

EUROPEAN  
U R B A N  
INITIATIVE

# European Urban Initiative – Innovative Actions Guidance

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# LIST OF ABBREVIATIONS

APR	Annual Progress Report
AUA	Associated Urban Authorities
EC	European Commission
EDES	Early Detection and Exclusion System
EEP	Electronic Exchange Platform
ERDF	European Regional Development Fund
EU	European Union
EUI	European Urban Initiative
EUI-IA	European Urban Initiative – Innovative Actions
FC	Financial Claim
FLC	First Level Control
FQR	Final Qualitative Report
LAU	Local Administrative Units
MUA	Main Urban Authority
NGO	Non-governmental organisation
Permanent Secretariat	European Urban Initiative Permanent Secretariat
SLC	Second Level Control
SME	Small and medium sized enterprises
VAT	Value-added tax

# 1 INTRODUCTION AND BACKGROUND

## 1.1 CONTEXT AND RATIONALE FOR THE SUPPORT TO INNOVATIVE ACTIONS UNDER THE EUROPEAN URBAN INITIATIVE

The European Union is one of the most urbanised areas in the world. Out of 447 million European Union inhabitants it is estimated that 75% live in urban areas – cities, towns and suburbs. Predictions show that the share of urban population in Europe will continue to grow, and it is likely to reach more than 80% by 2050<sup>1</sup>. The way how we develop urban areas has a major impact on the sustainable development of the entire European Union and its citizens.

Cities are the places where the public services, business, science, culture and education are concentrated, and where the economic development is stimulated. Cities are the hubs of company networks, employees, knowledge and skills, which translates into better productivity and better growth dynamics of these areas. Urban areas of all sizes are also places of innovation, engines of new ideas and solutions and drivers for local and global economy. At the same time urban areas are places where multiple social, economic, environmental and spatial problems emerge. The density of people, economic activities and built environment amplifies problems. At the same time, when population and economic activities are more limited or decline, urban investments are less viable, and the sustainability of public services is endangered. Both as enablers and/or as producers of innovation, cities must constantly reinvent themselves to adapt and respond to evolving spatial, demographic, economic, environmental, social and technological challenges. While certain development opportunities and challenges remain similar across all towns and cities, it is important to remember about the diversity of urban areas. Metropolises versus peripheries, shrinking cities versus those rapidly growing, cities localized in different geographical conditions or having different places in the country's settlement network – success of their sustainable development depends also on well diagnosed local situation and properly chosen solutions.

Urban areas are where both threats and opportunities for sustainable development come together and where any change can happen on a larger scale and at a more rapid pace. Over recent decades, a large consensus has emerged that, to successfully address complex challenges and ensure sustainable development, urban authorities need to design and implement answers that address the issues in a comprehensive and integrated manner.

The European Union recognises the key role of urban authorities and supports them, mainly through the tools and mechanisms of Cohesion policy, to develop and implement integrated strategies for sustainable urban development. For the 2021-2027 period, the European Commission strongly

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<sup>1</sup> "2018 Revision of World Urbanization Prospects" Population Division of the UN Department of Economic and Social Affairs (UN DESA)

supports an increased focus on integrated sustainable urban development. The five Policy Objectives of Cohesion policy focused on Smarter, Greener, More Connected and More Social Europe as well as a Europe closer to Citizens, will mobilise substantial investments in urban areas. A minimum 8% of the European Regional Development Fund (hereinafter: ERDF) resources in each Member State must be invested in priorities and projects selected by cities themselves and based on their own sustainable urban development strategies. The new Policy Objective 'a Europe closer to Citizens' has been introduced to the main policy framework as an enhanced commitment to integrated territorial development and includes a specific objective to foster sustainable urban development. It provides local actors with opportunities to take the lead in identifying and addressing their diverse challenges, and above all, to tap into their local development potentials. The reinforced sustainable urban development dimension of Cohesion policy shows the conviction of the European Union that cities have to be involved in the design and implementation of policy responses to their local challenges.

At a wider strategic level, the Pact of Amsterdam, signed in 2016, launched the Urban Agenda for the European Union in the frame of intergovernmental cooperation on urban matters. 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 provided concrete results for all levels (European Union/national/local) in terms of better regulation, better funding and better knowledge base and exchange<sup>2</sup>. The New Leipzig Charter, adopted in November 2020, put forward a revised vision for sustainable urban development in Europe with the emphasis on the transformative power of cities for the common good. This is to be achieved through actions taken within the three thematic dimensions of the Charter – 'Just, Green and Productive Cities' – as well as through one cross-sectoral dimension of the Charter 'Digitalisation' – that are implemented in a format of multi-level governance. The European Urban Agenda is considered as a key vehicle for the implementation of the New Leipzig Charter.

Complex challenges and transitions cannot be solved without strong capacities and innovative thinking at all levels of policy and action, and in particular, at local level. 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 testing new services and products to respond to increasingly complex challenges.

It is in this context that **the Cohesion policy legislative package for 2021-2027 includes the establishment of the European Urban Initiative (hereinafter: EUI) – successor of the Urban Innovative Actions Initiative implemented during the 2014-2020 programming period.** This novel Initiative is an essential tool to support cities of all sizes, to build capacity and knowledge, to support innovation and develop transferable and scalable innovative solutions to urban challenges of European Union relevance. **The ultimate goal is to inspire the use of mainstream Cohesion policy programmes in urban areas with proof-tested innovations, especially those receiving support from ERDF, funding source of the EUI,** on specific objectives defined in Article 3 of Regulation No 2021/1058 of the European

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<sup>2</sup> For more information on the EU Urban Agenda please check: [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).

Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund<sup>3</sup> (hereinafter: the ERDF/CF Regulation), and to strengthen the innovation capabilities of cities as beneficiaries or intermediary in the management of these Funds.

A standard definition of innovation is provided by OECD – Oslo Manual (2018)<sup>4</sup>: “An innovation is a new or improved product or process (or combination thereof) that differs significantly from the unit’s previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process)”. 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). Whereas innovation in the private sector relies on activities to ensure competitiveness in new markets, innovation in the public sector seeks to create value and impact by responding to public interest, addressing citizens’ basic needs and enhancing efficiency of public services (Hartley). For an urban authority to innovate implies a good understanding of the situation on the ground, including on its capacity (legally, financially or technically) to act as a public institution, the needs of the population it serves, the innovation ecosystem it can contribute to create and/or mobilise, as well as a high degree of creativity and willingness to take risks. 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 successfully transfer 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. EUI offers such an opportunity to test innovative ideas for ‘real’, at urban scale with all the associated risks and complexities (e.g. buy-in from residents and stakeholders, legal requirements, safety, data protection, etc.) through co-creation processes embarking users and the population, to turn it into viable and financially self-sustainable solutions to urban challenges that can be scaled-up and transferred to other urban realities across the EU.

## 1.2 MANAGEMENT OF THE EUROPEAN URBAN INITIATIVE

The EUI is an instrument of the European Union and is managed by the Commission’s Directorate-General for Regional and Urban Policy via indirect management. The EUI is set out in Article 12 of the ERDF/CF Regulation.

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<sup>3</sup> Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32021R1058>. The ERDF specific objectives targeted will be specified in each individual European Urban Initiative – Innovative Actions Call for Proposals.

<sup>4</sup> The Measurement of Scientific, Technological and Innovation Activities. Oslo Manual 2018. GUIDELINES FOR COLLECTING, REPORTING AND USING DATA ON INNOVATION, 4<sup>th</sup> edition: <https://www.oecd-ilibrary.org/docserver/9789264304604-en.pdf?expires=1662315935&id=id&accname=quest&checksum=D4EA44F073446E6CAD04B74B020DB125>



In accordance with Article 154 of the Financial Regulation<sup>5</sup>, following a call for expression of interest launched in May 2021<sup>6</sup>, the **European Commission has designated the Region Hauts-de-France (France) as Entrusted Entity for the implementation of the EUI**. A Contribution Agreement has been signed between the European Commission (DG Regional and Urban Policy) and the Region Hauts-de-France which sets out in detail the rules for the implementation and for the payment of the EU Contribution, defines the entrusted tasks and supervision exercised by the European Commission over the indirect management of the Initiative.

A European Urban Initiative Permanent Secretariat (hereinafter: Permanent Secretariat) has been created to assist the Entrusted Entity and to ensure the day-to-day management of the EUI.

### 1.3 EUROPEAN URBAN INITIATIVE – TWO STRANDS

The EUI includes two strands: (a) support of innovative actions, and (b) support of capacity and knowledge building, territorial impact assessments, policy development and communication – see Figure 1. Main elements of the EUI intervention logic.

The specific objectives of the strand (a) support of innovative actions are:

- i. To identify and support the testing of transferable and scalable innovative solutions to address issues relating to sustainable urban development at Union level;
- ii. To collect and share results from experimentations and support transfer activities, in view of fostering innovation capacities and knowledge building for all EU urban areas and mainstreaming innovative solutions in sustainable urban development, under Article 11 of the ERDF/CF Regulation and beyond.

The specific objectives of the strand (b) support of capacity and knowledge building, territorial impact assessments, policy development and communication are:

#### Capacity building part (sub-strand b.1)

- i. To improve the capacities of cities in the design of sustainable urban development policies, strategies and practices in an integrated and participative way;

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<sup>5</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012: <https://eur-lex.europa.eu/eli/reg/2018/1046/oj>

<sup>6</sup> [https://ec.europa.eu/regional\\_policy/sources/tender/pdf/eui/call.pdf](https://ec.europa.eu/regional_policy/sources/tender/pdf/eui/call.pdf)

- ii. To improve the design and implementation of sustainable urban development policies, strategies and action plans in cities.

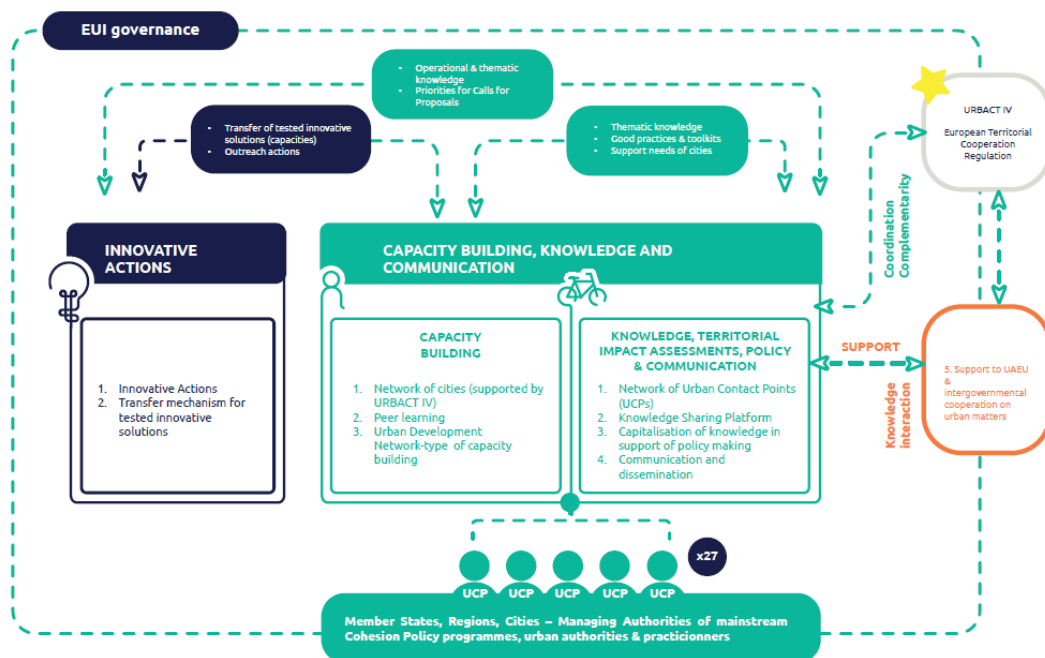
Knowledge building, territorial impact assessments, policy development and communication part (sub-strand b.2)

- i. To develop a knowledge base in support of better sustainable urban development policy and strategy design, implementation and mainstreaming;
- ii. To ensure easier access to horizontal and thematic knowledge and share knowhow on sustainable urban development;
- iii. To support the Urban Agenda for the EU, and upon request of Member State(s), to possibly support the intergovernmental cooperation on urban matters.

The underlying principle is to create an effective value-chain between all above-mentioned strands in order to achieve stronger coordination, synergies and complementarities between the urban support tools of Cohesion policy. For more details on the objectives and intervention logic of the EUI please consult the [explanatory memo](#)<sup>7</sup>.

The Initiative has a total ERDF budget of around EUR 450 million over the programming period 2021-2027, 75% of which indicatively, will be used in support to strand a).

Figure 1. Main elements of the EUI intervention logic



<sup>7</sup> Description of the Action: the European Urban Initiative (EUI). Annex Ib to the Contribution Agreement – <https://www.urban-initiative.eu/sites/default/files/2022-08/Description%20of%20the%20EUI.pdf>

The present Guidance refers to strand (a) of the European Urban Initiative – Innovative Actions (hereinafter: EUI-IA).

## 1.4 MAIN FEATURES OF A SUCCESSFUL INNOVATIVE SOLUTION

As stated in Article 12 ERDF/CF Regulation, EUI shall support innovative actions with regard to sustainable urban development. One of the main objectives of EUI is therefore to continue support initiated by the Urban Innovative Actions Initiative by **providing urban authorities throughout Europe with space and resources to identify and experiment (via pilot projects) new innovative answers to the interconnected and complex local challenges related to sustainable urban development.** Through the Initiative, urban authorities will have the possibility to test how new and unproven solutions work in practice and how they respond to the complexity of real life.

Urban authorities should seize the opportunity offered by EUI to try out innovative approaches and working methods outside the scope of “normal projects” (that could be financed through “traditional” sources of funding, including mainstream ERDF programmes). EUI allows cities to turn ambitious and creative ideas into prototypes that can be tested in real urban settings. In other words, EUI-IA supports pilot projects that are too risky to be funded by traditional sources of funding, provided that they are highly innovative and experimental.

By piloting innovative solutions, EUI aims at strengthening the transformative power of also other EU cities for innovative way of responding to current challenges for the resilient, sustainable and inclusive urban life. **The results and experience gained in the EUI should allow other urban actors and cities across Europe to develop the knowledge base and confidence that is needed for subsequent up-scaling and replicating of innovative solutions, in particular through EU funding available for urban areas under mainstream Cohesion policy programmes.**

In order to fulfil this ambition, EUI-IA is looking for projects which test **innovative solutions that have a potential to be transferable and scalable, that address challenges linked to sustainable urban development of EU relevance, and that contributes to the vision of sustainable urban development as presented in the New Leipzig Charter and the Urban Agenda for the EU, as EUI was established as one of the tools supporting its implementation. Place-based, integrated, participatory, multi-stakeholder approaches<sup>8</sup>** should be embedded in EUI-IA projects’ delivery. Projects should demonstrate a **clear ownership of the urban authority** being actively involved in the implementation of activities and in the local partnership. EUI-IA is also looking for projects which **innovative solutions will be linked to urban**

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<sup>8</sup> You can learn more about these key principles of good urban governance in the New Leipzig Charter: [https://ec.europa.eu/regional\\_policy/sources/docgener/brochure/new\\_leipzig\\_charter/new\\_leipzig\\_charter\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/brochure/new_leipzig_charter/new_leipzig_charter_en.pdf)

**megatrends highlighted in the Article 11 of the ERDF/CF Regulation<sup>9</sup>, i.e. green and digital transitions<sup>10</sup>** (please note that proposed innovative solution will have to concentrate on the topics described in the different calls (see Chapter 1.6 “Thematic coverage”) while also demonstrating implied contributions to tackling environmental and climate challenges, in particular the transition towards a climate-neutral economy by 2050, and to harnessing the potential of digital technologies for innovation purposes.

**EUI-IA supports projects that are<sup>11</sup>:**

➤ **Innovative.**

Projects should be new, bold, creative and experimental. 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.

Urban authorities, as exclusive eligible applicants to the EUI-IA (see Chapter 1.5 “Eligible authorities”), should not be the mere intermediaries of innovative solutions conceived and tested mostly by other actors. They must play a key role in the proposed project, by leading a local partnership aimed at achieving medium to long-term goals defined for their cities and/or being actively involved in an experimentation offering the best from the green and digital transitions to their population.

The innovations proposed should finally be relevant to achieve Cohesion policy goals, and to the ERDF in particular, as prime source of funding for EUI-IA projects. Projects should have the potential to inspire the use of mainstream programmes in urban areas once successfully tested, and possibly to benefit from these programmes for their upscale and replication throughout the EU.

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<sup>9</sup> “Special attention shall be given to tackling environmental and climate challenges, in particular the transition towards a climate-neutral economy by 2050, to harnessing the potential of digital technologies for innovation purposes, and to support the development of functional urban areas.”

<sup>10</sup> For more details, please check EU Factsheet “Supporting the green transition”: [https://ec.europa.eu/commission/presscorner/detail/en/fs\\_20\\_281](https://ec.europa.eu/commission/presscorner/detail/en/fs_20_281) and “Shaping Europe’s digital future” [https://ec.europa.eu/commission/presscorner/detail/en/fs\\_20\\_278](https://ec.europa.eu/commission/presscorner/detail/en/fs_20_278)

<sup>11</sup> A detailed presentation of the selection criteria for EUI-IA projects is provided in the Chapter 3 “Project Application and Selection”

➤ **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 from their local innovation ecosystems such as academia, industry, civil society and other levels of government both in the design and in the implementation of the project. To ensure the participative approach they need to define effective mechanisms of consultation, coordination and co-design.

➤ **Measurable.**

Urban authorities should be able to clearly explain what the changes are that they want to achieve in the local context as a result of their projects. They need to 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>12</sup>

➤ **Sustainable and scalable.**

Urban authorities should be able to anticipate and explain how the solution will be sustained and scaled-up once successfully tested through the identification of adequate sources of public and/or private funding, including from Cohesion policy and/or project partners own resources and/or embedded mechanisms of financial self-sustainability (e.g. revolving funds, crowdfunding, revenues).

➤ **Transferable.**

Solutions developed in the framework of the projects should be applicable and replicable by other cities across Europe, possibly by making use of the Cohesion policy funding available to them. Based on their experience, urban authorities should be able to explain the conditions (legislative, technical, etc.), resources needed (human, financial, etc.) and potential challenges to overcome, that other urban authorities should consider in order to adapt and possibly replicate, in full or in part, the proposed solutions in their local contexts. When applying, cities should demonstrate that they have identified other European urban areas that could benefit from replicating the proposed solution; how the most suitable Transfer Partners will be identified and specify potential Transfer Partners, if already identified, together with the underlying motivations/rationale. In order to foster transferability of the innovative solutions new transnational transfer component has been introduced as an integral part of EUI-IA projects – for details see Chapter 5 “Transfer”.

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<sup>12</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>

The EUI-IA projects are selected through the Calls for Proposals on one or more topics proposed by the European Commission. Each project can receive up to a maximum of EUR 5 million ERDF co-financing and project implementation should take place within a maximum period of 3,5 years. There is no ideal size for EUI-IA 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.

**Knowledge generated by the EUI-IA projects will be captured** (also through the involvement of European Urban Initiative 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 and thus contribution to the wider EUI 'value chain' above mentioned – networks of cities in cooperation with Urbact IV, peer learning, involvement of the urban authorities supported by the EUI in the activities of the Urban Development Network, activities undertaken by Urban Contact Points, use of Knowledge Sharing Platform, etc.

