/legislation/legislation.html)

instrument, implemented through indirect management via an Entrusted Entity, the Région Hauts-de-France. The European Commission finances the Urban Innovative Action by the ERDF (up to 80% of the project's costs), which is not regarded as resources under control of Member States. The remaining (at least 20% of the project's cost) may be covered by Project Partners' private or public contributions.

In order to maintain a level playing field for all undertakings active in the internal market, **UIA approved projects involving economic activities (i.e. offering goods or services on the market) that must be designed in accordance with State aid rules** so as to ensure the effectiveness of public spending and prevent market distortions such as crowding-out of private funding, the creation of ineffective market structures or the preservation of inefficient firms. Care should be taken to ensure that funding of Urban Innovation Actions neither distorts competition nor leads to market interference without sufficient cause. In so far as the activities under the Initiative are non-economic, funding for such activities will not constitute State aid. State aid compliance will be assessed on the basis of the activities to be undertaken by PP as described in the submitted AF.

Therefore, at the time of project submission, **the (Main) Urban Authority will need to ensure that the project has been designed so as to comply with State aid rules** at all levels that is either at the level of the owner, constructor and/or operator of the project or facility. **Especially, the contributions secured by each Project Partners as co-financing of UIA projects are subject to State aid rules**, as far as public funding is involved, and as long as the project proposal under the UIA involves "economic activities". In order for the national public co-financing part to be considered State aid, the 5 criteria mentioned below shall be fulfilled<sup>37</sup>:

1. Undertaking and economic activity: an "undertaking" is any entity engaged in an economic activity (e.g. 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 to State aid rules. Also, even 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.

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<sup>37</sup> For further guidance on the notion of State aid, see Commission Notice on the notion of State aid as referred to in Article 107(1) TFEU: [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0719\(05\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0719(05)&from=EN).

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.

If all 5 elements above are present, then the public support measure could be State aid, which may be compatible with the internal market or not. In such a case, the applicant should explore any/all of the below options according to a project's individual situation. In the case State aid is finally identified, projects should take into account that restrictions may be applied.

- Eliminate State aid by receiving 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)
- Receive compatible State aid by complying with the GBER
- Receive compatible State aid on the basis that the implementation of the project is entrusted as a service of general economic interest (SGEI). In that case, the applicant would need to demonstrate the 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
- Receive compatible State aid by complying with the analytical grids applicable to public funding of infrastructure projects or with the various horizontal and sectoral guidelines, all published by the European Commission (DG Competition)
- Informally contact the National Competition Authority or the European Commission (DG Competition) and submit official notification<sup>38</sup>

The State aid compliance of the national public contribution to the project is the responsibility of the Member State, which provides such aid.

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<sup>38</sup> [http://ec.europa.eu/competition/contacts/stateaid\\_mail.html](http://ec.europa.eu/competition/contacts/stateaid_mail.html).

## 5 Project Communication

Every executive and project manager would agree that effective communication has a positive impact on their project successes. Communication is an integral part of project management, and a strategic project tool. It isn't just there for the sake of communication, but rather actively contributes to the project objectives. It brings together all members of a partnership around common goals, and will make target groups change their behaviour in order to support and adopt the 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 through the WP Communication of the AF.

### 5.1 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). Projects may also develop their own brand and identity for the solution they develop. This would have to be justified in the AF.

### 5.2 Project activities and deliverables under Work Package "Communication"

**Communication Strategy:** it defines what the project wants to achieve, the target group, what message it intends to display, and what strategic approach should be adopted accordingly. It includes the following elements:

- Objectives: Communication objectives must be goal-driven and help to deliver specific project objectives. They should be clear, brief, and few. 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 the communication 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 efficiency and effectiveness of the communication activities. They should be planned during the elaboration of your communication strategy (Annex XII, Article 4 CPR).

**Project page on the UIA website:** In order to ensure accessibility, durability and consistency of the information, each UIA project will have its own dedicated page on the UIA website. The project page will include two sections: a project description and a dynamic section with the project news (including events and relevant steps, articles from the UIA experts). The project description (first section) is based on the answers from the project leader to a questionnaire provided by the UIA after official approval by the Selection Committee. It is mandatory for the project leader to answer this questionnaire with the data requested and send it back to the PS by the deadline indicated on the questionnaire, together with a good quality picture (following the requirements and dimensions listed in the questionnaire), as it will serve as the main presentation of the selected project on the UIA website. The dynamic part (second section of the page) will be based on information provided by the project during its implementation. It is mandatory for projects to provide at least one news every trimester in English to the PS (Communication Officer), following the requirements that will be provided by the Secretariat. 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.

**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 the 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 media):** 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 the project 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 the UIA project at relevant events at local, national and European level.

### 5.3 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 PPs' 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 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 ERDF payments.