## 1.5 ELIGIBLE AUTHORITIES

The following authorities may apply for support to undertake the EUI-IA:

- **First category:** Any urban authority of a local administrative unit defined according to the degree of urbanisation (DEGURBA) of Eurostat<sup>13</sup> as city, town or suburb (corresponding to DEGURBA code 1 or DEGURBA code 2 of Eurostat) comprising at least 50 000 inhabitants.
- **Second category:** An association or grouping of urban authorities with legal status of organised agglomeration composed by Local Administrative Units, where the majority (at least 51%) of inhabitants lives in Local Administrative Units defined according to the degree of urbanisation (DEGURBA) of Eurostat as cities, towns or suburbs (corresponding to DEGURBA code 1 or DEGURBA code 2) and where the total combined population is at least 50 000 inhabitants.
- **Third category:** An association or grouping of urban authorities without legal status of organised agglomerations where all the urban authorities involved (Main Urban Authority – hereinafter: MUA, and Associated Urban Authorities – hereinafter: AUA) are Local Administrative Units defined according to the degree of urbanisation (DEGURBA) of Eurostat as cities, towns or suburbs (corresponding to DEGURBA code 1 or DEGURBA code 2) and where the total combined population (MUA and AUA) is at least 50 000 inhabitants.

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<sup>13</sup> Applying the Degree of Urbanisation. A methodological manual to define cities, towns and rural areas for international comparisons. 2021 edition: <https://ec.europa.eu/eurostat/documents/3859598/12519999/KS-02-20-499-EN-N.pdf/0d412b58-046f-750b-0f48-7134f1a3a4c2?t=1615477801160>

Only eligible urban authorities as defined above can submit an Application Form in the framework of EUI-IA Call for Proposals.

The definition of Local Administrative Units<sup>14</sup> as well the **classification according to the degree of urbanisation and the figures on the number of inhabitants are based on information provided in the EUI-IA Correspondence table<sup>15</sup>** ([https://www.urban-initiative.eu/sites/default/files/2024-05/EUI-IA\\_Call\\_3\\_Correspondence\\_table.xlsx](https://www.urban-initiative.eu/sites/default/files/2024-05/EUI-IA_Call_3_Correspondence_table.xlsx)). **This table will be used as the main reference document for the Eligibility Check.** Applicants are invited to refer to Correspondence table to verify their eligibility and provide information on the Local Administrative Units included in their administrative borders and the figures concerning the number of inhabitants. Carrying out an eligibility self-assessment (based on the abovementioned Correspondence table) before filling in the Application Form is strongly recommended. In case of gaps, inconsistencies or doubts concerning the interpretation of the data included in the Correspondence table, applicants are advised to contact the Permanent Secretariat before filling in and submitting the Application Form. During the selection procedure the Permanent Secretariat will perform its Eligibility Check exclusively on the basis of the information filled in the Application Form. In cases where the applicant's status as eligible candidate is uncertain, the Permanent Secretariat will liaise with all relevant partners, including Eurostat, to determine the eligibility. 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 Permanent Secretariat 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 EUI website. Additional detailed information on the eligibility of urban authorities is provided in the following sections.

### 1.5.1 FIRST CATEGORY

- Municipality/city councils/districts whose administrative borders correspond to a single Local Administrative Unit. In this case the Local Administrative Unit 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 (DEGURBA)) and have at least 50 000 inhabitants.
- Municipality/city councils whose administrative borders include several Local Administrative Units. This is the case for municipalities/city councils in Portugal, Ireland, Greece, Malta and Latvia where the Eurostat definition of Local Administrative Unit 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 (at least 51% of the inhabitants) live in Local Administrative Units

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<sup>14</sup> Definition of Local Administrative Units and degree of urbanisation are available here:

- [Local Administrative Units \(LAU\) - NUTS - Nomenclature of territorial units for statistics - Eurostat \(europa.eu\)](#)
- [Glossary: Degree of urbanisation - Statistics Explained \(europa.eu\)](#)

<sup>15</sup> EUI-IA Correspondence table ("EUI-IA\_Correspondence\_table" file) can be downloaded from the respective Call for Proposals page on the EUI website.

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 (DEGURBA)).

## 1.5.2 SECOND CATEGORY

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 municipality/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 municipality/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 EUI-IA project. Associations are invited to provide precise reference to the national legal framework. Organised agglomerations shall have exclusive competences for the design and implementation in policy areas relevant for the EUI-IA 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 EUI-IA are:

- France: Métropoles, Communautés Urbaines, Communautés d'Agglomération, Etablissements Publics Territoriaux (EPT) and Communautés de Communes.
- Italy: Città Metropolitane and Unione di Comuni only. Please note that Consorzi, Gruppi di Azione Locale (GAL), Convenzione dei Comuni or any other organised agglomeration that are not considered local authorities by the Italian national legislation (Testo Unico degli Enti Locali) are not eligible.
- Germany: Landkreis.
- Spain: Mancomunidades and Area Metropolitana Barcelona. Please note that "Diputaciones provinciales" (provincial governments) are considered as provincial bodies and therefore they are not recognized as eligible organised agglomerations.
- 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 EUI-IA Call are considered as organised agglomerations and therefore they can apply in the framework of EUI-IA Calls for Proposals as MUA or AUA. 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 MUA or AUA but they can join as Delivery Partners in a proposal submitted by an eligible urban authority.

In the framework of the EUI-IA, organised agglomerations are considered as a single urban authority representing all the municipality/city councils involved. For this reason, in a project proposal submitted by an organised agglomeration, this shall be indicated as a MUA. To verify the eligibility of organised agglomerations, the Permanent Secretariat will check that the total number of inhabitants is at least 50 000 and that the majority (at least 51% of inhabitants) live in Local Administrative Units involved in the agglomeration that are classified as cities, towns or suburbs according to the degree of urbanisation.

### 1.5.3 THIRD 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, can apply identifying a MUA among the municipalities/city councils involved and list the others as AUA.

To be eligible, all urban authorities involved (MUA and AUA) shall be recognised as Local Administrative Units and be classified as cities, towns or suburbs according to the degree of urbanisation of Eurostat (DEGURBA code 1 or DEGURBA code 2). In case of urban authorities whose administrative borders include more than one Local Administrative Unit, the same rules for the definition of the degree of urbanisation described under section 1.5.1 of the present section apply. The relationship between the MUA and the AUA does not need to be formalised at the time of submitting the Application Form. In case the proposal is approved and supported, the relationship will have to be formalized in a form of the Partnership Agreement<sup>16</sup> (for more details on the roles and responsibilities of all the Project Partners please refer to the Chapter 2.1 “Partnership for the European Urban Initiative – Innovative Actions”).

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 (MUA and AUA) 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 AUA involved.

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<sup>16</sup> Template of the Partnership Agreement can be found on the EUI website together with other documents for the applicants.

## 1.5.4 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 EUI-IA:

- All urban authorities shall be located in an EU Member State.
- Only eligible urban authorities as defined above may submit an Application Form in the framework of the EUI-IA Call for Proposals. An Application Form submitted by a Delivery Partner will be declared ineligible.
- Urban authorities (as defined above) can be listed in a project proposal only as MUA and/or AUA. 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 EUI-IA.
- If innovative solutions require an urban-rural interface or functional area approach, it is possible to include Local Administrative Units defined as rural according to their degree of urbanization (DEGURBA code 3 of Eurostat) as Delivery Partners. Please note that their number of inhabitants does not count to reach the minimum eligibility threshold of 50 000. The reason for including Local Administrative Units defined as rural must be clearly presented and justified in the Application Form.
- 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 AUA (a municipality can be involved in only one project proposal whether it is as a MUA or as an AUA).
- Urban authorities already supported in an approved project by the EUI-IA in the framework of a previous Call for Proposals cannot submit a new Application Form.
- Urban authorities must comply with the requirements on exclusion from access to funding (see Chapter 3.3 “Exclusion criteria for grant applicants”).

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 the Chapter 2.1.2 “Typology of the European Urban Initiative – Innovative Actions Partners”).

## 1.6 THEMATIC COVERAGE

As recalled above, the European Urban Initiative is established as **one of the tools supporting the implementation of the Urban Agenda for the EU – a key vehicle for the implementation of the New Leipzig Charter.**

In order to achieve meaningful and measurable results at local level, one of the central aims of the Urban Agenda for the EU is to better target the funds, initiatives and efforts of the European Commission towards those urban challenges that local authorities and inhabitants feel are most pressing. EUI-IA, as previously Urban Innovative Actions Initiative, will continue to contributing to this operational aim of the Urban Agenda for the EU.

In continuity with the Urban Innovative Actions approach, **EUI-IA Calls for Proposals will be organised on topics defined by the Commission building on the New Leipzig Charter and on Commission's priorities presenting a cross-sectorial dimension, such as the green and digital transitions.**

The early announcement of these topics and their **coherence with Charter's thematic pointers (green, just, productive cities) and principles of good urban governance that are of direct relevance for Cohesion policy objective for 'a Europe closer to citizens' (place-based, integrated, participatory approaches)** will enhance the predictability for applicants around core objectives to be achieved Call after Call by the EUI-IA. The selection procedure is tuned at identifying projects best suited to achieve these core objectives (see Chapter 3.2.2 "Strategic Assessment" for more details regarding the relevant selection criteria).

In order to raise the readability of EUI-IA projects with regard to Cohesion policy and facilitate their subsequent upscale and/or replication with ERDF funding, **Calls for Proposals will also specify the Cohesion policy objective(s) or specific objective(s), as appropriate, targeted by each topic within each Call.** Applicants will have to pay a particular attention to demonstrate the Cohesion policy relevance of solutions they propose to test in the light of the policy objectives or specific objectives announced in the Calls (see criterion 'innovativeness and relevance' in the Chapter 3.2.2 "Strategic Assessment"). A **list of indicators** (i.e. to be used and monitored together with other indicators that Project Partners will set for themselves) will also be defined in the Calls to facilitate the understanding of desired effects at project level, and aggregating results at policy area and/or Initiative's level.

**Each EUI-IA Call for Proposals will focus on certain topic(s) which will be defined by the European Commission.** They will be announced on the websites of DG Regional and Urban Policy and of the EUI. They will be described in the Terms of Reference of each European Urban Initiative Call for Proposals. The topics will be closely linked to the Urban Agenda and its Partnerships.

Urban authorities submitting an Application Form in the framework of the EUI-IA 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 Application Form, 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.

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 EUI-IA Selection Committee will seek to avoid any duplication when deciding on which projects to support.

## 1.7 PROJECT PHASES

EUI-IA project lifespan consist of 4 phases illustrated also on the graph below (Figure 2):

- i. **Project Preparation** (covered by a lump sum) comprises all activities related to the elaboration of the project application and ends with the approval of the project for funding by the EUI Authorities.
- ii. **Project Initiation Phase** (covered by a lump sum) lasts 6 months and it starts after the project's official approval. It is disconnected from the Implementation phase, conducted before the official start of the project implementation and dedicated solely to the project readiness check (including ex-ante audit), as well as for the project management activities to create the conditions for a smooth start and implementation of project activities (see Chapter 4 "Initiation Phase and Contracting" for the details).
- iii. **Project Implementation** phase lasts 3,5 years; it starts after the project's successful completion of the Initiation Phase (project start date indicated in the Subsidy Contract) and lasts until the approved project implementation end date.

Please note, that there are certain differences regarding the length of the project Work Packages implemented during the Implementation phase:

- **"Horizontal" Work Packages: Project Management, Monitoring and Evaluation, as well as Communication and Capitalisation last for the entire period of the Implementation phase (3,5 years).** It is expected that during the last 6 months of the Implementation phase (after piloting of the innovative solution, i.e. implementation of the Thematic Work Packages, is completed) "horizontal" Work Packages will be focused on: summarising and evaluating project activities; preparing project conclusions; further communicating, disseminating and capitalising on project's results and lessons learnt; preparing the legacy of the project by reflecting on prospects to continue and upscale the tested solutions proved to be successful once the EUI funding is over, adapting tested innovative solution in the Transfer Partners' cities and its further replication across Europe; as well as on the final reporting (for more details see Chapter 2.2 "Project Work Plan").
- **Thematic Work Packages can last up to a maximum of 3 years and should end 6 months before the Implementation phase end date,** in order to – as presented above – allow for a proper evaluation of the project implementation and experimented innovative solution towards the achievement of objectives and expected results, foster transfer activities and

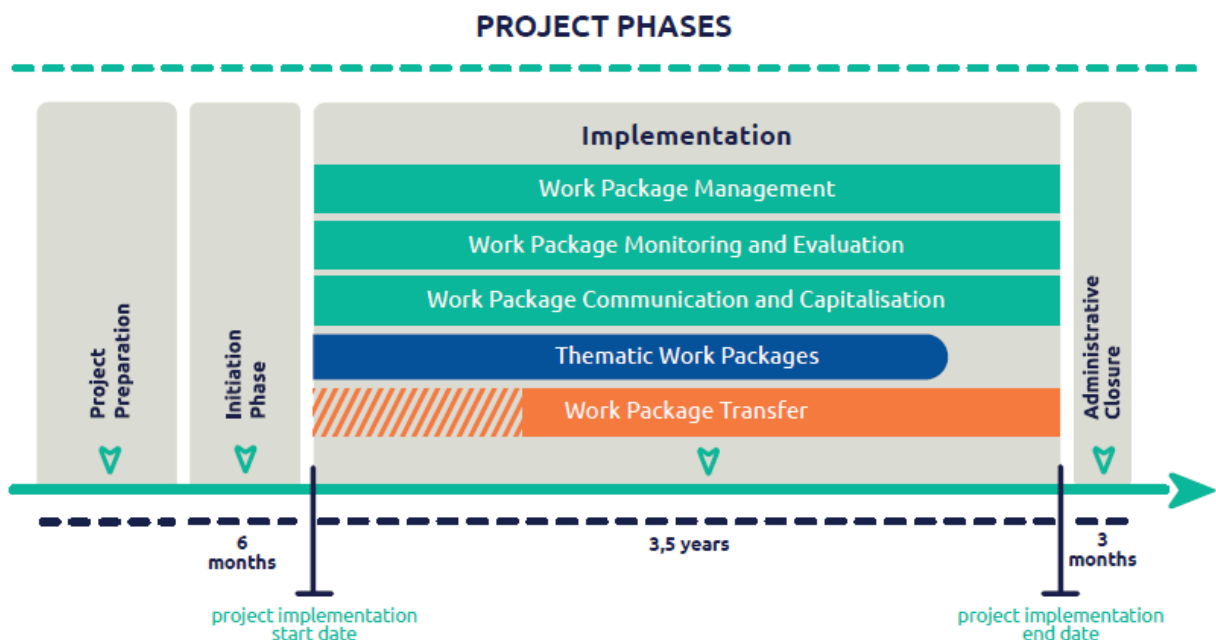
further capitalise on the project’s achievements. The evaluation of the performance of the project and the tested innovative solution is crucial for allowing the scale up in the project’s urban area and the replicability in further cities across Europe, therefore a 6-month period after the experimentation should be dedicated to evaluation activities.

- **Transfer Work Package starts the latest 12 months after the project start date and lasts until the end of the Implementation phase.** The start of this Work Package should be decided by the MUA and the Transfer Partners after analysing the most feasible and beneficial moment to launch the cooperation. It should allow Transfer Partners to become involved at the most opportune moment already during the initial stages of implementation of a project.

In justified circumstances, projects can request up to 6 months of extension – see Chapter 6.2 “Project changes” for details. Extension can be requested regarding the implementation of any Work Package at any stage of their implementation, but it will be granted only in duly justified cases clearly supporting implementation, evaluation or transfer of the innovative solution.

- iv. **Administrative Closure** phase (covered by a lump sum) lasts 3 months and is related to all administrative activities taking place after the Implementation phase in to close the project and obtain validation of the narrative and financial reporting documents. Please note that it is expected that during this phase, EUI-IA project representative(s) are still available to take part in the knowledge capitalisation and dissemination activities initiated by the Permanent Secretariat (for more details please see Chapter 8 “Project Communication and Capitalisation”).

Figure 2. EUI-IA project lifespan



## 1.8 FUNDING PRINCIPLES

### 1.8.1 TOTAL COSTS PRINCIPLE

EUI follows the total costs principle. This means that **whilst the project receives ERDF co-financing up to 80% of the eligible costs, every Partner (MUA and AUA, Delivery Partners and Transfer Partners) 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.

### 1.8.2 EUROPEAN REGIONAL DEVELOPMENT FUND ERDF PAYMENTS

EUI-IA payment scheme is mainly based on the principles of advance ERDF payments and ultimately of reimbursement of costs that were actually incurred:

- **A first ERDF (advance) payment** corresponding to 50% of the ERDF grant is made to the MUA within 90 days from the successful completion of the Initiation Phase. This first advance payment also covers the two lump sums for Work Package Project Preparation and Initiation Phase. This overall lump sum of EUR 100 000 total eligible costs (corresponding to EUR 80 000 ERDF) consists of the lump sum of EUR 25 000 (corresponding to EUR 20 000 ERDF) for project preparation and the lump sum of EUR 75 000 (corresponding to EUR 60 000 ERDF) for the Initiation Phase.
- **A second ERDF (advance) payment** corresponding to 30% of the ERDF grant is made to the MUA after the submission and approval of a Financial Claim (hereinafter: FC) 1 that includes project expenditure validated by the First Level Control (hereinafter: 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% of the total eligible costs, the second ERDF advance payment is paid on a pro-rata basis.
- **A third ERDF payment** corresponding to maximum 20% of the ERDF grant is made to the MUA after the approval of the (final) 4<sup>th</sup> Annual Progress Report (hereinafter: APR), the approval of the Final Qualitative Report (hereinafter: FQR), and the validation of project expenditure in the FC2 by the FLC. The final APR shall be submitted at the latest 1 month after the Implementation phase, and the (final) FC2 shall be submitted together with the FQR at the end of the Administrative Closure phase. In case the project expenditure validated by the FLC falls below 100% of the total eligible costs of the project, the third ERDF payment is paid on a pro-rata basis. 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 (not covered by the 80% of advance payment received). The third payment also covers the lump

sum of EUR 20 000 total eligible cost (corresponding to EUR 16 000 ERDF), which covers the project Administrative Closure phase.

## 1.9 THE EUROPEAN URBAN INITIATIVE EXPERTS

**Each project financed in the framework of the EUI-IA will benefit from the support of a European Urban Initiative Expert** (hereinafter: EUI Expert). More specifically, EUI Experts will provide projects with:

- Advice and guidance at a strategic and operational level on the project and its implementation, especially regarding the innovative content, and including strategic support to ensure that the project remains on track and successfully achieves its potential for scale-up and transfer once completed.
- Assistance in the development of project documentation and outputs that will capture and disseminate achievements and post-implementation prospects (sustainability, scale-up and transferability potential), lessons learnt and good practices, to a wider audience in view of facilitating the deployment of the most successful innovations in other EU cities, including with the support from Cohesion Policy programmes. Support in the dissemination of project knowledge through EUI communication channels and capacity building and/or knowledge capitalisation activities under strand B of the EUI.
- Participation and contribution to capitalisation and dissemination activities under strand B of the EUI, support regarding the area of expertise relevant for each Call for Proposals and Cohesion policy in general, including providing a policy watch at EU level and on academic research.
- Assistance in the implementation of the Transfer Work Package (e.g. participation of site visits, facilitation of exchanges, assistance in reaching out to Managing Authorities...) and the drafting of the transfer outputs (Replication Feasibility and Opportunity Study, EUI - Innovative Solution Model...).

The support and advice will be provided by the EUI Experts on an ongoing basis throughout the implementation process of projects as well as during the closing phase. EUI Experts will assist in the development of documentation and will produce outputs as well as capturing and disseminating the results and lessons learnt. They will share the knowledge generated with a wider audience of policymakers and practitioners across Europe. For that purpose, EUI Experts will actively collaborate with the Permanent Secretariat, Urban Contact Points at national levels and other associated partners in the frame of the implementation of activities on capacity building and/or knowledge capitalisation under strand B of the EUI.

EUI Experts are individuals with in-depth knowledge of the urban topics of relevance for each Call for Proposals; experience in working with urban authorities on projects involving public investments and their physical realisation; as well as a good understanding of the Cohesion policy framework and proven experience in supporting urban experimentation and innovation. The selection of EUI Experts will take

place via the publication of open calls. The Permanent Secretariat, with the support of an external service provider, will assess all applications submitted by the candidates. The final decision on appointing EUI Experts will be taken by the representatives of the MUA of the approved EUI-IA projects in coordination with the Permanent Secretariat, building on the shortlist and taking into account urban authorities' specific needs following an interview. The detailed work plan for each EUI Expert will be agreed between them, the Permanent Secretariat, and the MUA, based on the specific expectations and needs of the EUI-IA project and EUI framework for expertise.

**The European Urban Initiative directly covers all costs related to the activities of EUI Experts (including costs for travel and accommodation). Therefore, applicants should not foresee any budget for that purpose in their Application Form.**



# 2 PROJECT GENERATION AND DEVELOPMENT

## 2.1 PARTNERSHIP FOR THE EUROPEAN URBAN INITIATIVE – INNOVATIVE ACTIONS

### 2.1.1 PARTNERSHIP PRINCIPLES

Given the complexity and the interconnected nature of the challenges to be addressed, urban authorities cannot act alone when designing and implementing innovative, sustainable and effective solutions.

#### **Involvement of target groups and of wider stakeholders**

When developing the EUI-IA project and throughout all project phases, it is necessary to identify and involve **the wider stakeholders' group, depending on the character of the project: local communities, social partners, business, NGOs, experts, institutions, organisations, individuals etc., as well as project's target groups (i.e. depending on the projects: citizens, trainees, job seekers, vulnerable groups and/or marginalised communities, users of a given service or administration), that may influence or be influenced by the project.** Identifying stakeholders, understanding their influence on the EUI-IA project, and balancing their needs and expectations are critical to the success of the project. Therefore, urban authorities should bring all relevant stakeholders around the table to better frame the problems and needs, agree on a shared vision or desired change that the EUI-IA project should contribute to achieve, and design concrete solutions and actions that will tackle the problems and lead to the desired change.

The wider group of stakeholders benefit directly and/or indirectly but has no direct role in the EUI-IA project implementation and should not be considered as partners of the EUI-IA project. Therefore, they have no specific budget allocated, neither explicit responsibilities in the project implementation but are considered relevant and should be actively involved (co-creation) to ensure a smooth and effective delivery of the project. In this sense, it is desirable that the wider group of stakeholders is involved to the extent possible in the design phase, the implementation phase, in the communication and dissemination as well as in the monitoring and evaluation of the project results.

Stakeholders' identification and involvement should be a continuous process throughout the entire project life cycle to ensure that the developed solutions are inclusive and address these problems in the most efficient way. The involvement of the right stakeholders will also enable and strengthen the sustainability and scaling-up of the project outputs after project end date.

## Strong Project Partnership

Within the EUI-IA, the MUA is expected to be directly involved in the experimentation and to play a strategic leading role in the development of the EUI-IA project by establishing and chairing a strong Project Partnership to make it technically, scientifically, and financially viable.

### Project Partnership involves:

- **Delivery Partners** – key institutions and organisations able to contribute to the implementation of the project, having an active role in the implementation and funding of the project activities by providing financial contribution to the project (the share of the budget ensured by a Project Partner, i.e. co-financing rate);
- **Transfer Partners** – cities interested in learning from the experimentation and replicating the innovative solution, following the project implementation and providing the MUA with an external perspective related to the transferability and replicability of the experimented innovative solution;
- **(if applicable – see Chapter 1.5.3 “Third category”) AUA(s).**

All Project Partners (MUA or AUA, Delivery Partners and Transfer Partners) benefiting from the ERDF allocation must secure their own contribution (see Chapter 1.8 “Funding principles” for more details).

All Partners must be located in the European Union (it is possible to involve Delivery Partners from different countries, provided they are based in EU Member States and that there is a clear justification in terms of added value for the project). All Partners involved are also expected to formalize their cooperation by signing a Partnership Agreement.

## Participation and co-creation

Participation and co-creation are key for the development and implementation of genuinely innovative and experimental projects. Following the definition provided by the New Leipzig Charter “Public participation in urban development processes should engage all urban actors, which also strengthens local democracy. (...) New forms of participation should be encouraged and improved, including co-creation and co-design in cooperation with the project’s target groups and more widely with inhabitants, civil society networks, community organisations and private enterprises. Experimenting with new forms of participation can help cities manage conflicting interests, share responsibilities, and find innovative solutions while also reshaping and maintaining urban spaces and forming new alliances to create integrated city spaces. Public participation is central to the successful delivery of a high-quality built environment.”

Therefore, **the EUI-IA projects should integrate and apply participation and co-creation processes with the citizens, social and economic stakeholders across the different project phases**. Project promoters should be capable to **quantify and monitor the population targeted by participation and co-creation activities**, along indicators defined in the Calls for Proposals and other metrics judged appropriate.

## 2.1.2 TYPOLOGY OF THE EUROPEAN URBAN INITIATIVE – INNOVATIVE ACTIONS PARTNERS

There are the following types of Project Partners:

### **Main Urban Authority (MUA)**

The EUI-IA functions on the basis of a MUA responsible for the overall implementation and management of the entire project. MUA bears the entire financial and juridical responsibility vis-à-vis the Entrusted Entity. Other Project Partners 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 Partnership Agreement to be signed by all Partners involved after the approval of the project (and Transfer Partners after they are selected). The MUA should ensure the involvement of all Project Partners in the design phase of the project as well as in its implementation.

*Nota bene:* In the case of associations or grouping of urban authorities with legal status of organised agglomerations (second category of eligible authorities – see Chapter 1.5.2 “Second category” for the details), the institution, including all the other urban authorities involved, is considered as a single urban authority in the framework of the EUI-IA and therefore the agglomeration shall be listed as the MUA. In the case of associations or groupings of urban authorities without legal status of organized agglomeration (third category of eligible authorities – see Chapter 1.5.3 “Third category” for the details), the urban authorities involved are requested to identify one municipality as MUA and the other municipalities as AUA.

### **Associated Urban Authorities (AUA)**

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 the EUI-IA shall list in the Application Form one Local Administrative Unit as MUA and the other Local Administrative Units as AUA. The AUA are responsible for the delivery of specific activities and the production of related deliverables/outputs. The AUA have a share of the project budget and report the costs incurred for the delivery of the activities. Detailed information on the AUA (including legal status, experience and competencies, contact persons, etc.) shall be provided in the Application Form.

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 AUA involved.

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 Entrusted Entity. AUA formalise the contractual relation with the MUA by signing the Partnership Agreement, as other Project Partners,

following the approval of the project. As explained above, the Permanent Secretariat provides the MUA with a template of the Partnership Agreement to be signed by all Partners involved in the project.

Proposing new forms of cooperation, of mutualising means to reach the desired critical mass for a joint purpose and thus applying to a EUI-IA Calls for Proposals as a group of urban authorities is possible and sometimes highly desirable to foster functional urban area dynamics.

### **Delivery Partners**

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 sustainable urban development. Depending on the issue to be addressed and based on the local context and previous experiences, MUA should involve a different mix of relevant Partners (institutions, agencies – even if fully owned by municipality/city councils, higher education institutes, private sector partners, investors, research institutions, NGOs, etc.), that are needed to deliver the proposed innovative solution, to achieve project's objectives and ensure longer term effects as concerns sustainability and scale-up. Delivery Partners should have a relevant experience and expertise to complement that within the MUA and to add value to the entire project. If projects are to address the challenges perceived as the most pressing by the stakeholders and target groups, if they are to be truly bold on innovation and committed to apply tested solutions at wider scale once the project is completed, then they should seek to benefit from the knowledge and expertise that exists outside of the urban authorities in the local ecosystem as well as of the support from public and/or private investors interested to be associated.

The Partnership should be balanced and complementary in terms of policy and thematic competences. 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 levels of governance). There is no “one size fits all” solution. Applicants should be aware that Partnerships with more than 10 partners may require extra efforts and resources to ensure an effective management.

Any organisation having legal personality can have the role of a Delivery Partner in the EUI-IA project. Delivery Partners shall have an active role in the design and implementation of the project and are responsible for the delivery of specific activities and the production of the related deliverables/outputs. Delivery Partners have a share of the project budget and report the costs incurred for the delivery of the activities. Delivery Partners should be selected in respect of the principles of transparency and equal treatment. Consultancy firms having as primary objective the development and management of European projects and organisations with no staff budgeted (only declaring external expertise costs) are not entitled to participate in a project as Delivery Partners. Detailed information on Delivery Partners (including legal status, experience and competencies, contact persons, etc.) must be provided in the Application Form. In principle a Delivery Partner 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.

Please note, that urban authorities cannot be considered and listed as a Delivery Partner but only as MUA or AUA, provided they fulfil the eligibility criteria listed under Chapter 1.5 “Eligible authorities”.

## Transfer Partners

Transfer Partners are the urban authorities which join the Project Partnership in order to follow and learn from the experimentation. It is expected that each EUI-IA project will have 3 Transfer Partners originating from other Member States than the MUA.

Any urban authority of a local administrative unit defined according to the degree of urbanisation (DEGURBA) of Eurostat as city, town or suburb (corresponding to DEGURBA code 1 or DEGURBA code 2 of Eurostat) and located in the European Union can become a Transfer Partner. There is no minimum number of inhabitants required (cities of all sizes can become Transfer Partners).

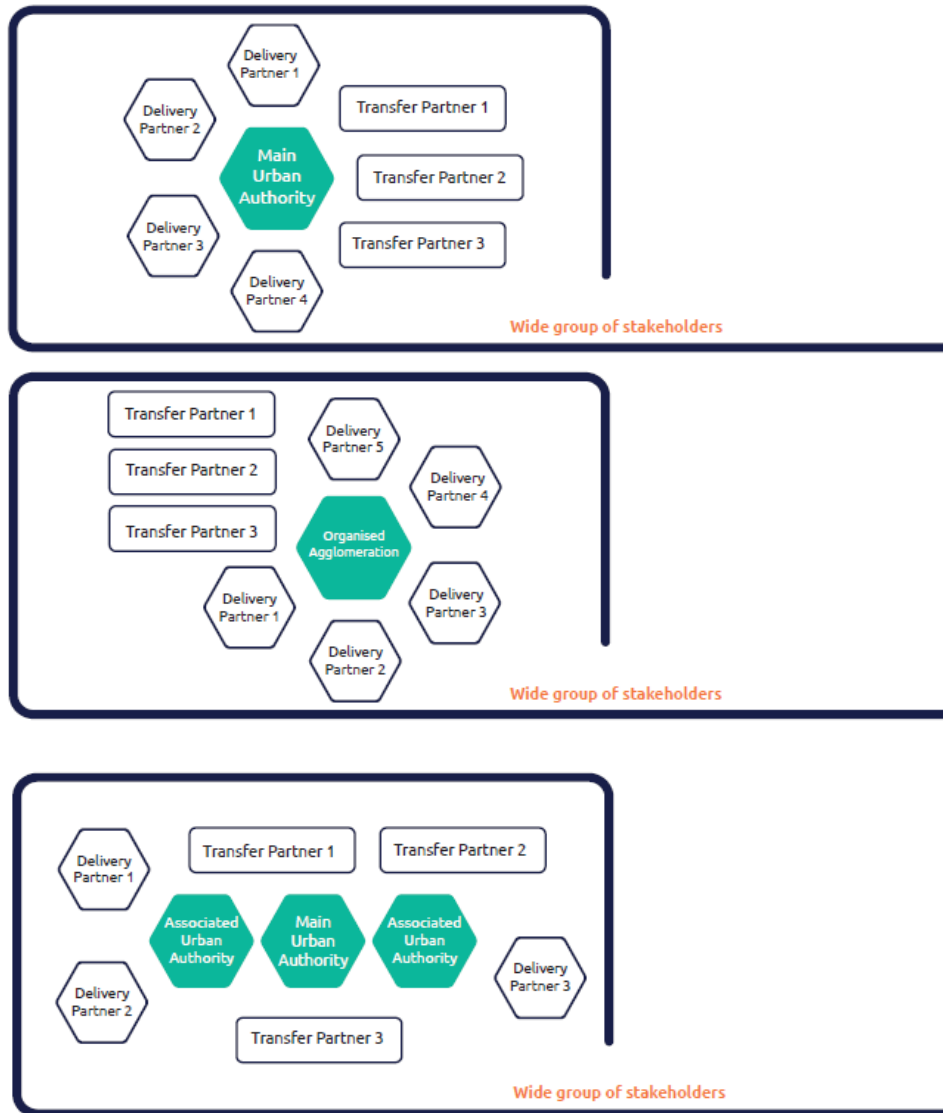
The logic behind Inviting Transfer Partners to the Project Partnership is to foster the adaptability of the tested solution to other urban contexts in the EU and then enhance its chances to be replicated abroad and deployed at wider scale in the longer term, possibly with funding from mainstream Cohesion policy programmes and from the ERDF in particular. Additionally, it may also contribute to support knowledge exchange between the EU cities and build long-term relations between them. Being involved in the experimentation will allow Transfer Partners to reinforce their own innovation potential and increase their capacity for implementing innovative solutions (both in terms of content and process) and prepare the process of adapting and replicating, in all or in part, the tested innovative solution in their own cities by participating in the transfer activities and benefiting from a solution they will see materialising and bringing results, but also overcoming problems and obstacles that pave the way to innovation.

Transfer Partners must be identified and selected and are expected to commit to the Project Partnership the latest during the Initiation Phase. The transfer cooperation, implemented through the Work Package Transfer, must start no later than 12 months from the start of the project implementation. Transfer Partners will have a fixed budget allocated to them. For more details on the transfer component of the EUI-IA project see Chapters 5 “Transfer” and Chapter 2.2.7 “Work Package Transfer”.

### 2.1.3 EXAMPLES OF THE PROJECT PARTNERSHIP STRUCTURES

Graphic presentation below (Figure 3) illustrate couple of examples of possible Partnership structures.

Figure 3. Examples of the Project Partnership structures



## 2.2 PROJECT WORK PLAN

### 2.2.1 PROJECT INTERVENTION LOGIC AND ITS COMPONENTS

The Intervention Logic of the EUI-IA project is a representation of clear and well-thought-out understanding how planned actions are expected to lead to the desired change and intended results – see Figure 4 below. It is a way of describing the logical sequence between initial needs, inputs, projects activities, outputs, results and ultimate impact. It is a tool to structure complex interventions and to

prepare the evaluation of a project. The Intervention Logic describes: What is the rationale for the intervention/project? What are the challenges/needs that triggered the intervention? What problems is the intervention meant to solve? What is the “desired change”? How are these changes to be achieved?

**The Intervention Logic is composed by strategic, operational and monitoring and evaluation components.**

#### Strategic components

**Overall objective** defines what do you aim to achieve by the end of your project. It relates to the strategic aspect of the project and provides the overall context. The overall objective goes beyond the project duration, it describes the strategic ambition of the MUA and long-term change in a certain existing socio-economic situation the project intends to contribute to achieve for the benefit of the beneficiaries/end users.

**Specific objectives** detail what the project is trying to achieve during its duration. Specific objectives allow to achieve the overall objective, they are narrower in scope than the overall objective and are described in a more precise way. They form a concrete statement describing what the project is trying to achieve within the overall context. At the end of the project, it should be possible to evaluate whether the specific objectives were achieved.

**Expected results** define the expected change that is to be achieved by the project. Reflect the desired mid-term change in the local situation as direct consequence of the project implementation, the immediate advantage for beneficiaries or end users and the behavioural change. They shall be as realistic, specific, concrete and measurable as possible. Expected results should correspond to specific objectives.

#### Operational components

**Project Work Plan** explains the “how” of your project. It’s a roadmap representing the guide for implementing your project if it gets funded. The Work Plan is a breakdown of the project into major steps called Work Packages, and Work Packages are broken down into smaller steps called activities. Activities lead to deliverables and each Work Package leads to one or more outputs.

**Work Packages**, as mentioned above, are building blocks of the Work Plan, they represent the main pillars of the project and are composed of related project activities required to deliver specific components of the project and produce project outputs. To structure the EUI-IA project the following set of Work Packages should be used:

- Work Package Preparation and Initiation Phase
- Work Package Project Management
- Work Package Monitoring and Evaluation

- Work Package Communication and Capitalisation
- Work Packages Thematic (investments embedded if any)
- Work Package Transfer
- Work Package Closure

**Activity** is a specific task/stage of the project delivery for which resources are used. Each activity shall result in at least one deliverable and/or an output. The planned activities should be necessary and sufficient to achieve the project's objectives and expected results. 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.

**Deliverable** is a tangible or intangible object delivered during project activities. It's an intermediary step in the delivery of a project output and usually, one or more deliverables are needed to produce an output.

**Output** is what has actually been produced as a result of the funding given to the project. It is a main product (in other words: end product) of the project. It directly contributes to the achievement of project result(s). It shall be realistic, specific, concrete and measurable. Each implementation Work Package should lead to the delivery of at least one output. Please note that a similar product (e.g. a feasibility study) could be an output in project X, and a deliverable in project Y. A way to help making the distinction is to analyse whether the delivery of a given product has a direct effect on the specific objective of the project. If the effect is not visible yet, then it is very likely that the given product would represent a deliverable in that project.

#### Monitoring and evaluation components

Indicators are the main instrument of monitoring – intended as continuous analysis of the project's progress towards achieving the expected outputs and results to improve the management and decision-making process during project implementation – and provide critical information for the evaluation of a project's effectiveness, impact, relevance and sustainability. Within EUI, two types of indicators are defined: output and result indicators.

**Output indicators**<sup>17</sup> are used to measure and monitor project outputs. A number of output indicators is predefined in the Terms of Reference of the relevant Call for Proposals, and they can be selected by the applicants under the Thematic Work Packages whenever relevant for the project proposal. In case a project output does not fit in any of the predefined indicators, the category "Other" should be selected. Please note, that there is also a set of pre-defined outputs and corresponding output

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<sup>17</sup> Output indicator means an indicator to measure the specific deliverables of the intervention. Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021, Article 2: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1060&from=EN>



indicators obligatory to be selected under the Transfer Work Package (see Chapter 2.2.7 “Work Package Transfer” for more details).

**Result indicators**<sup>18</sup> are used to measure the expected results of the project, i.e. the change in the local situation as direct consequence of the project implementation, the immediate advantage for beneficiaries or end users and the behavioural change. A number of result indicators is predefined in the Terms of Reference of the relevant Call for Proposals and relevant ones for the project proposal should be selected by the applicants. In case predefined result indicators are not sufficient or relevant to measure project’s expected results, project specific result indicators can be developed.