The following templates are available on the UIA website:

- Logo set
- Power Point template
- Project poster template
- Permanent plaque template
- Working word document template

## 6 Project Implementation

### 6.1 Initiation Phase and contracting

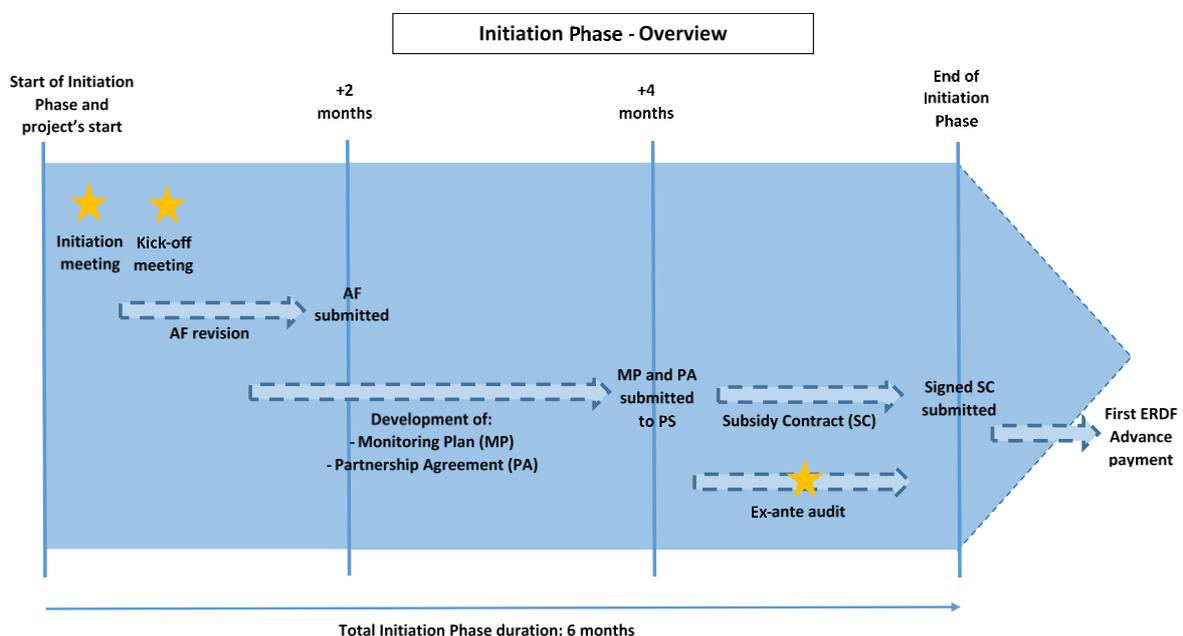
The Initiation Phase covers the first 6 months of project implementation; its purpose is to ensure a quick and efficient start of the project from both a project and Initiative perspective. The main aspects addressed during this phase are trainings, fulfilment of administrative and legal requirements, potential modifications to the approved AF, ex-ante audit and introduction to the reporting and monitoring framework. The Initiation Phase also aims at establishing a fruitful cooperation between the project and the UIA PS.

#### 6.1.1 Principles of the Initiation Phase

- The Initiation Phase is to last no longer than 6 months.
- The Initiation Phase does not prevent the start of the actual implementation of the project core activities; the implementation WP can be delivered in parallel but at PPs' own risks in case the Initiation Phase is not successful and the Subsidy Contract is not signed.
- A compulsory UIA training seminar for the project managers is organised to discuss all there is to know on project and financial management, reporting, monitoring, control, deviations, changes and communication.
- An initiation meeting (via teleconference) enables project managers and PS officers to discuss the notification letter as well as the recommendations stemming from the Initiative.
- Based on the UIA recommendations, an updated AF must be submitted by the project within 2 months following the initiation meeting and validated by the UIA PS.
- A Monitoring Plan must be drafted and jointly agreed by the project and responsible PS Lead Officer. This Monitoring Plan is the basis for the ongoing monitoring throughout project implementation.
- The validation of the Initiation Phase is conditioned by the reception of the following documents:
  - Revised AF reflecting the UIA recommendations as well as information on the composition and contact details of the project management team and bank account details
  - Signed PA (where relevant)
  - Jointly agreed Monitoring Plan
- The Subsidy Contract is issued by the EE and sent to the MUA once all initial requirements are fulfilled (i.e. upon reception of the above set of documents).
- During the Initiation phase, an ex-ante audit of the project is carried out by the FLC appointed (and paid) by the UIA Initiative.

- The 50% advance payment is made within 90 days of the reception of the signed Subsidy Contract by the EE, provided the ex-ante audit is successfully completed (no major lacuna or irregularity detected).

If the Initiation Phase is not finalised within the proposed timeframe of six months, an exception plan shall be put in place to possibly grant more time to the project with a concrete action plan and deadline. If the issues are still unsolved after the additional time granted to the project (e.g. PA still not signed), the UIA Initiative may decide to unilaterally withdraw UIA funding support to the project and remove it from the list of UIA approved projects.