To help define good quality indicators, please refer to RACER criteria<sup>19</sup>. Indicators should be:

- Relevant: closely linked to the objectives to be reached. They should not be overambitious and should measure the right thing. They should be able to measure the mentioned expected results.
- Accepted (e.g. by Project Partners and/or wider group of stakeholders): activities, roles and responsibilities to achieve the target of the indicator need to be well defined.
- Credible for non-experts, unambiguous and easy to interpret. Indicators should be simple and clearly defined.
- Easy to monitor: e.g. data collection should be possible at low cost.
- Robust against manipulation (e.g. administrative burden: If the target is to reduce administrative burdens to businesses, the burdens might not be reduced, but just shifted from businesses to public administration).

Target value<sup>20</sup> (to be defined in the Application Form) refers to the value of the indicators to be achieved by the end of the project implementation. It should be realistic and achievable by the end of the project.

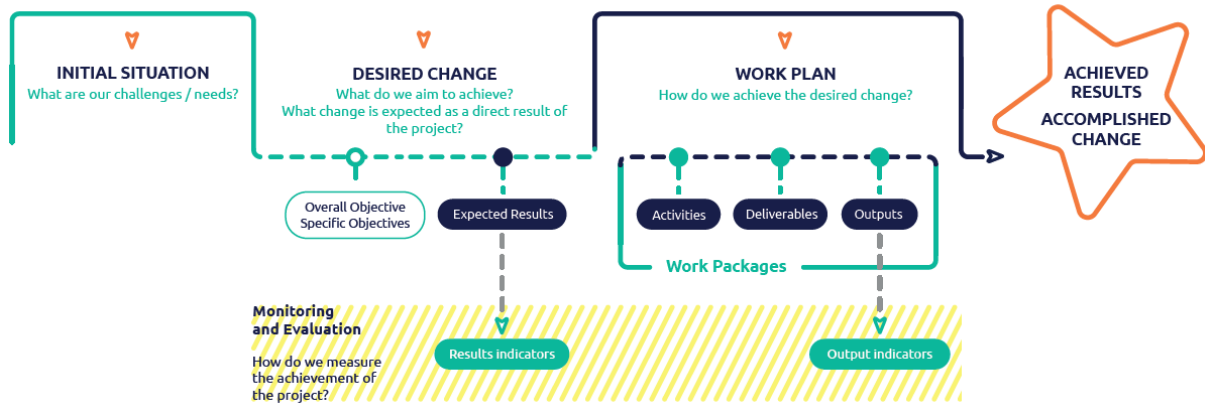
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<sup>18</sup> Result indicator means an indicator to measure the effects of the interventions supported, with particular reference to the direct addressees, population targeted or users of infrastructure. *Ibidem*.

<sup>19</sup> [https://ec.europa.eu/info/sites/default/files/file\\_import/better-regulation-toolbox-41\\_en\\_0.pdf](https://ec.europa.eu/info/sites/default/files/file_import/better-regulation-toolbox-41_en_0.pdf)

<sup>20</sup> Target means a pre-agreed value to be achieved at the end of the eligibility period in relation to an indicator included under a specific objective. Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021, Article 2: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1060&from=EN>

Figure 4. The EUI-IA project Intervention Logic



## 2.2.2 WORK PACKAGE PROJECT PREPARATION AND INITIATION PHASE

Work Package Project Preparation and Initiation Phase covers two stages related to project development and getting ready for the implementation. In the Application Form, this Work Package is pre-filled.

**Under Project Preparation**, the Work Package 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 wider group of stakeholders 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. The pre-filled deliverable under the Project Preparation part of the Work Package is the completed Application Form to be submitted:

- D.1.1.1 Application form submitted

**Under Initiation Phase**, the Work Package includes all activities that are carried out before the official start of the project implementation and dedicated solely to administrative and project management. The objective of the Initiation Phase is to ensure a smooth start and implementation of project activities. The Initiation Phase strictly lasts 6 months and thematic and horizontal Work Packages cannot be delivered in parallel. The Initiation Phase part of the Work Package is pre-filled with the different deliverables to be completed during the Initiation Phase:

- D.1.2.1 Initiation Meeting
- D.1.2.2 Signature of the Subsidy Contract
- D.1.2.3 Set up of the project management team and administrative prerequisites for EU funds reception

- D.1.2.4 European Urban Initiative – Innovative Actions training seminar
- D.1.2.5 Addressing Selection Committee Recommendations and other adjustments
- D.1.2.6 Updated Application Form
- D.1.2.7 Readiness check and ex-ante audit
- D.1.2.8 Project Monitoring Plan
- D.1.2.9 Partnership Agreement signed by all Project Partners<sup>21</sup> and formalised identification of Transfer Partners

Costs for the Work Package Project Preparation and Initiation Phase are covered by two lump sums of EUR 100 000 total eligible costs (corresponding to maximum EUR 80 000 ERDF):

- EUR 25 000 (EUR 20 000 ERDF) – lump sum for the project preparation and
- EUR 75 000 (EUR 60 000 ERDF) – lump sum for the Initiation Phase.

The MUA is the sole recipient and can distribute it between the Partners according to their respective involvement.

### 2.2.3 WORK PACKAGE PROJECT MANAGEMENT

The EUI-IA project applicants are requested to describe how the management on the strategic and operational level will be carried out in the project, plan the deliverables for each activity according to time and resources needed for the project coordination and management. The Project Management Work Package presents a set of five predefined activities. One additional activity can be added by the applicant if deemed necessary.

The predefined activities under this Work Package aim to ensure a sound management and coordination of the project concerning both the overall project management and all aspects linked to the financial management. The Work Package also aims to organise the work between the Partners involved by building a strong collaborative relationship formalised in a Partnership Agreement. The organisation of Partners' 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. MUA is expected to further develop the below predefined activities with a maximum of three deliverables, considering the following aspects:

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<sup>21</sup> Please note that this step is not obligatory for the Transfer Partners. Regarding the Transfer Partners, successful completion of the Initiation Phase is conditioned by signing minimum letters of intent (if signing a Partnership Agreement is not feasible within the Initiation Phase timeframe) – see Chapter 5 “Transfer” for more details.

- *A.2.1 Set Up of the Project Management Structures and Governance framework:* describe how you plan to implement the predefined activity defining management structures and roles, the frequency of the meetings and decision-making procedures, a Rules of Procedures for the right functioning of the management structures, a project management plan and the governance of the project.
- *A.2.2 Project Coordination and Internal Communication Partnership:* describe how you plan to implement the predefined activity defining the coordination mechanisms, the day to day and operational management, communication between all levels within the project, the approach to communicate about the project achievements, progress and delays.
- *A.2.3 Project Work Plan Management and Reporting:* describe how you plan to implement the predefined activity, reflect the monitoring of the progress and delivery of the Work Packages compared to the initial timeline in Application Form, define the internal reporting of the project's Thematic Work Packages after the meetings and decisions on any change during the implementation phase.
- *A.2.4 Project Financial Management:* describe how you plan to implement the predefined activity, how you foresee the financial management of the project and reporting procedures for costs/use of budget versus the Work Plan (activities) delivered, within the Partnership and towards the Permanent Secretariat. Define responsibilities, monitoring of financial data by the MUA, including ERDF transfers, forecast of budget, reporting of expenses incurred and collection/verification of audit trail.
- *A.2.5 Procurement and Legal proceedings:* describe how you plan to implement the predefined activity, reflect on procurement and identified legal proceedings necessary to implement successfully the project (e.g.: e.g. Environmental Impact Assessment, expropriations, authorisations to build/use a given technology in the public space, etc.) especially if your project brings investments (equipment and/or infrastructure and construction works – please see Chapters 7.2.5 “Equipment” and 7.2.6 “Infrastructure and construction works” for more details).

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), as well as how and by whom decisions on the project are made during the project period. It is strongly recommended that the project manager is a full-time employee. It is expected that the project management is carried out by the staff of the MUA. However, delegation (to another Partner) or outsourcing of part of the project management is feasible based on an appropriate justification and provided that the MUA retains the ownership (see Chapter 1.4 “Main features of a successful innovative solution”) and overall responsibility for the project implementation and expenditure. The proposal should clearly describe how this control is guaranteed.

## 2.2.4 WORK PACKAGE MONITORING AND EVALUATION

The applicants are requested to describe how the project monitoring and evaluation will be carried out in the project. This Work Package presents a set of four predefined activities to strengthen the project monitoring and evaluation. One additional activity can be added by the applicant if deemed necessary. MUA is expected to further develop the below predefined activities with a maximum of three deliverables, considering the following aspects:

- *A.3.1 Monitoring of project performance:* this activity shall be focused on the monitoring of project progress and performance based on the monitoring plan that will be consolidated during the Initiation Phase. It includes a systematic collection of information about project activities by monitoring the project's progress and checking if activities are on track, and deliverables/outputs produced. It starts from day one of project implementation and lasts until the end of the project.
- *A.3.2 Establishment of the evaluation framework of the innovative solution:* this activity shall be about the preparation of the groundwork for evaluation, the scoping, piloting and development of research instruments, the definition of data that will be needed and, if relevant, fine tuning of the project result indicators during the first year of implementation.
- *A.3.3 Data collection on the implementation/performance of the innovative solution:* this activity shall be about collecting data on the innovative solution/main innovation/main project output(s) (quantitative and qualitative data collection). The data collection starts during the testing phase/implementation of the innovative solution and lasts a time that is sufficient to have sound and representative dataset (given the nature of the projects, for some of them a month of data collection could be enough while others may require more time, e.g. 6 months).
- *A.3.4 Final evaluation of the innovative solution and reporting on result indicators:* this activity includes the analysis and evaluation of the collected data, the final assessment of the proposed innovative solution to measure success against project objectives and expected results, final evaluation factsheets including lessons learned and how to continue the "experiment" after the project end date, the reporting on the project's result indicators and the knowledge exchange and meetings/events with EUI Experts. This activity should take place during the last 6 months of the project Implementation phase, once testing of the innovative solution is concluded and implementation of the Thematic Work Packages finalized.

## 2.2.5 WORK PACKAGE COMMUNICATION AND CAPITALISATION

The applicants are requested to describe the communication strategy, related communication and capitalisation activities and how it will contribute to achieving the project's objectives. This Work Package presents a set of four predefined activities to strengthen the project communication. Two additional activities can be added by the applicant if deemed necessary. The communication objectives for each of the identified target groups (outreach and engagement actions), should be further described indicating cross-references with the Thematic Work Packages where possible to better

understand how communication plays a role and supports the implementation of the project core activities. As participation and co-creation should be an important aspect of the project, the communication strategy and related activities should include and consider a wider group of stakeholders (citizens, social and economic stakeholders). MUA is expected to further develop the below predefined activities with a maximum of three deliverables, considering the following aspects:

- *A.4.1 Kick off communication activities:* this activity includes the organisation and delivery of a kick-off meeting or event and the design of a communication strategy including a monitoring and evaluation of the communication activities.
- *A.4.2 Promotional and informational activities:* this activity includes the planning and delivery of digital communications, the production of promotional materials and publications; and raising awareness of and to other EU cities about the innovative solution.
- *A.4.3 Capitalisation and dissemination activities:* this activity includes the delivery of the project's knowledge dissemination activities as well as the participation and contribution to EUI policy labs and EUI knowledge and capacity building activities during the implementation phase of the project.
- *A.4.4 Final closing and dissemination activity:* this activity includes the planning and delivery of a final dissemination activity or event on a local level and to a broader audience

The project applicants should 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.

## 2.2.6 THEMATIC WORK PACKAGES

These Work Packages are the heart of any EUI-IA project. They describe in detail how the proposed innovative solution will be carried out. Activities include the "experimental setup" (e.g.: equipment, infrastructure and works); the demonstration and testing phase; as well as the implementation process. Under each thematic Work Package, Project Partners shall describe the main activities, resources, timetable, the related deliverables and outputs as well as Partners' roles and responsibilities at activity, deliverable and output levels. While designing the Thematic Work Packages, Project Partners should pay particular attention to describe the different intermediary steps (activities/deliverables) necessary to deliver the proposed outputs.

In the Application Form, **projects can create up to maximum four Thematic Work Packages corresponding to the main pillars of the project.** A maximum of five activities can be listed under each Thematic Work Package. A maximum of three deliverables can be developed under each activity. Each Work Package must also lead to at least one output. It is strongly advised that projects make optimum use of these Work Packages to ensure good readability of the activities proposed, related costs and

distribution of tasks amongst Partners. Applicants should emphasize cross-references between the different Work Packages to ensure a clear and logical coherence in the overall Work Plan.

Regarding investments, applicants can include a number of investment(s) within relevant Thematic Work Packages if needed and properly justified. As a rule, **investments shall be foreseen** in the EUI-IA projects **only to the extent that they are necessary for the achievement of the project's outputs and results**. Moreover, an investment is a project output that remains in use by the project's target group after the completion of the project. Depending on the nature of the innovative solutions proposed, investments should be essential support (infrastructures/equipment) for the related Thematic Work Package 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.

There could be several individual investments, which should be one at a time described and considered as separate outputs. Each description should relate to only one physical investment. An investment description needs to be provided, as well as a justification, the location (and if already known, the exact address of the investment), a list of required documents and permits (i.e.: technical requirements, working permits, etc.), details on the durability and final ownership (for more information about ownership please refer to Chapter 7.5.6 "Ownership and durability"), as well as a list of related risks are to be presented in Part G "Risk management" of the Application Form.

Please note that implementation of all the activities under Thematic Work Packages ends 6 months before the end of the project Implementation phase (please see Chapter 1.7 "Project phases" for details). As explained, the requirement of ending piloting of the innovative solution prior to the project end date was introduced to allow sufficient time for a proper evaluation of the project implementation and experimented innovative solution, foster transfer activities and further capitalise on the project's achievements.

## 2.2.7 WORK PACKAGE TRANSFER

Transfer is an immanent component of each EUI-IA project (for more details regarding the logic of embedding transfer activities in the EUI-IA projects, please see Chapter 5 "Transfer"). Its implementation will be realised via a specially dedicated Work Package Transfer. This Work Package consists of the 3 following pre-defined activities and 1 additional activity can be added by the EUI-IA project if deemed necessary:

- *A.1 Coordination of the transfer cooperation*: this activity includes launching of the transfer cooperation, organisation and coordination of the transfer activities, preparation of the details work plan between all involved Partners, management and communication mechanism between the Partners, etc.
- *A.2 Knowledge exchange and peer to peer learning*: this activity includes working methods selected to reach transfer objectives (site visits, on-line or off-line workshops/meetings/discussions, peer review activities, and other forms of work and cooperation).

- *A.3 Formulation of the framework for the transfer of innovative solution:* this activity focuses on Transfer Partners preparation for adapting and replicating followed innovative solution in their own urban contexts (pre-defined outputs: Replication Feasibility and Opportunity Studies – one per Transfer Partner) and preparation of the legacy of the project, in terms of its replicability and transferability, by the MUA and Delivery Partners (pre-defined output: EUI - Innovative Solution Model); for more details regarding both outputs see Chapter 5.

Similarly, to other Work Packages, a maximum of three deliverables can be developed under each activity. This Work Package must also lead to the listed above pre-defined outputs and additional outputs can also be added by the applicant.

At the application stage, proposals should identify other European urban areas that could benefit from replicating the proposed solution: either in view of the favourable conditions for transfer (similar contexts, characteristics) or of increasing their innovation potential. It is expected that the EUI-IA applicant will present a concept and a framework plan on how the implementation of the Transfer Work Package is envisaged; specifying how the most suitable Transfer Partner's will be identified; and if Transfer Partners have already been identified, what are the main underlying motivations and rationale. All these elements as a whole will be considered when determining project transfer readiness.

At the later stage, once all Transfer Partners have formalised their commitment, a detailed work plan will be prepared jointly<sup>22</sup>. It is expected that Work Package Transfer will be led by the MUA, and MUA can appoint a dedicated Delivery Partner to support implementation and facilitation of the transfer activities.

Please note that Work Package Transfer must start at the latest 12 months after the project start date and lasts until the end of the Implementation phase (please see Chapter 1.7 "Project phases" for details).

## 2.2.8 WORK PACKAGE CLOSURE

The last Work Package Closure relates to the Administrative Closure phase that lasts 3 months after the end date of the Implementation phase. For the Administrative Closure, a project has 1 month after the end date of the Implementation phase to provide the Permanent Secretariat with the (final) 4th APR and 3 months after the end date of the Implementation phase to provide the FQR and the project final expenditure reported in the (final) FC2. As explain in the Chapter 1.7 "Project phases", during the Administrative Closure phase, projects are also expected to continue taking part in the knowledge capitalisation and dissemination activities initiated by the Permanent Secretariat (for more details please see Chapter 8 "Project Communication and Capitalisation").

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<sup>22</sup> Please note that, following this logic, at the application stage only the overall opening parts of the Work Package Transfer are required (and open for editing for the applicants). At the later stage, once all Transfer Partners formalised their commitment, activities, deliverables and outputs sections in the Application Form will be unblocked for editing and MUA will be requested to present a detailed workplan.



Costs for the Work Package Closure are covered by a lump sum of EUR 20 000 total eligible costs, corresponding to maximum EUR 16 000 ERDF (even if more activities than originally planned in the Application Form are added).

# 3 PROJECT APPLICATION AND SELECTION

## 3.1 PROJECT APPLICATION

The Application Form for the EUI-IA project shall be submitted during the eligible period defined in the Call for Proposals. Application 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 MUA can submit a project proposal. The submission of the Application Form and annexes is 100% paperless through the use of the EUI-IA's Electronic Exchange Platform (hereinafter: EEP). A Courtesy Document helping applicants in preparing their Application Forms is provided on the EUI website, together with the EEP Guidance on how to use the system. It is strongly recommended that applicants fill in the Application Form in clear English, although it may also be submitted also 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 Application Form (translated in English by an external provider contracted by the Permanent Secretariat in case Application Form is submitted in another language). The quality of the translation will not be guaranteed by the Permanent Secretariat and therefore is at the applicants' risk. Moreover, the Subsidy Contract, project management, formal reporting, key deliverables and all communication with the Entrusted Entity and the Permanent Secretariat are in English. Only information provided in the Application Form and the allowed annex are taken into account for the assessment. The documents to be sent are:

- **Application Form:** The Application Form must be filled in using the online platform (EEP). It is composed of sections presenting the project idea and the rationale (including information on the innovativeness of the proposal), the Partnership (including the MUA, the Delivery Partners, Transfer Partners, and if relevant the AUA), 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, formulas and checks. These features mean that error messages appear in the form if it is not properly filled in (including missing Confirmation Sheet), and it cannot be submitted. This helps to significantly reduce the risk of submitting ineligible applications.
- **Annex:** Applicants can upload one annex in the EEP system that will be attached to the Application Form. 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 Application Form is being completed or after its completion. It must be printed, signed

by a legal representative of the MUA, scanned and uploaded in the Application Form Part H "Confirmation Sheet". The Application Form cannot be submitted without the Confirmation Sheet.

The Permanent Secretariat staff will provide ongoing support to applicants during the Calls for Proposals through a set of online and physical tools. The applicant supporting tools are available on the EUI website, including the different Guidance documents, webinars and a detailed Q&A section. If specific queries remain unaddressed, an online form is available on the website for applicants to contact the Permanent Secretariat directly. The Permanent Secretariat will organise Applicants Seminars in different cities of the European Union prior to each Call for Proposals, the details of which can be found in the section "Events" of the EUI website. At the beginning of each Call, the calendar of the different events and direct (online) sessions opportunities to exchange with the Permanent Secretariat will be communicated to applicants.

## 3.2 SELECTION PROCESS

After the closure of the Call each Application Form submitted during the eligible time period 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 for Proposals, the Permanent Secretariat carries out an eligibility check on all submitted project applications before the Call deadline. The purpose of the eligibility check is to verify the compliance of the received Application Forms and their annexes with the formal eligibility criteria; avoid further assessment of ineligible applications; and ensure equal treatment of all proposals to be selected for funding.

**The EUI-IA eligibility criteria are the following:**

1. The Application Form has been submitted electronically via the EEP before the deadline indicated in the Terms of Reference of the Call for Proposals.
2. The Application Form is completely filled in.
3. The applicant is a single urban authority of a Local Administrative Unit defined according to the degree of urbanisation as city, town or suburb (corresponding to DEGURBA code 1 or DEGURBA code 2 of Eurostat) 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, where the majority (at least 51%) of inhabitants lives in Local Administrative Units defined according to the degree of urbanisation (DEGURBA) of Eurostat as cities, towns or suburbs (corresponding to DEGURBA code 1 or DEGURBA code 2) 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 AUA) are Local Administrative Units defined according to the degree of urbanisation (DEGURBA) of Eurostat as cities, towns or suburbs (corresponding to DEGURBA code 1 or DEGURBA code 2) and where the total combined population (MUA and AUA) is at least 50 000 inhabitants.

4. The eligibility period is respected: the end date of the project respects the Call and the Initiative requirements.
5. The maximum budget requirements (maximum EUR 5 million ERDF) and the co-financing principle (minimum 20% of contribution secured by the Partnership) are respected.
6. All Partners involved (MUA, AUA and Delivery Partners) are from EU Member States.
7. In case of an association or grouping of urban authorities without a legal status of organised agglomeration, a MUA and the AUA are presented in the Application Form.
8. Applying urban authorities (MUA and/or AUA) are involved in only one project proposal in the framework of the same Call for Proposals.
9. Applying urban authorities (MUA and/or AUA) have not been selected and funded from a previous EUI-IA Call for Proposals.
10. An unmodified Confirmation Sheet duly signed by the MUA's legal representative is uploaded in the EEP, in the Application Form Confirmation Sheet Section.

**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 **70%** 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 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 and in particular of the Cohesion policy; as well as a proven track record in assessing applications of urban projects including applying scoring systems and making recommendations for selection. As far as possible, the Panel is geographically, and gender balanced and ensures that the territorial diversity of the EU's urban areas is taken into account.

The following elements are under evaluation during the Strategic Assessment:

<i>Criteria</i>	<i>Weighting</i>	<i>Sub-criteria</i>	
<p><b>1. Urban innovativeness and relevance</b></p> <p><i>To what extent is the applicant able to demonstrate that the project proposal is a new solution that has added value in relation to the topic of the Call?</i></p> <p><i>To what extent is the solution relevant to the local context and to Cohesion Policy objectives?</i></p>	30%	1.1	The project is in line and relevant to the topic of the Call for Proposals, as presented in the relevant Terms of Reference. The project demonstrates the potential of the new solution to add value in relation to the topic of the Call.
		1.2	Urban authority(ies) demonstrate a clear ownership of the project (towards city-led innovation), the proposed solution is relevant for the urban authority(ies) as public institution(s). Urban authority(ies) will be actively involved in the experimentation and/or will play a central role in the Project Partnership.
		1.3	The proposed innovation is relevant for the selected urban area (place-based approach <sup>23</sup> ). Data and other evidence allow to analyse the breadth and depth of the challenge at the local level.
		1.4	The project demonstrates that the proposed solution(s) has not been previously tested and implemented on the ground (i.e. in the urban area concerned or elsewhere in the EU).
		1.5	The project makes use of and builds on existing practices. The project provides evidence of research, based on existing practices, data and/or scientific literature.

<sup>23</sup> For more information on the concept of place-based approach to urban development, applicants can consult the New Leipzig Charter ([https://ec.europa.eu/regional\\_policy/sources/docgener/brochure/new\\_leipzig\\_charter/new\\_leipzig\\_charter\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/brochure/new_leipzig_charter/new_leipzig_charter_en.pdf)) where the following definition can be found: "Places should be regarded as reference points for an integrated horizontal and vertical approach. Urban strategies and urban funding instruments should be based on sound analysis of the specific local situation, especially potential benefits and risks, stakeholders and restrictions, while following place-based development. This will enable endogenous urban transformation and reduce local socioeconomic inequalities. Appropriate formal and informal instruments should cover all spatial levels, from neighbourhoods to local authorities and wider functional areas including the metropolitan level."

		1.6	The project demonstrates a clear contribution to policy and specific objectives of the 2021-2027 EU Cohesion Policy targeted by the relevant Call for Proposals. Concrete contribution elements, referring to priorities from Cohesion Policy programmes, initiatives or projects at the regional or national level are mentioned.
		1.7	The project builds on an integrated approach <sup>24</sup> to urban development, taking into account all relevant areas of urban policy (e.g. spatial, social, economic, environmental) to answer the identified urban challenge.
		1.8	The project makes a clear contribution to the green (e.g. it includes 'zero carbon' or greener services) and digital (e.g. it includes digital components) transitions, by demonstrating how its implementation makes the most from the transition to the digital economy and contributes to tackling environmental and climate challenges, and transition towards climate-neutrality.
<b>2. Partnership and co-creation</b>  <i>To what extent is the Partnership relevant and solid to implement the proposed solution and achieve expected results.</i>  <i>To what extent the proposal allows meaningful</i>	12%	2.1	The Partnership is relevant to address the identified urban challenges and to implement the proposed solutions. It includes relevant thematic expertise and experience.
		2.2	The composition of the Partnership is balanced with regards to the relevant governance levels and sectors (vertical and horizontal multi-level and multi-stakeholder cooperation). Ideally, the quadruple helix <sup>25</sup> is represented in the Partnership.
		2.3	All Partners have a clear and defined role in the Partnership, matching competences to fulfil their tasks. They complement each other. At least the MUA

<sup>24</sup> For more information on the concept of integrated approach to urban development, applicants can consult the New Leipzig Charter ([https://ec.europa.eu/regional\\_policy/sources/docgener/brochure/new\\_leipzig\\_charter/new\\_leipzig\\_charter\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/brochure/new_leipzig_charter/new_leipzig_charter_en.pdf)) where the following definition can be found: "All areas of urban policy have to be coordinated in a spatial, sectoral and temporal manner. The integrated approach relies on simultaneous and fair consideration of all concerns and interests relevant to urban development. Therefore, it should pool and balance different, partly conflicting, interests as well as the mutual effects of different interventions. Cities need to establish integrated and sustainable urban development strategies and assure their implementation for the city as a whole, from its functional areas to its neighbourhoods."

<sup>25</sup> Quadruple Helix refers to representatives from all members of society: i.e. public authorities, industry, academia and civil society.

<i>participation and co-creation from stakeholders, target groups and citizens?</i>			or one Delivery Partner demonstrates experience in international transfer/networking activities.
		2.4	The wider group of stakeholders has been identified and is involved in the design and implementation of the proposed innovative action.
		2.5	Participation and co-creation: The project demonstrates that participation and co-creation process with the target groups, citizens, social and economic stakeholders is planned throughout the whole project implementation.
<b>3. Measurability of results and impact</b> <i>To what extent are expected results specific and realistic, and reflecting project expected impact on the local context, as well as beneficiaries/end users?</i>	<b>12%</b>	3.1	Project's objectives are properly described (specific) and realistic (achievable during implementation timeframe). They are in line with the relevant Call for Proposals.
3.2		Project's expected results reflect the change in the local situation that the project will generate if the project is successful. They are properly described (specific) and realistic (achievable during implementation timeframe) and are relevant and of sufficient scale to answer the identified challenge.	
3.3		Project expected results are measurable and properly quantified through proposed indicators. Result indicators targeted by the Call for Proposals have been considered when relevant. A robust methodology for data collection and measurement of results is proposed.	
3.4		Target groups, end users and/or citizens benefiting from the project outputs and results have been properly identified and quantified. They are relevant and of sufficient scale to contribute to the project's objectives and expected results.	
<b>4. Sustainability and up scaling:</b> <i>To what extent will the project provide a durable contribution to address the</i>	<b>8%</b>	4.1	The project demonstrates that the proposed solution will provide a significant and durable contribution to solving the challenges targeted in the identified local context.
		4.2	The project demonstrates that the solution can be self-sufficient after the project end. The project addresses the questions of ownership and potential

<i>identified challenge? To what extent the proposed solution will be self-sustainable beyond its end date and has the potential to be up scaled if proven successful?</i>			funding sources <sup>26</sup> for the solution to be continued beyond the project's end-date.
		4.3	The project demonstrates how its main outputs and investment elements (if applicable) will be durable beyond the project end-date. The project has identified by whom and how outputs could be used after its end.
		4.4	The proposed solution demonstrates to be directly linked to relevant local/regional/national strategies and policies, ensuring the use and sustainability of projects outputs and results beyond project's end.
		4.5	The proposal demonstrates the potential of the solution to be scaled up if proven successful. Sufficient and concrete information has been provided on how this can be done.
		4.6	The proposal has identified possible funding sources for the scale up of the proposed solution (if proven successful) beyond project end, possibly from Cohesion Policy, other public/private investors or the urban authority(ies) itself/themselves.
<b>5. Transferability:</b>  <i>To what extent will the project have the potential to be transferable to other urban areas across Europe?</i>	<b>8%</b>	5.1	The proposal has identified other European urban areas that could benefit from replicating the proposed solution in view of the favourable conditions for transfer (similar contexts, characteristics) or of increasing their innovation potential. The proposal elaborates on how the most suitable Transfer Partners will be identified. If Transfer Partners have already been identified, the proposal specifies these together with the underlying motivations and rationale.
		5.2	The proposal identifies which main outputs/elements of the proposed solution(s) can be transferred or replicated in further urban areas across EU and which are the basic conditions (e.g. regulatory, technical) and resources (human, financial) that the other urban authorities should ensure in order to adapt and/or replicate, in full or in part the innovative solution in other EU contexts.

<sup>26</sup> E.g. It generates revenues, make use of revolving funds, or of other innovative financing techniques.



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 European Commission, short listed applications 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).

### 3.2.3 OPERATIONAL ASSESSMENT

The Operational Assessment is carried out by the Permanent Secretariat and accounts for **30%** of the weighting given to the overall project assessment. The main objective of the Operational Assessment is to assess the robustness of the proposal i.e.: is it justified, realistic, consistent and coherent, complete, ready to be managed effectively and implemented swiftly and if it demonstrates value for money.

The following elements are under evaluation during the Operational Assessment:

<i>Criteria</i>	<i>Weighting</i>	<i>Sub-criteria</i>	
<b>6. Project Design and Logic</b> <i>To what extent are Work Plan elements (activities, deliverables, outputs, indicators) complete, realistic, consistent and coherent? To what extent will the proposed project design lead to the achievement of objectives and expected results?</i>	<b>12%</b>	6.1	Work Packages, activities, deliverables and outputs are coherent. The Work Plan is sufficiently detailed and clearly structured. Proposed activities, deliverables and outputs are relevant and allow to reach project's objectives.
		6.2	Project's outputs under Thematic Work Packages are relevant and of sufficient scale to achieve expected results and benefit identified target groups.
		6.3	Where a project has investment elements, the need for the investments is justified, and they are relevant to reach project objectives.
		6.4	The distribution of tasks among Project Partners is detailed in the Work Plan and in line with role of the Partners in the project. The involvement of the wider group of stakeholders is reflected in the Work Plan.
		6.5	The project proposes relevant monitoring and evaluation activities for analysing and assessing the progress towards achieving the planned outputs and results. Output indicators targeted by the Call for Proposals have been considered when relevant.
		6.6	The proposal demonstrates to have integrated the transfer element in the Work Plan. The preliminary description of the Work Package Transfer is relevant to EUI expectations in terms of transferring.

<p><b>7. Project feasibility and operational readiness</b></p> <p><i>To what extent the proposal demonstrates to be feasible (to be implemented within the given time-frame) and operationally ready?</i></p>	8%	7.1	Work Packages, activities, deliverables and outputs are structured in a logical time-sequence. The time plan is realistic and there is a contingency period. Sufficient time is foreseen for the implementation of planned activities (and investment elements), including for data collection and evaluation of the innovative solution (if successful or not) and for the reporting of result indicators at project closure.
		7.2	Main project risks (incl. investment risks) were identified, and appropriate mitigation measures defined.
		7.3	There is no evidence of risks that could jeopardize the project from the very start.
		7.4	Where a project has investment elements, technical, legal and administrative requirements are clearly identified and sufficiently detailed. The investment(s) comply(ies) with these requirements.
<p><b>8. Organisational arrangements and operational capacity</b></p> <p><i>To what extent are management and communication activities appropriate and supporting the overall implementation of the project?</i></p>	5%	8.1	The management structures and procedures are well defined and appropriate considering the size and needs of the project.
		8.2	Partners demonstrate to have allocated sufficient resources (human, technical, policy) to ensure project implementation.
		8.3	Communication and capitalisation activities demonstrate to support the overall implementation of the project and contribute to the achievement of expected project's results. Communication and capitalisation objectives are in line with project objectives.
		8.4	Communication and capitalisation activities are relevant and appropriate to reach the defined target groups.
<p><b>9. Budget</b></p> <p><i>To what extent is the budget coherent and proportionate?</i></p>	5%	9.1	Sufficient and reasonable resources are planned to ensure the project implementation.
		9.2	Sufficient and reasonable resources are planned for the implementation of the investment (if applicable).
		9.3	The budget descriptions are sufficiently detailed.
		9.4	The Partner budget is in line with the involvement of the Partner in the different Work Packages/activities.
		9.5	There is no evidence of ineligible costs, nor potential State aid risk.

### 3.2.4 ASSESSMENT SCORING SYSTEM

A scoring system is used to help in the decision-making process. A score of 1 to 10 is attributed to each weighted criterion; it results in an average score per project. The following scoring scale is used:

9 – 10	excellent
7 – 8	good
5 – 6	adequate
3 – 4	poor
1 – 2	very poor

Please note that if a project scores less than or equal to 4 under any assessment criterion, it is automatically rejected and will not be further processed.

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.

Project applicants should note that being a selected project at the outcome of the selection process does not entitle them automatically to receive the corresponding EU grant. Should the conditions defined during the project Initiation Phase not be met (considering the project is not ready enough to be operationalised), the Entrusted Entity reserves itself the right to terminate the project and remove it from the list of the EUI-IA approved projects (for more details, see Chapter 4 “Initiation Phase and Contracting”).

## 3.3 EXCLUSION CRITERIA FOR GRANT APPLICANTS

In accordance with the Financial Regulation<sup>27</sup>, **applicants may be excluded from the grant award procedure if the MUA or persons having powers of representation, decision-making or control within the MUA, or persons who are essential for the implementation of the project are in one or more of the following exclusion situations:**

- bankruptcy, insolvency or winding-up procedures,

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<sup>27</sup> Op. cit.

- breach of obligations relating to the payment of taxes or social security contributions,
- grave professional misconduct, including misrepresentation,
- fraud,
- corruption,
- conduct related to a criminal organisation,
- money laundering or terrorist financing,
- terrorist offences or offences linked to terrorist activities,
- child labour and other trafficking in human beings,
- irregularity,
- creating or being a shell company.

During the application process, all applicants must submit with the Application Form a declaration confirming that the MUA and the Project Partners do not fall under one of the exclusion criteria above mentioned. This declaration is included in the Confirmation Sheet attached to the Application Form in the EEP. Please note that the Confirmation Sheet must be duly signed by the MUA's legal representative for the application to be considered eligible during the Eligibility Check.

During the selection procedure and prior to the final decision of the Selection Committee on the grant award, the Permanent Secretariat checks applicants in the Early Detection and Exclusion System (EDES), the system established by the European Commission to reinforce the protection of the Union's financial interests and to ensure sound financial management<sup>28</sup>. If a MUA is detected in the EDES, the Permanent Secretariat notifies the applicant, who has then the opportunity to present a defence before the final decision of the Selection Committee, in compliance with the principle of proportionality.

### 3.4 COMPLAINTS PROCEDURE

The EUI is committed to providing a high-quality service. A complaint is treated as any expression of dissatisfaction with our service which calls for a response. Complaints will be listened to, treated seriously, and learnt from so that we can continuously improve our service.

A complaint is an expression of dissatisfaction whether justified or not. Complaints can cover:

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<sup>28</sup> Article 142, Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

- the standard of service we provide,
- the behaviour of staff or any action or lack of action by staff affecting an individual, group or organisation,
- the decisional process of supporting and financing European Urban Initiative activities,
- project application assessment related to the eligibility check, Strategic Assessment and/or Operational Assessment,
- project's Initiation Phase readiness check results,
- financial control procedures,
- the decisional process of the Entrusted Entity/Permanent Secretariat during activity and project implementation.

Complaints do not cover: matters that have already been fully investigated through this complaints procedure, anonymous complaints, complaints about access to information where procedures and remedies are set out in legislation/regulation e.g. access to documents, general data protection.

All complaints received will be dealt with confidentially. However, we do not expect staff to tolerate unacceptable behaviour by complainants. Unacceptable behaviour includes behaviour which is abusive, offensive or threatening. We will take action to protect staff from such behaviour if a complainant behaves in a way that is unreasonably persistent or vexatious.

All complaints must be submitted in English, in writing (post or email) to the following addresses:

**The European Urban Initiative – Permanent Secretariat**

**Les Arcuriales, 45D Rue de Tournai, 7e étage**

**59000 Lille, France**

**e-mail: [complaints@urban-initiative.eu](mailto:complaints@urban-initiative.eu)**

The EUI has a 2-stage complaints procedure. At each stage, as much clear detail as possible needs to be provided, including (if relevant) any documents and correspondence, and including the statement that a complaint is being made in line with the procedure. For complaints concerning project and financing decisions, a complaint can only be made if originating from the main accountable body.

**Step 1:** Complaints are made to the Permanent Secretariat. This is the first opportunity to try and get a complaint resolved. The Permanent Secretariat in liaison with the Entrusted Entity, will examine the complaint and provide answers to the complainant.

**Step 2:** If the response provided by the Permanent Secretariat is considered unsatisfactory by the complainant and it is felt the procedures were not respected, then a formal complaint may be filed and

a review by a Complaints Panel may be requested. In principle and depending on the issue addressed, the Complaints Panel is made up of the Permanent Secretariat, the Entrusted Entity and the European Commission. Impartiality of members of the Complaints Panel towards the case under review will be ensured. The decision if the complaint is justified or to be rejected is taken by the Complaints Panel by consensus. The decision of the Complaints Panel is final, binding to all parties and not subject to any further complaint proceedings.

Complaints must be raised maximum 15 working days following the event in question. The Permanent Secretariat will then have 20 working days to respond to the complaint. Following the answer to the complaint, the complainant has a maximum of 15 working days from the date of the response, to request that the complaint be progressed to the next step. The review will be undertaken and communicated to the complainant within 20 working days following the request. The aim is to complete all complaints within the timescales above; however, if a complaint is very complex and/or a Complaints Panel is needed to be convened, it may occasionally be necessary to extend the time limit. If this is the case, the complainant will be kept informed of progress with the investigation, the reasons for the delay, and the new deadline. The above complaints procedure and timeframes shall not prejudice the start-up or ongoing implementation of activities financed by the European Urban Initiative.