## 6.1.2 Main documents

### 6.1.2.1 Partnership Agreement

The PA is a legally binding document signed between all the PP. It sets out all the duties and responsibilities of each PP before, during and after the project implementation. Under the coordination of the MUA, PP should negotiate and tailor the PA to the needs of the project. PP can for instance decide to add further information regarding management structures, ownership, Intellectual Property Rights, management of the ERDF advance payments received etc. However, projects should bear in mind that none of PA's provisions can go against those of the Subsidy Contract as the latter prevail in all circumstances. UIA bodies cannot be held liable for the content nor for the use of this agreement.

### **6.1.2.2 Subsidy Contract**

The Subsidy Contract binds the MUA to the EE of the UIA Initiative. Besides the maximum amount of ERDF granted to the project, it provides all the conditions under which a project is approved and stipulates the legal basis for funding. The Subsidy Contract cannot be amended to include project-specific articles. Two copies of the Subsidy Contract are signed by the EE and sent to the MUA. The MUA's legal representative has then two weeks to return one signed version to the PS.

### **6.1.2.3 Monitoring Plan**

Approved projects are requested to complete a Monitoring Plan, a pragmatic and dynamic shared document that covers key moments of the project implementation. Unlike the APR which enables an ex-post monitoring, the Monitoring Plan aims at setting the framework for a preventative, flexible and ongoing monitoring of the project delivery. It is based on the information provided in the AF and identifies:

- Project milestones: significant moments in the project Work Plan such as the completion of a key element such as WP, Activity, Deliverable or outputs necessary for the smooth delivery of the project. It is recommended to identify no more than 2 milestones per year
- Reporting deadlines
- Calendar of PS-Project contacts planned in accordance with the milestones previously identified

The Monitoring Plan is agreed by both the MUA (on behalf of the project partnership) and the PS Lead Officer. The Monitoring Plan is not a static document and can be updated to reflect new developments in the project implementation.

## **6.2 Reporting and monitoring**

Given the complexity and challenges inherent to any innovation process, UIA projects require closer follow-up and additional flexibility and reactivity than "more traditional" projects; adjustments to the initial plans may be needed over the course of a project. That is why the UIA initiative has designed a flexible monitoring and reporting approach which combines both ongoing monitoring and yearly reporting. The monitoring approach designed by the UIA Initiative shall enable MUAs to anticipate and address major issues encountered in the project delivery. This approach strongly relies on the transparent and open cooperation between MUA and the other PP on the one hand, and the PS and

the project on the other hand. It is in the interest of all parties to flag potential issues and to discuss them at the earliest possible stage in order to mitigate the impact for the project as a whole.

## **6.2.1 Preventative monitoring**

### **6.2.1.1 Milestone review**

The Monitoring Plan is a project monitoring tool and not a contractual element in itself; it identifies milestones which are key moments linked to the implementation of the project work plan to be used by both the MUA and the PS as a framework for a preventative, flexible and ongoing monitoring of the project delivery. It is defined and agreed during the Initiation Phase. Although the number, nature and composition of the milestones varies from a project to another, it is recommended to have no more than 2 per year. These milestones are jointly identified and agreed by the project and the PS. In practice, the MUA sends in advance to the PS an update on the project's progress and milestone to be reached in order to set a date and format for the review.

### **6.2.1.2 Site visits**

Site visits are visits paid by the PS to the project premises to perform a quality control and monitor activities or investments on the ground. They aim at establishing a smooth relationship between the project partnership and the PS, keeping the PS abreast of the latest project developments and controlling administrative and non-administrative elements. Site visits are initiated by the PS and organised at least once during project implementation. They take place primarily at the MUA premise, but can also include visits to PP when relevant. Site visits could notably include:

- meetings with the MUA, and/or with the entire partnership – with or without the presence of the UIA Expert;
- walkthroughs including a visit of the investment site(s)
- administrative checks including control of the audit trail
- interviews with final beneficiaries and members of the wider group of stakeholders

### **6.2.1.3 Ad-hoc meetings**

During project implementation, additional meetings (online or face-to-face) may be deemed necessary by either the PS or the MUA to address issues arising from the project implementation and gain first-hand knowledge about the actual state of play of the project such as: delivery of the project work plan, legal and/or financial problems or cooperation with UIA Experts.

## 6.2.2 Project reporting – APR and FC

Besides the preventative monitoring, the UIA Initiative will take stock of the project’s progress through the regular assessment of APR and FC:

- the APR describes the activities implemented, the deliverables/outputs produced, the results achieved, the resources used...;
- the FC focuses on the incurred and paid costs related to the project activities (per partner, WP and budget line). Prior to its submission, the declared expenses must be validated by the UIA FLC.

It should be noted that a Final Qualitative Report shall be submitted at the latest one year after the end date of the project. It will exclusively focus on the overall achievements of the project.