#### *Complaints regarding project application assessment*

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 the Permanent Secretariat concerning the Strategic and/or Operational Assessment). Only a project applicant (MUA) can file a complaint. The MUA can address questions about or raise objections against the eligibility or assessment decision to the Permanent Secretariat. Please note that these queries must be made within 15 working days after the first official notification of the non-selection of the project by the Permanent Secretariat<sup>29</sup>. This deadline will not prejudice the start of the Initiation Phase for the selected projects.

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 Application Form 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 for Proposals and in the EUI-IA Guidance that materially affected or could have affected the decision.

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<sup>29</sup> The deadline for receiving queries starts counting from the day after the first notification was sent by the Permanent Secretariat. The notifications are dispatched only to the email addresses of the legal representative and contact person of the MUA. Therefore, it is responsibility of applicants to provide active email addresses and to check them regularly (including their SPAM folders). Please note that these addresses cannot be changed in the system while the assessment lasts. Therefore, the Permanent Secretariat cannot be held accountable in case the notification was not received by the applicant.

In case the complaint is justified, the case will be sent back to the Selection Committee to review the project application and its assessment.

*Complaints regarding the ex-ante audit and readiness check results*

Project applicants of proposals which were terminated and removed from the list of the EUI-IA approved projects after unsuccessful completion of the Initiation Phase are informed in writing about the decision. The notification includes detailed information on the reasons why the Initiation Phase was not successfully completed. Only a project applicant (MUA) can file a complaint. Complaints must be raised within 15 working days after the official notification of the termination and removal of the project proposal from the list of the EUI-IA approved projects after unsuccessful completion of the Initiation Phase.

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

- The ex-ante audit and readiness check conclusions do not correspond to the information provided by the applicant.

The ex-ante audit and readiness check failed to comply with the specific procedures laid down in the EUI-IA Guidance and Initiation Phase Factsheet that materially affected or could have affected the decision.

## 4 INITIATION PHASE AND CONTRACTING

The Initiation Phase covers the first 6 months before the project Implementation phase. Its purpose is to ensure that all administrative conditions are met for a smooth and efficient start of the project implementation and to provide guarantees on the level of readiness of the project (project management, project implementation, risk management). The main aspects addressed during this phase are trainings on the project management (including introduction to the reporting and monitoring framework), the fulfilment of administrative and legal requirements for the project start, the integration of the Selection Committee recommendations, the ex-ante audit and readiness check. The Initiation Phase also aims at establishing a fruitful cooperation between the project and the Permanent Secretariat.

For the details of the Initiation Phase (including ex-ante and readiness check), please refer to the “Initiation Phase Factsheet” that will be provided to the selected projects.

### 4.1 PRINCIPLES OF THE INITIATION PHASE

- The Initiation Phase strictly lasts 6 months.
- The Initiation Phase is disconnected from the Implementation phase. That means it is conducted for 6 months prior the official start of the project implementation and is exclusively dedicated to the setup of the project management and administrative prerequisites. No implementation activity can be initiated nor delivered in parallel during this period.
- The Initiation Phase is covered by EUR 75 000 (corresponding to EUR 60 000 ERDF and being a part of a EUR 100 000 lump sum for the “Project Preparation and Initiation Phase”).
- An initiation meeting (via teleconference) enables project managers and the Permanent Secretariat to discuss the overall Initiation Phase process, steps and calendar, and notably the recommendations stemming from the Selection Committee, as well as the project readiness check.
- A compulsory EUI-IA 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.
- If necessary, an updated Application Form, reflecting the Selection Committee recommendations, ex-ante audit or project readiness check findings, required Result Indicators corrections, etc. must be submitted by the project following the initiation meeting and validated by the Permanent Secretariat (see Application Form for an indicative timeline).



- A Monitoring Plan must be drafted and jointly agreed by the project and responsible the Permanent Secretariat 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 completion of the following mandatory steps within the 6 months' dedicated timeframe:
  - If necessary, a revised Application Form jointly agreed with the Permanent Secretariat.
  - Positive outcome of the ex-ante audit and readiness check of the project, jointly carried out by the FLC and by the Permanent Secretariat.
  - Information on the composition and contact details of the project management team and bank account details filled on the EEP system.
  - Signed Partnership Agreement with all Delivery Partners.
  - Letters of intent or signed Partnership Agreement for all Transfer Partners.
  - Jointly agreed Monitoring Plan.
  - Signed Subsidy Contract: the Subsidy Contract is issued by the Entrusted Entity and sent to the MUA to be signed at the beginning of the Initiation Phase.
- If the Initiation Phase is successfully completed at the end of the 6-month timeframe (i.e., all above-mentioned steps finalised and no major lacuna or irregularity detected in the ex-ante audit and/ or the readiness check), the 50% advance payment is made within 90 days from the successful completion of the Initiation Phase. The first advance payment includes the payment of the two lump sums for Project Preparation and Initiation Phase.

Even if all the steps of the Initiation Phase are completed before the 6-month timeframe, project implementation activities cannot be initiated before the official completion date of the Initiation Phase (corresponding to the official start date of the project). Otherwise, the costs for implementation activities incurred during the Initiation Phase will be deemed ineligible.

**If the Initiation Phase is not successfully completed within the proposed timeframe of 6 months (any of the above-mentioned steps not finalized, or negative outcome of the ex-ante audit and/or readiness check), the EUI Authorities have the right to terminate the project** (considering the concept is not ready enough to be operationalized) and remove it from the list of the EUI-IA approved projects. In that case, only the two lump sums for Project Preparation and Initiation Phase are paid to the project.

If the Initiation Phase is interrupted before being completed (e.g., the project drops out), only the lump sum foreseen for Project Preparation costs will be released to the MUA.

In exceptional and duly justified cases, the Permanent Secretariat and Entrusted Entity can decide to extend the Initiation Phase based on an exception plan jointly agreed with concrete actions and a

deadline. Please note that extension of the Initiation Phase might accordingly reduce time for the Implementation phase for the project. Moreover, in case of major irregularities spotted during the ex-ante audit, a second audit could be requested to further verify how they were addressed by the project.

**A successfully completed Initiation Phase is the sine qua non condition for receiving the ERDF funding for implementation and start of the project Implementation phase.**

## 4.2 PROJECT READINESS CHECK (INCLUDING EX-ANTE AUDIT)

The project readiness check is a process embedded in the Initiation Phase to prevent as much as possible major unexpected issues during the project implementation. The project readiness check is carried out both by the FLC during the ex-ante audit and by the Permanent Secretariat and covers the whole scope of management, administrative, financial, and operational issues likely to affect the sound execution of the project and the achievement of targeted project results.

Whilst the Permanent Secretariat checks if the project has a reliable strategy and sufficient anticipation with regard to the topics addressed in the Application Form “Risk management” Section (i.e. project management, human capacity to implement project, readiness in procurement procedures, realistic timeline, legal environment for project implementation, investments-related documentation, location and administrative authorizations...), the FLC verifies on-the-spot and assesses:

- the management of the project including the tools and procedures for the administrative and financial management of the project,
- the documentation to allow smooth implementation, such as regulatory frameworks, already obtained and carried out permits, site surveys and environmental assessments, existing or planned procurements, as well as ownership and location related to the project investments.

The readiness check will be carried out between months 3 and 5 of the Initiation Phase, including the on-the-spot component (see Chapter 6.3.1.1 “Ex-ante audit” for more details on the ex-ante audit).

As stated above, the positive outcome of the readiness check (including the ex-ante audit) is a condition of the successful completion of the Initiation Phase. The outcome is considered as positive when requirements on readiness are properly addressed during the Initiation Phase, and FLC ex-ante audit opinion is positive.

## 4.3 MAIN DOCUMENTS

### 4.3.1 PARTNERSHIP AGREEMENT

The Partnership Agreement is a legally binding document signed between all the Project Partners, setting out all the duties and responsibilities of each Project Partner before, during and after the project implementation. Under the coordination of the MUA, Project Partners should negotiate and tailor the Partnership Agreement provisions to the needs of the project and specificities of the Partnership. Project Partners 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 Partnership Agreement's provisions can go against those of the Subsidy Contract as the latter prevails in all circumstances. The EUI-IA bodies cannot be held liable for the content nor for the use of this agreement.

### 4.3.2 SUBSIDY CONTRACT

The Subsidy Contract binds the MUA to the Entrusted Entity. 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.

The Subsidy Contract is signed at the beginning of the Initiation Phase and relates to both the Project Preparation and Initiation Phase, as well as to the implementation phase. Costs of the Project Preparation and Initiation Phase are covered by two lump sums (as described above) and these lump sums are irrespective of the results of the Initiation Phase validation process. Allocation of the implementation budget is conditioned by the successful validation of the Initiation Phase. In case Initiation Phase is not successfully completed, the Entrusted Entity and Permanent Secretariat decide not to grant funding support to the project and remove it from the list of approved projects.

### 4.3.3 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 Annual Progress Reports, 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 Application Form and identifies:

- Project milestones: significant moments in the project Work Plan such as the completion of a key element such as Work Package, activity, deliverable or output necessary for the smooth delivery of the project. It is recommended to identify no more than 2 milestones per year.

- Reporting deadlines.
- Calendar of the Permanent Secretariat - 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 Permanent Secretariat. The Monitoring Plan is not a static document and can be updated to reflect new developments in the project implementation.

# 5 TRANSFER

## 5.1 INTRODUCTION

A key novelty in comparison to the Urban Innovative Actions projects financed during the 2014-2020 programming period is the embedment of the transnational transfer component as an integral part of EUI-IA projects.

It is important to underline that the primary focus of the EUI-IA projects remains on the testing of new innovative solutions in a given locality, but with this new component it is expected that the processes and results of experimentation will be followed by partner cities from other countries (Transfer Partners). A dedicated Transfer Work Package is now included in all EUI-IA projects, with specific activities, budgets, deliverables and outputs.

EUI-IA is established to identify and support the testing of transferable and scalable innovative solutions to address issues relating to sustainable urban development at the European Union level. It also aims to collect and share results from experimentations (also via supporting transfer activities) to foster innovation capacities and knowledge building for all EU urban areas. The objective is that EUI-IA project outputs are used (replicated, scaled up) by other EU cities increasing the impact of the whole Initiative, contributing to urban policymaking on different levels, as well as supporting cooperation between European urban areas.

### Objectives

Introducing the transfer component into the EUI-IA projects, should achieve the following objectives:

- To increase the general adaptability and replicability of the innovative solution developed by the EUI-IA project to other urban areas in the EU and then enhance its chances to be replicated abroad and deployed at wider scale (possibly with funding from mainstream Cohesion policy programmes).
- To allow Transfer Partners to raise their own innovation potential and increase their capacity for implementing innovative solutions (both in terms of content and process).
- To prepare the process of replicating the tested innovative solution in the cities participating in the transfer activities and benefiting from a ready to replicate solution.
- To contribute to the improvement of local policies and strategies.
- To support knowledge exchange between all Partners.

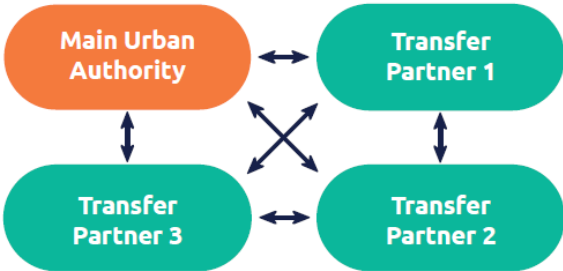
Furthermore, the MUA will be able to benefit from the EU recognition of their transformative role and to test the replicability of their innovative action model by confronting it to other urban realities and experiences.

### Partnership

As presented above in the Chapter 2.1 “Partnership for the European Urban Initiative – Innovative Actions”, the Project Partnership is in principle composed of the MUA (and AUA – if relevant), Delivery Partners and 3 Transfer Partners. For the implementation of the Work Package Transfer, the involvement is obligatory at least for the MUA and the Transfer Partners. If not the MUA itself, it is required that at least one Delivery Partner demonstrates experience in managing or being part of international transfer or networking activities in order to facilitate/support the MUA if needed in the successful implementation of the transfer activities. Moreover, it is highly recommended that Delivery Partners are also actively involved as their presence will be beneficial for reaching the objectives of the transfer component of the EUI-IA projects and the overall legacy of the project.

It’s important to underline that the entire transfer cooperation should support multidirectional exchanges and should not be designed as only one way (from the MUA to Transfer Partners) knowledge transfer (Figure 5 below).

Figure 5. Multidirectional exchanges in the transfer cooperation



### Timeline

As explained in the Chapter 1.7 “Project phases”, the **implementation of the Work Package Transfer must be launched at the latest 12 months after the start of the Implementation phase and must continue until the end-date of the project implementation.**

Launching the Work Package Transfer means that:

- The Partnership Agreement with the Transfer Partners must be signed and provided to the Permanent Secretariat;
- The Application Form (Part B related to Transfer Partners and activities, deliverables and outputs of the Work Package Transfer) must be updated with the transfer cooperation details, based on the workplan jointly discussed and agreed with the Transfer Partners.

## 5.2 IDENTIFICATION AND SELECTION OF THE TRANSFER PARTNERS

The MUA holds the responsibility for the identification and selection of the Transfer Partners that will integrate to the Partnership.

The process of identifying Transfer Partners should start already at the application stage, when applicants are asked to identify other European urban areas that could benefit from replicating the proposed solution in view of the favourable conditions for transfer (similar characteristic, contexts) or of increasing their innovation potential; to elaborate on how the most suitable Transfer Partners will be identified; and if already identified, specify potential Transfer Partners together with the underlying motivations/rationale.

Since one of the EUI-IA's objectives is that project outputs will be used by other cities, increasing the impact of the whole Initiative and that the ambition of the EUI-IA is to increase the replicability of the innovative solutions developed by the projects, it is important that projects at application stage can demonstrate a well-elaborated process, rationale and motivation behind the selection of the most suitable Transfer Partners.

**Transfer Partners must be identified at the latest during the Initiation Phase and successful completion of the Initiation Phase is conditioned by Transfer Partners signing, as minimum, letters of intent.** Signing of the Partnership Agreement is the next step required to launch Work Package Transfer and to launch the transfer of the first part of the lumpsum for Transfer Partners (please see below for the details).

The selection of the Transfer Partners should allow: (i) to maintain a good balance in terms of variety of cities involved in the Partnership (their size (small, medium-sized, large cities) and localisation (less-developed, transition and more developed regions)), and (ii) to gather the most relevant Transfer Partners for the quality of the replication activities.

Therefore, the selection of the Transfer Partners will follow some guiding principles:

- Transfer Partners come from different EU Member States;
- At least two of the four cities involved (MUA + the 3 Transfer Partners) are located in less developed or transition regions<sup>30</sup>;
- The partnership includes cities of different sizes.

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<sup>30</sup> Categories of regions can be found here:

- [https://ec.europa.eu/regional\\_policy/sources/graph/poster2021/eu27.pdf](https://ec.europa.eu/regional_policy/sources/graph/poster2021/eu27.pdf)
- [https://ec.europa.eu/regional\\_policy/information-sources/maps\\_en](https://ec.europa.eu/regional_policy/information-sources/maps_en) (section: EU regional funding 2021-2027; Investment for jobs and growth goal(ERDF and ESF) eligibility, 2021-2027)

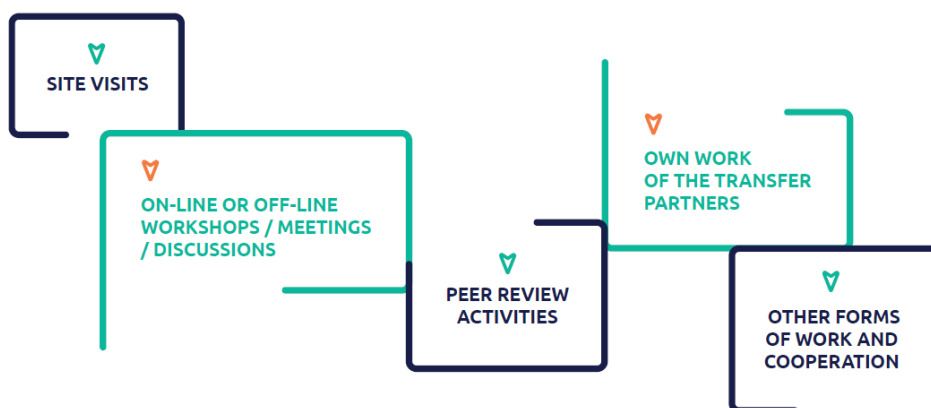
## 5.3 TRANSFER WORKING METHODS

Following the abovementioned objectives and description of the Work Package Transfer presented in the Chapter 2.2 “Project Work Plan”, this Work Package should focus on:

- allowing Transfer Partners to follow the planning and piloting of the tested innovative solution,
- allowing Transfer Partners to analyse their local urban contexts in order to better understand how the innovative solution can be adapted to meet local needs and conditions,
- exchange of knowledge and experience between all the Project Partners,
- sharing critical inputs that can both bring the external perspective to the EUI-IA project and inspire Transfer Partners,
- the preparation by Transfer Partners of a documentation that can serve them for the future replication of the innovative solution (Replication Feasibility and Opportunity Study and investment documentation),
- the preparation, by the MUA and its Project Partners, of the legacy of the EUI-IA project in the form of a EUI - Innovative Solution Model to be used by other EU cities interested in the innovative solution.

The above activities can be realised using the following palette of working methods (Figure 6 below):

Figure 6. Transfer cooperation working methods



- **Site visits.** Site visits can take place both in the city where EUI-IA project is being implemented and in Transfer Partners’ cities (local visits) to allow all Project Partners to exchange the knowledge and experience, as well as to better understand local situations in the Transfer Partners cities, in order to advise on adapting innovative solutions to local contexts. It is obligatory that a minimum 3 site visits in the MUA’s city will take place:



- opening visit to discuss framework for cooperation, details of the work plan, timeline, communication tools, etc.;
  - a visit dedicated to in-depth understanding of the innovative solution and
  - closing visit summarising transfer cooperation.
- **On-line or off-line workshops/meetings/discussions** about the aspects of preparing and implementing the innovative solution. Partners should make sure that not only the innovative solution as such is discussed but also all other aspects necessary for its successful implementation and further functioning (Figure 7 below).

**Figure 7. Examples of the different aspects of the process of the innovative solution's implementation**



- **Peer review activities** – evaluation of the work done by the Transfer Partners allowing everyone to benefit from external critical inputs.
- **The own work of the Transfer Partners** allowing them to further capitalise on learnings coming from the transfer exchange but also to prepare for future adaptation and replication of the innovative solution.
- **Other forms of work and cooperation** that the Project Partners wish to introduce: work-shadowing, conferences, thematic activities, being part of Advisory Board or Steering Committee, etc.

Transfer Partners are expected to prepare the following pre-defined learning and investment deliverables and outputs:

- **Transfer Capacity Survey** – two self-assessment surveys for each Transfer Partner (at the beginning and at the end of the Work Package Transfer) allowing Transfer Partners to assess their readiness for replicating innovative solution at the beginning and at the end of the transfer cooperation (learning deliverable).
- **Replication Feasibility and Opportunity Study** – (one per each Transfer Partner) summarising what is the local challenge, how the transferred innovative solutions can be adapted to the local context, what are the necessary steps to implement it, what are the identified funding sources, how management structure and key management processes can be shaped, etc. (investment output).

Moreover, if fitting within the timeframe and allocated budget, Transfer Partners are also allowed to finance:

- **Investment documentation** needed for the implementation of the innovative solution – expertise, legal analysis, construction project, environmental impact analysis, etc. and the implementation of a **small-scale pilot investments**.

The MUA is expected to prepare a following output:

- **EUI - Innovative Solution Model** – a final document focused on the transferability and scaling up of the tested innovative solution in order to allow others (not only Transfer Partners but also all interested EU cities) to learn about the findings of the experimentation and receive some guidance on how to approach replication. It is expected that Transfer Partners will contribute to the development of this document adding their perspective on the process. The EUI - Innovative Solution Model will be publicly available on the EU Knowledge Exchange Sharing Platform and EUI webpage as a legacy of the EUI-IA project implementation.

## 5.4 BUDGET AND FINANCIAL PRINCIPLES

Total budget of the Work Package Transfer is to be decided by the EUI-IA applicant and should include:

- a budget allocated to the MUA and relevant Delivery Partners supporting implementation of the Transfer Work Package;
- budgets for each Transfer Partner in a form of a lump sum (simplified cost option) amounting to EUR 150 000 (corresponding to EUR 120 000 ERDF and own contribution of EUR 30 000).

Transfer Partners are expected to cover from their allocated budget the following costs: staff costs related to the involvement in the Transfer Partnership; travel costs related to the participation in the

site visits (travel, food, accommodation); preparation of the Transfer Capacity Survey; preparation of the Replication Feasibility and Opportunity Study; preparation of the investment documentation (if relevant); implementation of the small-scale pilot investments (if relevant); organization of the local visit (if relevant). All other costs related to the implementation of the Work Package Transfer (e.g. management of the Work Package Transfer, communication activities, organisation of the site visits, workshops, meetings and other form of cooperation, etc.) must be covered by the budget allocated for this Work Package by the MUA.

Lump sums for the Transfer Partners will be reported in FCs (30% in FC1 and 70% in FC2). They will be accepted provided that all following conditions are met – for FC1: the Partnership Agreement with the Transfer Partners is signed and provided to the Permanent Secretariat (please note that, in principle, the whole ERDF payment related to FC1 will be suspended in the absence of the above condition); for FC2: Transfer Partners' pre-defined deliverables and outputs are completed and submitted to the Permanent Secretariat. Please note that, as for all other Project Partners, it is the responsibility of the MUA to collect and submit all the Transfer Partners' deliverables and outputs to the Permanent Secretariat and pay lump sums to the Transfer Partners.

# 6 PROJECT IMPLEMENTATION

## 6.1 REPORTING AND MONITORING

Given the complexity and challenges inherent to any innovation process, EUI-IA projects require closer follow-up and additional flexibility and reactivity than “more traditional” projects. That is why the **Permanent Secretariat has designed a monitoring and reporting approach which combines both ongoing monitoring and yearly reporting**. The monitoring approach designed by the Permanent Secretariat shall enable MUA 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 Project Partners on the one hand, and the Permanent Secretariat and the EUI-IA project management team 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 to mitigate the impact for the project as a whole. Potential adjustments to the initial plans may be needed but are allowed only in a duly justified cases (see Chapter 6.2 “Project changes” for more details).

### 6.1.1 PREVENTATIVE MONITORING

#### Milestone review

The Monitoring Plan is a project monitoring tool and not a contractual element in itself; it **identifies milestones based on the latest valid version of the project Application Form (i.e. key activities / deliverables / outputs) which are key moments linked to the implementation of the project Work Plan to be used by both the MUA and Permanent Secretariat as a framework for a preventative, flexible and ongoing monitoring of the project delivery**. These milestones are jointly identified and agreed by the project and the Permanent Secretariat 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 avoiding as much as possible an overlapping with the Annual Progress Report preparation period. In practice, the MUA sends in advance to the Permanent Secretariat an update on the project’s progress and milestone to be reached to set a date and format for the review together with the responsible Permanent Secretariat's officer.

#### Site visits

**Site visits are visits paid by the Permanent Secretariat 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 management team, the Project Partnership, and the Permanent Secretariat, keeping the Permanent Secretariat abreast of the latest project developments, and controlling administrative and non-administrative elements. Site visits are initiated by the Permanent

Secretariat and organised at least once during the project Implementation phase. They take place primarily at the MUA's premise but can also include visits to Project Partner(s) when relevant. Site visits could notably include:

- meetings with the MUA, and/or with the entire Project Partnership – with or without the presence of the EUI 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 project stakeholders;
- participation in project events.

### **Ad-hoc meetings**

During project implementation, additional meetings (online or face-to-face) may be deemed necessary by either the Permanent Secretariat 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 the EUI Experts.

## **6.1.2 PROJECT REPORTING – ANNUAL PROGRESS REPORT, FINANCIAL CLAIM, AND FINAL QUALITATIVE REPORT**

Besides the preventative monitoring, the Permanent Secretariat will take stock of the project's progress through the regular assessment of APRs and FCs, as well as closing FQR.

The **Annual Progress Report** (APR) describes the activities implemented, the deliverables/outputs produced, the results achieved, the resources used, etc.

The **Financial Claim** (FC) focuses on the report of incurred and paid costs related to the project activities (per Project Partner, Work Package, and Cost category). After its submission, the declared expenses must be validated by the FLC.

The **Final Qualitative Report** (FQR), submitted at the end of the project implementation, exclusively focuses on the overall summary of the project (including: challenges encountered; main outputs and results achieved; long-term sustainability and scalability of the project; summary of the experimentation and of the innovative aspects of the project; involvement of local stakeholders, participation and co-creation; overall added value that the project brought to the Cohesion policy; summary and results of the implementation of the transfer component, etc.) and does not include any reported expenditure.

### 6.1.3 REPORTING PERIODS AND DEADLINES

The project APRs and FCs are not necessarily submitted together.

The scheduled project implementation period is 3,5 years, therefore there are **four reporting periods each covered by an APR:**

- first one submitted after the first year of the EUI-IA project implementation;
- second one submitted after the second year of the EUI-IA project implementation,
- third one submitted after the third year of the EUI-IA project implementation (and focused especially on reporting on the implementation of the (finalized by then) Thematic Work Packages), and
- fourth (final) submitted after the last half a year of the EUI-IA project implementation (and focused especially on reporting on the implementation of the Transfer and Monitoring and Evaluation Work Packages); in case of extension of the project implementation, fourth APR is covering both – last half a year of the regular project implementation period and granted extension).

At the same time, **only two FCs are to be submitted:**

- during the Implementation phase when the reported expenditure has reached at least 35% of the project total eligible budget – first FC;
- when the Administrative Closure phase is over – second FC.

**The FQR must be submitted at the latest 3 months after the end of the Implementation phase** (at the end of the Administrative Closure phase).

All reports (APR, FC, FQR) are submitted online in English via the EEP. The procedure is thus paperless. The overall process is coordinated, centralized, and controlled by the MUA. Project Partners (Delivery Partners and Transfer Partners) provide the MUA with the information necessary for the preparation of the reports. During the APRs and FCs assessment, the Permanent Secretariat officers may request clarifications, corrections, or additional information to the MUA in case of unclear aspects, inconsistencies, or unjustified delays/deviations. Beware that in case the mandatory submission deadline is not met, or the quality of the report is not satisfactory, the Entrusted Entity may decide to take corrective measures that can include the recovery or suspension of any payment(s) to the project.

The figure below (Figure 8) shows the different reports, and indicative reporting periods and reporting deadlines:

Figure 8. Reporting periods and reporting deadlines

Reporting period	Reporting deadlines		
	Annual Progress Report (APR)	Financial Claim (FC)	Final Qualitative Report (FQR)
First day of month 1 project Implementation phase - Last day of month 12 project Implementation phase	APR1: Last day of month 13	FC1: when reported expenditures are above 35% of the project budget	-
First day of month 13 project Implementation phase - Last day of month 24 project Implementation phase	APR2: Last day of month 25		-
First day of month 25 project Implementation phase - Last day of month 36 project Implementation phase	APR3: Last day of month 37		-
First day of month 37 project Implementation phase - Last day of month 42 project Implementation phase	APR4: latest 1 month after the end of the project Implementation phase		-
First day of month 1 project Implementation phase - Last day of month 42 project Implementation phase	-	FC2: latest 3 months after the end of the project Implementation phase (at the end of the Administrative Closure phase)	FQR: latest 3 months after the end of the project Implementation phase (at the end of the Administrative Closure phase)

## 6.2 PROJECT CHANGES

EUI-IA projects must be implemented according to the approved Application Form. The Initiation Phase (see Chapter 4.2 “Project readiness check (including ex-ante audit)” for more details) is designed in a way to optimise projects’ prospects to be implemented on time and as planned. However, projects may encounter the need to modify certain elements related to implementation to adapt to new developments or circumstances. This should be authorised provided that projects’ objectives and its key characteristics, notably in terms of innovation – with the inherent risk to fail – are preserved. EUI-Innovative Actions has a set of standardised rules and conditions under which approved projects can request modifications during their implementation.

**Three main categories of changes** are recognised:

**Minor changes** are mere adjustments to the project set-up, having no or very limited impact on the achievement of project objectives or the overall project implementation. They do not require any formal request for change; they only need to be communicated to the Permanent Secretariat.

**Technical adjustments** are related to the changes in the budget, Partnership and length of the EUI-IA project having no or very limited impact on the achievement of project objectives or the overall project implementation. They require a formal Request for Change which needs to be approved by the Permanent Secretariat. Technical adjustments must be reflected in the Application Form which can be edited only once the Request for Change is approved and a formal communication is sent by the Permanent Secretariat.

**Major changes** are relating to substantial elements of the project, having a more significant impact on its implementation. Major changes are to be considered as exceptional, may be approved only in duly justified cases and cannot affect the core scope of the project and its innovativeness. They require a formal Request for Change to be submitted to the Permanent Secretariat and approved by the Entrusted Entity. All major changes must be reflected in the Application Form which can be edited only once the Request for Change is approved and a formal communication is sent by the Permanent Secretariat.

### 6.2.1 MINOR CHANGES

They may 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 Permanent Secretariat. 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 Accounting Authority.



- **Changes in a Partner VAT status, type, representative, legal status or name (following a merger for instance).** These changes should be communicated to the Permanent Secretariat and a signed letter provided confirming the change with a declaration that the new legal entity assumes all responsibilities of the previous legal entity as described in the Application Form and there is no change in responsibilities, activities, role and budget. They may lead to an update of the approved Application Form or amendment of the Partnership Agreement.
- **Minor changes in the Work Plan and budget that have a very limited impact on project implementation,** such as:
  - minor changes to deliverables (definition, target value, delivery date);
  - minor changes to the project implementation timeline (rescheduling of activities);
  - location of events;
  - changes in the communication tools;
  - budget changes within the flexibility rules<sup>31</sup>;
  - minor changes to Result Indicators (clarification of definition, target values, introduction of new indicators).

Minor changes in the Work Plan and budget should be duly justified and reported to the Permanent Secretariat through the Annual Progress Report. The Permanent Secretariat will revise and, if duly justified, approve the changes proposed. Please note that some of them might be assessed by the Permanent Secretariat as underachievement and requested to be reported as such. It is not necessary to update the Application Form in case of minor changes.

## 6.2.2 TECHNICAL ADJUSTMENTS

There are three types of technical adjustments – below are presented the conditions under which they can be requested. The approval body is the Permanent Secretariat on behalf of the Entrusted Entity.

- **Changes in the budget.** Changes in budget exceeding the flexibility rules<sup>32</sup> are considered as a technical adjustment when the content of the project is not affected and are allowed in duly justified cases. It should be noted that no additional ERDF can be asked for.
- **Changes in the Project Partnership.** Changes in Partnership may concern the withdrawal or the integration of new Project Partner(s). Being a core element, changes to the composition of the

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<sup>31</sup> See Chapter 7.5.5 “Budget flexibility”.

<sup>32</sup> See Chapter 7.5.5 “Budget flexibility”.

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 Delivery Partner must be reallocated within the existing Partnership (or taken over by a new Delivery Partner).
  - Inclusion of an additional Partner: the added value for the project implementation must be clearly demonstrated and justified. The budget of the new Delivery Partner must come from the approved project budget. A new Partner cannot lead to any increase of the overall and ERDF project budget.
- **Changes in project duration.** Projects are expected to complete their activities successfully within the time laid out in the Application Form. They are requested to inform the Permanent Secretariat in case of difficulties that may lead to delays in the delivery of activities. The extension of a project duration is limited to well justified cases whilst still allowing a proper project evaluation and cannot exceed 6 months. In any case, the total project implementation period is maximum 4 years (extension included) and cannot be exceeded in any case.

### 6.2.3 MAJOR CHANGES

Major changes can be requested only in exceptional cases, if properly justified by circumstances and if other means of solving the implementation problems are exhausted. Requests will be carefully assessed in order to determine their impact on the project objectives, the innovative character of the experimentation and the overall prospects on project implementation. Request for Change will be rejected if it seriously undermines the value of the original project (please see below for more details). The approval body is the Entrusted Entity.

Major changes relate to:

- **Changes in the content.** Changes in content concern modifications having a major and substantial impact on the Work Plan: Work Packages, investment elements, activities, outputs, main deliverables or Result Indicators. They will not be allowed if they substantially alter the planned nature of the project, its quality, or its ability to deliver the key component(s) of the innovative solution or to reach the initial objectives and results.

### 6.2.4 BASIC PRINCIPLES APPLYING TO PROJECT CHANGES

The latest approved version of the Application Form constitutes the basis on which to assess a project changes.

- The MUA is invited to contact the Permanent Secretariat as soon as a potential modification is identified to discuss the possibilities and options for changes.
- During their Implementation phase, approved projects can submit maximum 2 Requests for Change leading to a technical adjustment or to a major change.
- After their Implementation phase, approved projects can request 1 final budget technical adjustment. These can be requested up to the submission of the FC2 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).
- Each Request for Change can include several categories of changes.
- No Request for Change should be submitted later than 2 months before the end of the implementation of the Work Packages being subject to change, except for the above-mentioned budget adjustments prior the FC2 submission.
- Technical adjustments and major changes require prior approval (of the Permanent Secretariat or Entrusted Entity).
- The MUA is responsible for requesting any change on behalf of the Project Partnership and the Permanent Secretariat is its sole interlocutor.
- ERDF increase is not allowed in a Request for Change.

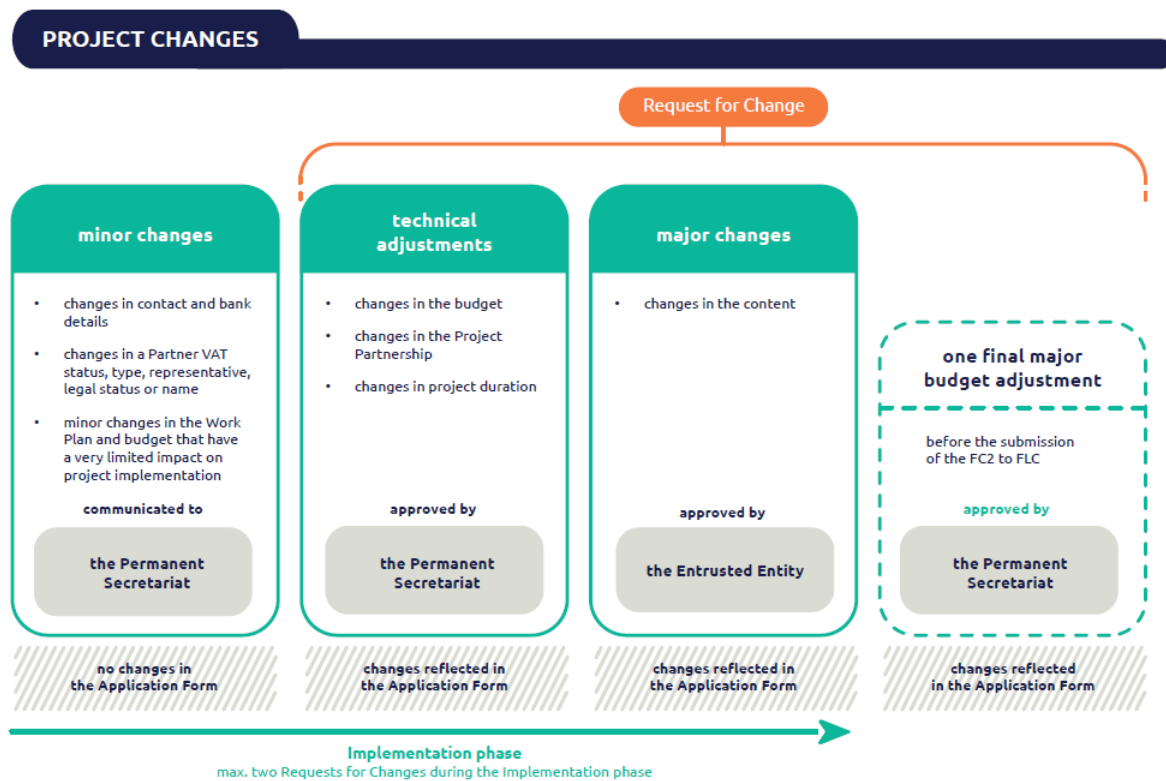
The assessment of the Request for Changes may result in one of the following outcomes:

- Approval of the Request for Change: the change will only enter into force after the approval from the relevant EUI Authority has been received. However, once approved they are valid retrospectively starting from the date when the written request was submitted to the Permanent Secretariat. All (and only) approved changes must be reflected in the updated version of the Application Form. When required, an amendment to the Partnership Agreement will be requested.
- Insufficient and/or unclear information to carry out an assessment: during the assessment phase, the Permanent Secretariat may ask for relevant clarifications to the MUA.
- Rejection of the changes requested: the project will continue to be implemented on the basis of the last approved version of the Application Form. It is to be noted that expenditures related to activities or Project Partners which have not (yet) been approved are not eligible. In extreme cases, if the Entrusted Entity establishes a change seriously undermines the value of the original project and all means of solving implementation problems have been exhausted (i.e. in case of partial or more complete failure of the experimentation/in delivering the project), it will decide to end support to the project and terminate the Subsidy Contract.

Please note that whenever the MUA has doubts regarding proper classification of the nature of the foreseen project changes (minor versus technical and major requiring submitting a Formal Request for Change) it is recommended to contact the Permanent Secretariat in advance for clarification and advice.

Please see the figure below (Figure 9) for the overview of the presented above information.

Figure 9. Project changes



Please note that, during the Initiation Phase, the follow-up on Selection Committee recommendations, ex-ante audit or project readiness check findings, required Result Indicators corrections, etc. may lead to adjustments in the Application Form, at the initiative of the Entrusted Entity only when judged necessary for the signature of the Subsidy Contract.

### 6.3 AUDIT AND CONTROL

There are 3 levels of control in EUI-IA:

- First Level Control (FLC),
- Second Level Control (hereinafter: SLC),

- **Other types of control:** Accounting Authority, Entrusted Entity, Permanent Secretariat, European Commission, European Anti-Fraud Office - OLAF, national bodies, etc.

### 6.3.1 FIRST LEVEL CONTROL

The FLC is an integral part of the overall control system for the EUI-IA. It is the base of the “pyramid structure” of checks and the most important level of the overall project controls. FLC is an independent body responsible for ensuring that all expenditure declared by the Project Partners comply with the EUI, 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 Entrusted Entity, the Accounting Authority and, most importantly, for the project itself, that expenditure co-financed under the EUI-IA is accounted for and eligible. For the EUI-IA, FLC is centralised and sub-contracted to a single independent audit company. FLC detects errors and corrects them before they become systemic. FLC guarantees that:

- The Project Partner has a sound financial management and control system,
- The declared expenditure relates to activities set out in the latest approved version of the Application Form,
- The expenditure is in line with the European, national and Initiative rules.