## 6.2.3 Reporting periods and deadlines

The project APRs and FCs are not necessarily submitted together. As the project duration is normally 3 years, there are 3 reporting periods, one per year. Each reporting period must be covered by an APR while 2 FCs only are to be submitted during the project lifetime. Indeed FCs are solely needed when:

- the reported expenditure has reached at least 35% of the project total eligible budget
- the project implementation is over

The table below shows the different reports, and indicative reporting periods and reporting deadlines:

Reporting period	Reporting deadlines		
	Annual Progress Report (APR)	Financial Claim (FC)	Final Qualitative Report
1 November N - 31 October N+1	<b>APR n°1:</b> 30 November N+1	<b>FC n°1:</b> when reported expenditure > 35% project budget	-
1 November N+1 - 31 October N+2	<b>APR n°2:</b> 30 November N+2		-
1 November N+2 - 31 October N+3	<b>APR n°3 + FC n°2:</b> 31 January N+4		-
			31 October N+4

Both the APRs and FCs are submitted online in English via the EEP. The procedure is thus paperless. The overall process is coordinated and controlled by the MUA; PP provide the MUA with the information necessary for the preparation of the reports. Beware that in case the mandatory submission deadline is not met or the quality of the report is not satisfactory, the EE may decide to take corrective measures that can include the recovery or suspension of any payment(s) to the project.

### **6.3 Audit and control**

There are 3 levels of control in the UIA Initiative:

- First Level Control
- Second Level Control
- Other types of control: CA, EE/PS, European Commission, OLAF, national bodies, etc.

#### **6.3.1 First Level Control (FLC)**

FLC is an integral part of the overall control system. It is the base of the “pyramid structure” of checks and constitutes the most important level of the overall project audit. An FLC is the first independent body which is responsible at the level of the Initiative for ensuring that all of the expenditure declared by the beneficiaries (PP) complies with the Initiative, EU, national and partner rules and is therefore eligible, legal and rational. The main aim of the controls is to provide a guarantee for the EE, CA and, most importantly, for the project itself, that costs co-financed under the UIA Initiative are accounted for and eligible. UIA FLC system is centralised and sub-contracted to a private company. The FLC detects errors and corrects them before they become systemic. The FLC shall guarantee that:

- The beneficiary has a sound financial management and control system
- The declared expenditure relates to the activities carried out as stipulated in the last approved version of the AF
- The expenditure is in line with the European, national and Initiative rules

The controls carried out by the FLC follow the UIA payment scheme which is based on both the principle of advance ERDF payments and the principle of reimbursement of costs actually incurred (and paid). Therefore project expenses must be controlled twice by the FLC during the project lifetime: once prior to the second ERDF payment (advance) and once before the third ERDF payment (reimbursement). The first control takes place when the reported expenditure have reached at least 35% of the approved total eligible budget.

### **6.3.1.1 Ex-ante audit**

The ex-ante audit is organised during the Initiation Phase and in any case prior to the 1<sup>st</sup> ERDF (advance payment equivalent to 50% of the granted ERDF). It is an obligatory step for all MUAs and selected PPs. Both the administrative and physical parts of the ex-ante audit are carried out on-the-spot at the MUA and, when deemed relevant, PPs' premises. It should be noted that all PPs must attend the training session at the very beginning of the audit. Amongst others, the FLC checks the public procurement policies, project management (including structures), planned investment locations, resources allocated to the project, etc.

The ex-ante final report is drafted by the FLC after control and is sent to the EE/PS. FLC gives its opinion (unqualified, qualified or adverse) regarding the functioning of the management and control system at the MUA/PP's level. In case of adverse opinion, EE may decide to block the 1<sup>st</sup> advance payment. In case of recommendations from the FLC, a corrective action plan is required.

### **6.3.1.2 Validation of project expenditure: administrative and on-the-spot controls**

The "desk based checks" are performed by the FLC at its own premises, once all documents necessary for the verification of project expenditure (APR and all related supporting documents) were provided by the MUA to the FLC. The main task of the FLC is to ensure that the products and services paid for have been delivered and costs paid out as well as compliance with all relevant regulations. It must be possible to clearly identify which expenditure has been reported in the context of the project and to exclude the possibility of reporting the same cost twice (e.g. in two different budget lines, reporting periods, or projects/funding schemes). Supporting documentation may include the following:

- Bookkeeping list/General ledger, including cumulative costs
- Original invoices or copies and other accounting material (it can be in electronic form)
- Bank statements showing actual payments
- Explanation of the depreciation method used (for the first depreciation of the item in question)
- Proof that VAT is or is not recoverable
- Calculation methods, documentation for the value of any equipment or machinery to be used by the project
- Adequate documentation for payroll costs: copies of employment contracts or similar, time sheets of the part-time employees working on an hourly basis, salary slips of the full-time/part-time employees, payment orders/bank statements for the paid out salaries

- Copies of project related contracts, public procurement documents and related material to verify purchasing processes
- Specimens of booklets, outputs etc. which are produced by the project
- Participant lists with signatures of project related activities (seminars, working groups, meetings etc.).

The list is not exhaustive and cannot be applied to all reports directly. The task of the FLC is to give a reasonable opinion on at least:

- The correctness of the claim expenditure
- The expenditure relates to the eligible period and has been paid out
- The expenditure relates to an approved project
- The FC complies with the approved ERDF rate
- The expenditure complies with the relevant eligibility rules and Community, national and organisational rules on public procurement, state aid, environment, sustainable development, publicity, equal opportunity requirements, non-discrimination)
- The reality of the project, including physical progress of the products/service and compliance with the approved AF
- The separate accounting system or an adequate accounting code for all transactions relating to a project
- The adequacy of supporting documents and the existence of an adequate audit trail
- The conditions for payments defined in the agreement have been fulfilled for simplified cost options (flat rate and lump sums)
- The information and publicity requirements of the EU and the Initiative have been respected
- The principles of transparency, equal treatment and effective competition have been complied with.

According to the Article 125(5) and (6) of Regulation (EU) No 1303/2013 it is obligatory to carry out on-the-spot controls on the projects. On-the-spot control means that the FLC will actually visit the project and verify that certain activities, purchases of services and products as well as investments have actually taken place in accordance with the approved application during the implementation, and that the related regulations have been respected. In general, the following aspects are verified during the on-the-spot checks:

- The reality of the operation

- Delivery of products and services in full compliance with the approved application
- Physical progress
- Accuracy of all information provided by the beneficiary regarding physical and financial implementation of the operation.

### 6.3.2 Second Level Control (SLC)

Sample checks on projects are carried out every year to verify that projects have declared their expenditure correctly. These checks will be performed under the responsibility of the Second Level Controller. The purpose of these checks is to ensure that no mistakes are made in the accounting records at the level of projects and, on that basis, to obtain an overall picture of whether the management, control procedures and documents set up at Initiative level are being applied and if they allow the prevention and correction of potential weaknesses and errors.

SLC system is centralised and externalised to a private company directly managed by the UIA PS. SLC aims at ensuring that FLC worked properly. The duty of the SLC is to carry out the system audit and the audits on operations (projects) on the basis of an appropriate sample to verify the expenditure declared. During the audit on operations at least 10% of projects will be selected for a control done by the SLC every year.

### 6.3.3 Other types of control: CA, Entrusted Entity/PS, European Commission, OLAF, etc.

Besides the sample checks explained above, other responsible Initiative bodies such as the EC's audit services, the European Court of Auditors, EE/PS, and CA may carry out audits to check the quality of the implementation of the project (in particular its financial management in relation to compliance with EU and national rules). Projects may be checked even after the project has ended. This is why it is important to ensure not only good documentation but also the safe storage of all project documents at the very least until the date indicated in the project closure notification.

### 6.3.4 Urban Innovative Actions Anti-Fraud Statement

The Région Hauts-de-France is the EE of the Urban Innovative Actions Initiative. As UIA finances projects through EU and public funding, it is committed to protect the EU and public funds that have been entrusted to it. Therefore, **it wishes to be clearly perceived as opposed to fraud and corruption.** The term fraud is commonly used to describe a wide range of misconducts including theft, corruption, embezzlement, bribery, forgery, misrepresentation, collusion, money laundering and concealment of material facts. It often involves the use of deception to make a personal gain for oneself, a connected person or a third party, or a loss for another – **intention is the key element that distinguishes fraud from irregularity.**

- **Fraud** does not just have a potential financial impact, but it can cause damage to the reputation of an organisation responsible for effectively and efficiently managing funds. This is of particular importance for a public organisation responsible for the management of public funding in general and EU funding in particular.
- **Corruption** is the abuse of power for private gain.
- **Conflict of interests** exists where the impartial and objective exercise of the official functions of a person are compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with e.g. an applicant for or a recipient of EU funds.

The EE has a **zero tolerance** policy to fraud and corruption. It has identified the most likely areas for fraud in the Initiative and projects and have set up robust control systems, measures and procedures in order to follow up on all suspected cases that will be highlighted to us. The EE expects all employees and representatives of the UIA Initiative to be an example in ensuring adherence to legal requirements, regulations, codes of conduct, procedures and practices. Through this anti-fraud policy the EE clearly puts forward its intentions to:

- promote a culture which deters fraudulent activity
- facilitate the prevention and detection of fraud
- develop procedures which will aid in the investigation of fraud and related offences and which will ensure that such cases are dealt in a timely and appropriate manner.

**The responsibility for an anti-fraud culture is the joint work of all those involved in the EU Initiative and projects.**

#### 6.4 Project changes

UIA projects must be implemented according to the approved AF. However projects may need to modify certain elements related to the implementation in order to adapt to new developments or circumstances. The UIA Initiative has developed standardised rules and conditions under which approved projects can be amended during their implementation. Two main categories of changes are recognised:

- **Minor changes** are mere adjustments to the project set-up, having no or no significant impact on project implementation. They do not require any formal request for change; they only need to be communicated to the UIA PS.
- **Major changes** are relating to core or substantial elements of the project, having a significant impact on its implementation. Major changes are to be considered as exceptional and may be approved only in duly justified cases. They require a formal request for change to be submitted to the PS as well as the approval of the relevant Initiative bodies. All major changes must be reflected in the AF which can be edited only once the request is deemed receivable by the PS. In exceptional cases, major changes may also imply modifications to the Subsidy Contract or PA.

#### 6.4.1 Minor changes

They consist of:

- **Changes in contact and bank details.** The contact details of the management team and the bank account is directly updated by the MUA in the EEP without prior approval from the PS. It should be noted that bank details cannot be modified during the period between the verification of the FLC and the ERDF payment to the project by the CA.
- **Changes in the work plan and budget.** Minor changes that have a very limited impact on project implementation, such as:
  - Changes to deliverables (definition, target value, delivery date)<sup>39</sup>
  - Rescheduling of activities
  - Location of events
  - Changes in the communication tools
  - Budget changes within the flexibility rules

Minor changes in the work plan and budget should be duly justified and reported to the Initiative through the APR. The PS then revise and, if duly justified, approve the changes proposed. It is not necessary to update the AF.

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<sup>39</sup> Beware certain changes to deliverables may be considered as major (e.g. when they substantially impact project implementation and/or budget).

### 6.4.2 Major changes

Major changes require on the one hand, the submission of a formal request for changes by the MUA to the PS and on the other hand, the approval by the Initiative Authorities. Such a request should be sent at the latest 2 months prior to the project end date<sup>40</sup>. They consist of:

- **Changes in project duration.** Projects are expected to complete their activities successfully within the time laid out in the AF. They are requested to inform the PS in case of difficulties that may lead to significant delays in the delivery of activities. The extension of a project duration is limited to exceptional and well justified cases, and cannot exceed 12 months. In any case, the total project duration is maximum 3 years (extension included) for Call 1 and Call 2 projects. For the other Calls, the total project duration is maximum 4 years (extension included).

*The approval body is the PS on behalf of the EE.*

- **Changes in the budget.** Changes in budget exceeding the flexibility rules are considered as major changes and are allowed in duly justified cases. It should be noted that no additional ERDF can be asked for.

*The approval body is the PS on behalf of the EE.*

- **Changes in the partnership.** Changes in partnership may concern the withdrawal or the integration of new partner(s). Being a core element, changes to the composition of the partnership should be limited as much as possible. The formal request shall describe the new allocation of activities and budget, particularly:
  - Partner withdrawal: it shall be demonstrated that the remaining partners undertake rapid and efficient solutions to ensure the further implementation of the project. The responsibilities and project tasks of this withdrawn partner must be reallocated within the existing partnership (or taken over by a new partner).
  - Inclusion of an additional partner: the added value for the project implementation must be clearly demonstrated. The budget of the new partner must come from the approved project budget. A new partner cannot lead to any increase of the overall and ERDF project budget.

*The approval body is the EE and the European Commission will be consulted on the changes.*

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<sup>40</sup> It does not apply to budget changes (see below)

- **Changes in the content.** Changes in content concern modifications having a major impact on the work plan: WP (notably investment WP), activities, outputs, results or certain deliverables. They may not be allowed if they substantially alter the planned project nature and quality. *The approval body is the EE and the European Commission will be consulted on the changes.*

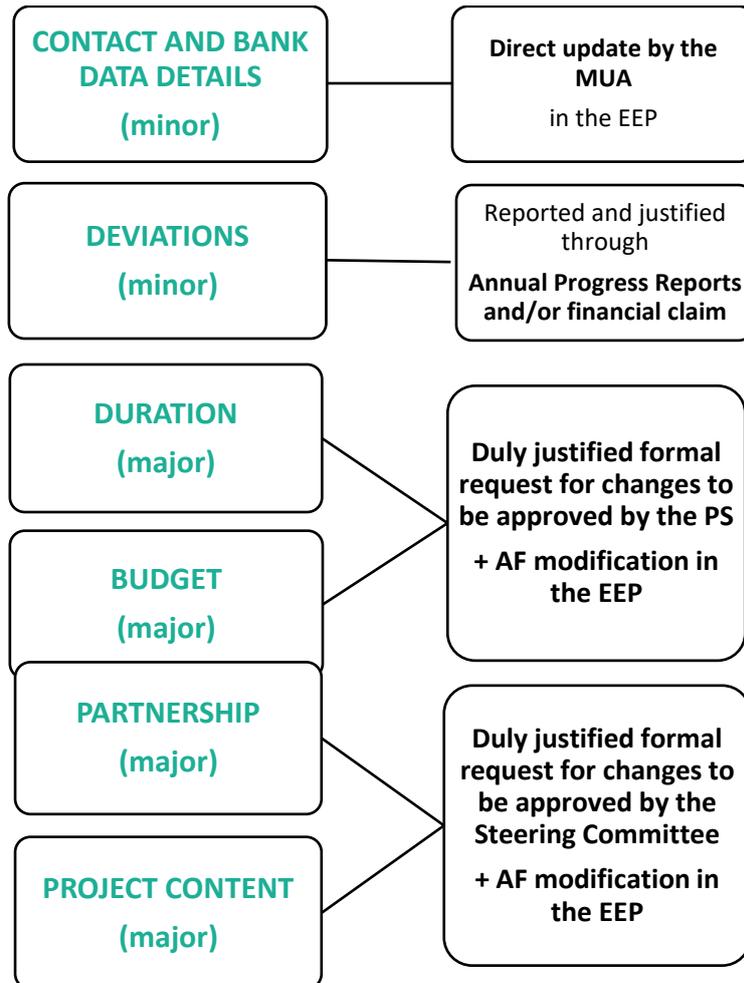
#### **6.4.3 Basic principles applying to project changes**

- The latest approved version of the AF constitutes the basis on which to assess a project change.
- The MUA is invited to contact the PS as soon as a potential modification is identified to discuss the possibilities and options for changes.
- Approved projects should not undergo more than 2 major changes during their implementation.
- Each request can include several categories of changes.
- No request for changes should be submitted later than 2 months before the project end date except for budget changes. These can be requested up to the submission of the second (and final) Financial Claim to the FLC, provided they are limited to mere technical budgetary changes (i.e. to adjust the budget forecasts to the reality of the spending) and not linked to any substantial changes to project activities (i.e. changes in the partnership or content).
- Major changes require prior approval of the UIA relevant bodies.
- The MUA is responsible for requesting any change on behalf of the project partnership and the UIA PS is its sole interlocutor.
- ERDF increase is not allowed in a request for changes

The assessment of the request for changes may result in one of the following outcomes:

- **Approval of the Request for Changes:** the change will only enter into force after the approval from the relevant Initiative body has been received. However, once approved they are valid retrospectively starting from the date when the written request was submitted to the PS. When required, a new Subsidy Contract will be issued and signed; or an amendment to the PA requested.
- **Insufficient and/or unclear information to carry out an assessment:** during the assessment phase, the PS may ask for relevant clarifications to the MUA.

- Rejection of the changes request:** the project will continue to be implemented on the basis of the last approved version of the AF. It is to be noted that expenditures related to activities or PP which have not (yet) been approved are not eligible. In extreme cases, where a change seriously undermines the value of the original project, the EE may decide to end support to the project and terminate the subsidy Contract.



## 7 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-scos-flat-rate-financing-standard-scales-of-unit-costs-lump-sums](http://ec.europa.eu/regional_policy/index.cfm/en/information/publications/guidelines/2014/guidance-on-simplified-cost-options-scos-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](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>
- 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](http://ec.europa.eu/regional_policy/sources/docoffic/cocof/2013/cocof_13_9527_en.pdf)
- Treaty on the functioning of the EU:  
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E/TXT>
- Regulation (EU) No 651/2014 - GBER:  
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014R0651>

- [Regulation \(EU\) No 1407/2013](http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1448542697465&uri=CELEX:32013R1407) – application of Articles 107 and 108 of the Treaty on the Functioning of the EU 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>

## 8 Glossary

Terms	Definition
<b>Activity</b>	Specific task performed for which resources are used. It is a WP component which shall result in a deliverable or an output.
<b>Application form (AF)</b>	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 PS, 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.
<b>Association (or grouping) of Urban Authorities</b>	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).
<b>Associated Urban Authority (AUA)</b>	Urban Authority involved in a UIA project along with a MUA 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 MUA) 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.
<b>Audit trail</b>	An adequate audit trail ensures that the accounting records maintained and the supporting documents held at the level of the PP and at Initiative level are adequate to trace expenditures.
<b>First Level Controller</b>	Company or person in charge of the validation of project expenditure made during project implementation each time before submitting a FC.

<b>Beneficiary</b>	Name given in the EU regulations to the PP (urban authorities and delivery partners) which receive ERDF co-financing for the implementation of project activities.
<b>Budget line (BL)</b>	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.
<b>Call for Proposals</b>	Mechanism whereby an application and selection process is launched to choose projects on a competitive basis.
<b>Capitalisation</b>	Process meant to capture and share with an external audience the knowledge and the lessons learnt generated by the project
<b>Certifying Authority</b>	The CA, which is the Province of East Flanders (Belgium), is responsible for drawing up and submitting payment applications to the European Commission. It draws up the UIA Initiative's accounts, certifies their completeness, accuracy and veracity and certifies that the expenditure complies with applicable EU and national rules. The CA is in charge of paying ERDF to the projects.
<b>City</b>	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 ( <a href="http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:City">http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:City</a> ).
<b>Confirmation sheet</b>	Document automatically generated by the online platform EEP when the AF 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.
<b>Contribution</b>	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.
<b>Contribution in-kind</b>	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.
<b>Control</b>	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.
<b>Costs incurred</b>	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.
<b>Delegated Act</b>	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 EE.
<b>Delegation Agreement</b>	Agreement signed between the Commission and the EE defining the entrusted tasks, the rules applicable to their implementation and the rights and obligations of the parties in their implementation.
<b>Deliverable</b>	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.
<b>Delivery partner (DP)</b>	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.
<b>Direct costs</b>	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.
<b>Electronic Exchange Platform (EEP)</b>	Online platform to be used by the projects to generate and submit the AF and Progress Reports.
<b>Eligibility check</b>	Checks carried out to verify that an application complies with certain eligibility criteria as defined by UIA and that it is complete in terms of required information and documentation.

<b>Eligibility period</b>	A timeframe during which project expenditure must be incurred (unless simplified cost options are used) in order to qualify for co-financing from the UIA funds (ERDF).
<b>Eligible expenditure/costs</b>	All project expenditure that is in line with the approved AF and compliant with EU, UIA, national and partner organisation rules, and thus is eligible for ERDF co-financing.
<b>Entrusted Entity</b>	An entity delegated by the European Commission for the implementation of the Initiative. In the framework of the Urban Innovative Actions Initiative the EE is the Region Hauts-de-France.
<b>ERDF</b>	European Regional Development Fund.
<b>ERDF co-financing</b>	The Initiative financial support provided to the project from ERDF. Combined with the partners' contribution it forms the total project budget.
<b>First Level Control(ler) (FLC)</b>	Before submission to the PS, each progress report must be verified and validated by an independent controller. This process is carried out by a qualified FLC.
<b>Flat rate</b>	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. It is one of the simplified cost options.
<b>Indirect costs</b>	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.).
<b>Initiative</b>	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.
<b>Integrated sustainable urban development</b>	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.
<b>Investment</b>	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.
<b>Legal Representative</b>	A person authorised to sign binding documents (e.g., AF, subsidy contract) on behalf of an organisation.
<b>Local Administrative Unit (LAU)</b>	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 ( <a href="http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Local_administrative_unit_%28LAU%29">http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Local_administrative_unit_%28LAU%29</a> )
<b>Lump sum</b>	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.
<b>Main Urban Authority (MUA)</b>	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 MUA is the main responsible for the overall project implementation and management. It bears the entire financial and juridical responsibility vis-à-vis the EE.
<b>NUTS (code)</b>	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 EU into regions at three different levels.
<b>Operational assessment</b>	Carried out by the PS against the selection criteria defined in the Call for Proposals; it is meant to assess the quality of the eligible applications.
<b>Organised agglomeration</b>	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'Agglomération in France, Città Metropolitane in Italy, etc.).
<b>Output</b>	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).
<b>Panel of External Experts</b>	The Panel of External Experts is in charge of the strategic assessment of the admissible and eligible AF. 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.
<b>Partnership agreement (PA)</b>	Contract signed between all the PP containing all duties and responsibilities of each PP before, during and after the project implementation.
<b>Permanent Secretariat (PS)</b>	Composed by a team of experienced professionals, it serves as "one-stop-shop" for all urban authorities and stakeholders involved in the UIA Initiative.
<b>Progress report</b>	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.
<b>Project partner (PP)</b>	Urban Authorities and delivery partners involved in the project implementation and listed in the partnership section of the approved AF.
<b>Result</b>	The change in the local situation the project is aiming for as direct consequence of the project implementation.
<b>Reporting period</b>	A designated period of time during the project lifetime; activities carried out and expenditure incurred (unless simplified cost options apply) during a reporting period are presented in a progress report.
<b>Revenue</b>	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.
<b>Risk management</b>	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.

<b>Second Level Control(ler) (SLC)</b>	The SLC carries out checks to ensure that no mistakes are made in the accounting records at the level of individual projects and, on that basis, to obtain an overall picture of whether the management, control procedures and documents set up at Initiative level are being applied and if they allow the prevention and correction of potential weaknesses and errors.
<b>Selection criteria</b>	Set of criteria against for which AF are assessed in the framework of UIA including Eligibility, Admissibility, Strategic and Operational.
<b>Simplified cost options</b>	Contrary to real costs, simplified cost options modify the concept of expenditure paid by PP. They involve approximations of costs, and are calculated according to a pre-defined method (e.g., established by the UIA Initiative 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. In UIA, the lump sums for preparation and closure, and the flat rate for office and administration costs are simplified cost options.
<b>Stakeholder</b>	Person, group or organisation that can affect, be affected by, or perceive itself to be affected by the project.
<b>State aid</b>	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 EU.
<b>Strategic assessment</b>	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.
<b>Subsidy contract (SC)</b>	Grant agreement between the contracting authority (EE) and the Urban Authority (or the MUA in case of association or grouping of Urban Authorities without a legal status of organised agglomeration).
<b>Town (and suburb)</b>	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 ( <a href="http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Town_or_suburb">http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Town_or_suburb</a> ).
<b>UIA Experts</b>	Individuals in charge of providing support and advice to approved projects throughout the implementation and closure phases.

<b>Undertaking</b>	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.
<b>Urban Authority (UA)</b>	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.
<b>Work Package</b>	A group of related project activities required to produce project deliverables and outputs.
<b>Work Plan</b>	Detailed account in time of how a project will go about accomplishing its deliverables and outputs.