The controls carried out by the FLC follow the EUI-IA payment scheme, based on both the principle of advance ERDF payments and the principle of reimbursement of costs actually incurred and paid. Project expenses are therefore controlled twice by the FLC: once during the project implementation, prior to the second ERDF payment (advance) and once after the Administrative Closure phase, before the ERDF payment (reimbursement). The first control takes place when the reported expenditure reaches 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 prior to the first ERDF advance payment.** It is compulsory for the MUA and selected Project Partners. The ex-ante audit is an on-the-spot control and carried out at the MUA’s and selected Project Partners’ premises. FLC checks, amongst others, public procurement policies, project management (including structures), planned investment locations, resources allocated to the project, etc.. It should be noted that all Project Partners must attend the audit training session at the very beginning of the Initiation Phase. The ex-ante final report is drafted by the FLC and is sent to the Permanent Secretariat for review. FLC gives its opinion (unqualified, qualified or adverse) regarding the functioning of the management and control system at the MUA/Project Partner level. In case of findings, a corrective action plan is required. In case of adverse opinion, the Entrusted Entity may decide to stop the project or suspend it until corrective measures are undertaken and verified (ex.: by the FLC).

### 6.3.1.2 VALIDATION OF PROJECT EXPENDITURE: ADMINISTRATIVE AND ON-THE-SPOT CONTROLS

The administrative or “desk-based checks” are performed by the FLC at its own premise once all project expenditure documents of the Financial Claim are provided by the MUA to the FLC (see Chapter 7.2 “Cost Categories” for audit trail evidence per cost category). **The main task of the FLC is to ensure the regularity of declared costs and compliance with all relevant regulations.** It must be possible to clearly identify which expenditure has been reported for the project and to exclude the possibility of reporting the same cost twice (e.g. in two different cost categories, 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 (digital files are possible),
- 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, such as: pay slips, working contracts, accounting export, annual accounts, and other documentation relevant to local regulation,
- Copies of project related contracts, public procurement documents and related material to verify purchasing processes,
- Specimens of booklets, outputs, deliverables, 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 directly to all financial reports. The task of the FLC is to give a reasonable opinion on at least:

- The correctness of the Financial Claim expenditure,
- The expenditure relates to the eligible period and has been paid out,
- The expenditure relates to an approved project,
- The Financial Claim 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, etc.
- The reality of the project, including physical progress of the products/service and compliance with the approved Application Form,
- 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 EUI have been respected,
- The principles of transparency, equal treatment and effective competition have been complied with.

It is compulsory 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 Form during the implementation, and that related regulations have been respected.** In general, the following aspects are verified during the on-the-spot checks:

- The reality of the operation,
- The delivery of products and services in full compliance with the approved application,
- Physical progress,
- The accuracy of all information provided by the beneficiary regarding physical and financial implementation of the operation.

### 6.3.2 SECOND LEVEL CONTROL

The SLC system aims at ensuring that the overall management, control procedures and documents set up at EUI level are correctly applied and ensure the prevention and correction of potential weaknesses and errors. SLC is in charge of carrying out system audits and yearly audits on operations (projects). During the audit on operations at least 10% of projects are selected to verify that they have declared their expenditure correctly. The purpose of these checks is to ensure that no mistakes are made in the accounting records at the level of projects and that FLC worked properly. SLC system is centralised and externalised to an independent audit company, directly managed by Permanent Secretariat.

### 6.3.3 OTHER TYPES OF CONTROL

Besides the sample checks explained above, other responsible EU bodies such as the European Commission's audit services, the European Court of Auditors, or the Entrusted Entity and Permanent Secretariat themselves may carry out audits to check the quality of the implementation of the project (in particular, the financial management in relation to compliance with EU and national rules). Projects may be checked even after the project has ended. It is therefore important to ensure not only good documentation but also safe archiving of all project documents at the very least until the date indicated in the project closure notification (see Chapter 7.6 "Retention of documents").

### 6.3.4 EXCLUSION CRITERIA FROM EUROPEAN URBAN INITIATIVE – INNOVATIVE ACTIONS FUNDING

In accordance with Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union, applicants may be excluded from the grant award procedure if the MUA or persons having powers of representation, decision-making or control within the MUA, or persons who are essential for the implementation of the project are in one or more of the following exclusion situations:

- bankruptcy, insolvency or winding-up procedures,
- breach of obligations relating to the payment of taxes or social security contributions,
- grave professional misconduct, including misrepresentation,
- fraud,
- corruption,
- conduct related to a criminal organisation,
- money laundering or terrorist financing,
- terrorist offences or offences linked to terrorist activities,
- child labour and other trafficking in human beings,
- irregularity,
- creating or being a shell company.

The Permanent Secretariat performs annual checks on the MUAs through the Early Detection and Exclusion System (EDES), the database established by the Commission to reinforce the protection of



the Union's financial interests and to ensure sound financial management<sup>33</sup>. If necessary, the FLC may assist the Permanent Secretariat on exclusion criteria checks. If a MUA or Project Partner is detected in the EDES, the Permanent Secretariat notifies the Project Partner, who then can present a defence to EUI Authorities. The final decision of EUI Authorities on the exclusion is made in compliance with the principle of proportionality. If a Project Partner is excluded from the project, the MUA has the responsibility of either replacing the Partner or redistribute the excluded Partner's activities among the Partnership to ensure the ongoing implementation of the project. If a MUA is excluded, EUI Authorities may suspend the project and ask for the recovery of the ERDF advance payments.

It is furthermore the responsibility of the MUA to ensure that Project Partners do not fall under the exclusion criteria mentioned above. If the MUA detects any case for exclusion of a Project Partner, it must notify the Permanent Secretariat immediately and take the appropriate measures to exclude the Partner from the project. The Subsidy Contract signed between the MUA and the Entrusted Entity contains a clause mentioning the MUA's responsibility in ensuring that Project Partners do not fall into one of the exclusion criteria.

### 6.3.5 THE EUROPEAN URBAN INITIATIVE – INNOVATIVE ACTIONS ANTI-FRAUD STATEMENT

The Région Hauts-de-France is the Entrusted Entity of the European Urban Initiative. As the EUI 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

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<sup>33</sup> Article 142, Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

affinity, economic interest or any other shared interest with for instance an applicant for or a recipient of EU funds.

The Entrusted Entity has a **zero-tolerance policy to fraud and corruption**. It has identified the most likely areas for fraud in the EUI-IA and its projects, and has set up robust control systems, measures and procedures in order to follow up on all suspected cases that will be highlighted to the Permanent Secretariat. The Entrusted Entity expects all employees and representatives of the EUI to be an example in ensuring adherence to legal requirements, regulations, codes of conduct, procedures and practices. Through this anti-fraud policy, the Entrusted Entity 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 EUI and EUI-IA projects.**

# 7 ELIGIBILITY OF EXPENDITURE

## 7.1 GENERAL PRINCIPLES OF ELIGIBILITY

There are **different levels of eligibility rules for expenditure**:

- European level: EU regulations.
- European Urban Initiative level: specific EUI-IA rules (i.e. EUI-IA Guidance).
- National level: national rules applicable in each Member State.
- Partner institutional level: internal rules applicable to each Project Partner.

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.
- Be incurred and paid by the Project Partner (except where expenditure is reimbursed on the basis of a lump sum, flat rate or unit costs).
- Relate to activities set out in the Application Form, be essential for the implementation of a project and not have been incurred if the project had not been carried out (additionality).
- Be in euro when reported to EUI-IA; expenditure incurred in a currency other than the euro shall be converted into euro by the Project Partner<sup>34</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).

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<sup>34</sup> In practice, the expenses are reported in their original currency in the Financial Claim on the EUI-IA 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. See Chapter 7.5.2 "Use of the euro and exchange rates" for more information.

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

## 7.2 COST CATEGORIES

The following sections provide an overview on the eligibility principles for the **different cost categories** of each Project Partner:

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

For each cost category, a definition is provided as well as guidance for budgeting and reporting. Project Partners are strongly recommended to seek advice from the Permanent Secretariat if there is any issue related to the eligibility of expenditure that is not answered by the present rules. Please note that these rules apply to MUA or AUA and Delivery Partners that claim costs, but not to Transfer Partners as their expenditure are covered by a lump sum.

### 7.2.1 STAFF

Staff costs cover gross employment costs of persons employed directly by the Project Partner and working full or part time on the project in line with their respective employment document or other similar document under national law.

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, social security, holidays, overtime, including health coverage, taxable benefits or 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**:

- Voluntary payments (e.g. payments not in line with the employment contract, the employment policy of the Project Partner, or payments without any legal commitment).
- Staff costs for employees not officially assigned to the project are ineligible.
- Dividends<sup>35</sup>.
- Overheads as already included under cost category “office and administration”.

Any working person not directly employed by the Project Partner (i.e. not appearing on the organisation’s payroll) and having an invoiced-base relationship with the Project Partner should rather be considered under the external expertise and services cost category. In the case of national specific rules or specific cases not following the EUI-IA Guidance rules (e.g. self-employed companies, mother-daughter companies, cooperatives companies, dividend paid owners), the project should contact the Permanent Secretariat to agree on the proper cost category allocation.

Staff costs may be calculated based on the following two options:

- **Option 1: Flat rate** 20% on all costs of the Project Partner under external expertise and services, equipment, and infrastructure and construction works
- **Option 2: Standard scale of unit costs**

Each Project Partner decides on the option to apply in the Application Form. This choice is valid for all staff members of the Project Partner in question and cannot be modified during the entire project duration. This also means that within the same project, different Project Partners may follow different options.

### 7.2.1.1 STAFF COSTS BASED ON A FLAT RATE

The staff costs are calculated as flat rate of 20% of the total eligible amount declared by the Project Partner under the following cost categories:

- External expertise and services costs

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<sup>35</sup>It may concern staff members not being on the payroll of their organisations such as one-person companies, legal firms or Partnerships.

- Equipment
- Infrastructure and construction works

When budgeting or reporting staff costs using this option, the distribution of staff costs between Work Packages follows the distribution between Work Packages of the underlying costs.

This option is **not authorised** for Project Partners foreseeing to include in their costs works contracts or supply or service contracts which exceed in value the thresholds of the EU public procurement Directives (for more details, see section “7.5.6. Procurement”).

#### Audit trail

With this methodology, Project Partners do not need to provide any justification or supporting documents to claim staff costs. Project Partners do not need to justify that the staff costs were incurred and paid (i.e. the ‘real costs’). The auditor focuses on checking that the staff costs have been calculated according to the methodology and that the other categories of costs (under external expertise and services, equipment, and infrastructure and construction work), which form the basis for the calculation, are legal and regular.

### 7.2.1.2 STAFF COSTS BASED ON STANDARD SCALE OF UNIT COSTS

The staff costs are calculated based on standard scale of unit costs defined by the Project Partner. Project Partner must report the staff costs based on the number of hours worked by their employees. The standard unit cost is an hourly rate, and it applies to every employee regardless of the position. The Project Partner can only report the hours of an employee working under an employment contract or equivalent and cannot declare more than 1,720 hours per full time employee per calendar year. This maximum number of hours is reduced to a pro-rata of 1,720 hours for employees working part-time. This maximum number of hours is also reduced to a pro-rata of 1,720 hours for reporting periods shorter than 12 months.

During financial controls, Project Partners present to the FLC all documents that justify the standard unit cost they have determined including payrolls, pay slips, working contracts, accounting export, accounts, and other documentation relevant to local regulation. Project Partners may update the hourly rate only once a year. Any updates must be duly justified to the FLC during the Financial Claim controls. Once validated, Project Partners apply the standard unit cost throughout the project lifetime.

## Calculation of the standard unit cost

Method of calculation:

$$\text{Hourly rate} = \frac{\text{Annual payroll}}{\frac{\text{Full Time equivalent}}{1,720}}$$

- **Hourly rate:** standard scale of unit for staff cost per Project Partner, in EUR per hour
- **Annual payroll:** total staff costs of the Project Partner<sup>36</sup> per year, in EUR
- **Full Time Equivalent:** number of full-time equivalents employed by the organisation corresponding to the staff costs of the annual payroll
- **1,720:** maximum number of hours per full time employee per calendar year

### Audit trail

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

- (i) Employment confirmation – a document from the Project Partner. This document confirms that the person is working for the project. For instance: employment contract or any other equivalent legal agreement that allows the identification of the employment relationship with the Project Partner organization.
- (ii) Report of hours – a document that confirms the number of hours worked for the project. The report must be sign by both the employer and employee. The report template is provided by the Permanent Secretariat.

Project Partners must keep the supporting documentation used for the calculation method used to determine the hourly rate available and deliver it upon request in case of controls (such as SLC, European Court of Auditors...).

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<sup>36</sup> Large organisation may limit the perimeter of the payroll to the department or subsidiary participating to the project.

## 7.2.2 OFFICE AND ADMINISTRATION

Office and administration expenditure covers operating and administrative expenses of Project Partners that could be considered as indirect costs. The items considered under the office and administration cost category are exhaustively listed below:

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

Office and administration expenditure is covered by a **flat rate of 15% of the reported staff costs**<sup>37</sup> (irrespective of the option chosen for staff cost: 20% flat rate or standard scale of unit costs). All above-listed items are to be considered as covered by the flat rate; they cannot be reported under any other cost category. If no staff costs are reported, no office and administration costs can be charged. Office and administration costs are considered as paid in due proportion to the reported and validated staff costs.

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<sup>37</sup> In line with article 54.b of Regulation (EU) No 2021/1060.



### Audit trail

No specific audit trail is necessary. Project Partners do not need to document that the office and administration costs have been incurred and paid (i.e. the 'real costs'). The auditor focuses on the correct reporting of the staff costs and verifies that no expenditure related to the office and administrative cost category is included in any other cost category.

## 7.2.3 TRAVEL AND ACCOMMODATION

This cost category covers travel and accommodation costs of employees of Project Partners that relate to project activities. The items considered under the travel and accommodation category are exhaustively listed below:

- Travel (e.g. tickets, travel and car insurance, fuel, car mileage, toll and parking fees).
- Meals.
- Accommodation.
- Visa.
- Daily allowances.
- Services contracted by Project Partners for arranging the travel and accommodation of their own staff members (e.g. travel agencies, etc.).

Travel and accommodation expenditure is covered by a **flat rate of 5% of the reported staff costs**<sup>38</sup> (irrespective of the option chosen for staff cost: 20% flat rate or standard scale of unit costs). All above-listed items are covered by the flat rate and cannot be reported under any other cost category. If no staff costs are foreseen and reported, no travel and accommodation costs can be charged.

Travel and accommodation costs of non-employed staff of Project Partners (external experts, service providers or other third party) are not covered by this flat rate but are eligible as real costs under the external expertise and services cost category.

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<sup>38</sup> In line with article 53.5 (a) of Regulation (EU) No 2021/1060.

### Audit trail

No specific audit trail is necessary. Project Partners do not need to document that the travel and accommodation expenditure costs have been incurred and paid (i.e. the 'real costs'). The auditor focuses on the correct reporting of the staff costs and verifies that no expenditure related to travel and accommodation costs of Project Partners' employees is included in any other cost category. If no staff costs are reported, no travel and accommodation costs can be charged. Indirect costs are considered as paid in due proportion to the reported and validated staff costs.

## 7.2.4 EXTERNAL EXPERTISE AND SERVICES

This cost category covers expenses related to professional services and expertise provided by external service providers (other than the Project Partners) contracted to carry out certain activities linked to the delivery of the project (e.g. tasks that cannot be carried out by the Project Partners themselves). The work of external service providers must be necessary for the project and should be linked to activities foreseen in the Application Form. These expenses are to be declared as real costs and can include<sup>39</sup>:

- 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 items.
- 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>40</sup>).
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services.

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<sup>39</sup> The list of costs is not exhaustive.

<sup>40</sup> Any other costs related to the participation in external events such as accommodation, travel costs and daily allowances shall be reported in the cost category "travel and accommodation".

- 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, service providers of the project or other third party involved in the project.
- Other specific expertise and services needed.
- Unpaid volunteer work (see Chapter 7.5.3 “Project Partner contribution” for more details).
- Financial schemes implemented by Project Partners, supporting the distribution of financial contribution as a reward following a contest (such as prizes, vouchers, or grants) to the benefit of third parties (individuals or organisations) that are not part of the Project Partnership.

Such schemes must respect the principles of transparency and equal treatment, should promote the achievement of policy objectives of the EU and contribute to the project’s objectives and results. Projects need to monitor and control that winner beneficiaries are using the individual award according to the selected concepts. A recovery procedure should be in place in case of misuse.

It should be noted that, like with any other project expense, only the amount paid out by the Project Partner / MUA to or for each third party can be claimed to EUI-IA<sup>41</sup>. The individual award must not exceed **EUR 60 000** and no beneficiaries can receive more than EUR 60 000 in total from a project.

A financial scheme planned at the application stage must be properly described in the Application Form with the following details of the scheme, either in a dedicated Work Package, activity or deliverable (depending on the importance of the scheme): the purpose of the scheme, the rules of the contest, the award criteria, the value of the individual award, the total amount of the award, the payment arrangements, target groups.

The following principles must be obeyed for any external expertise cost:

- 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 Project Partner and the service provider.
- The services or expertise are essential to the project and should be linked to activities foreseen in the Application Form.

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<sup>41</sup> For instance: a Project Partner provides EUR 100 to a third party; the Project Partner can report EUR 100 to EUI-IA. If the co-financing rate is 80%, the corresponding ERDF amounts to maximum EUR 80.

- Any expenses based on contracts concluded between Project Partners are ineligible; no Project Partner shall be contracted as service providers by any other Project Partner (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 Project Partner and the expert/service provider, supported by receipted invoices and provided that the service/supply has been delivered within the project eligibility period.
- The costs of services contracted by Project Partners for arranging the travel and accommodation of their own staff members (e.g. travel agencies, etc.) are covered by the travel and accommodation flat rate.
- Promotional giveaways<sup>42</sup> (e.g. project gadgets) are eligible if they relate to the project communication activities. The cost of the single item must remain limited and in any case below EUR 50.
- Costs related to EUI Experts (including their travel and accommodation) and FLC are directly covered by the EUI; therefore, no budget should be foreseen.

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<sup>42</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:

- (i) Evidence of the procurement process in line with applicable EU, EUI, national and internal procurement rules.
- (ii) 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.
- (iii) Invoice (or request for reimbursement) providing all relevant information in line with the applicable accountancy rules.
- (iv) Proof of outputs or services delivered.
- (v) Proof of payment.

The audit trail for financial scheme is specifically detailed in the Financial Scheme Factsheet (The Financial Scheme Factsheet will be made available for the EUI-IA projects on the EUI website).

## 7.2.5 EQUIPMENT

This cost category covers equipment purchased, rented or leased by a Project Partner, other than those covered by the office and administration cost category. 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.
- The purchase of consumables necessary for the operating of laboratory equipment or other tools or devices (e.g. chemicals, reagents, fuel etc.) used for the implementation of content related activities and where directly attributable to the project.
- Any other equipment necessary for the project.

Equipment is eligible on real costs basis provided it is necessary for the project purpose, either as:

- **Accessory equipment:** a tool or device used to carry out project activities. It is necessary for the implementation of project activities and for the delivery of the project outputs and used for that purpose. Examples: a beamer used for the project team to present project progress, small instruments needed for gardening activities, etc.

or

- **Investment equipment:** a tool or device considered as a project investment (or part of a project investment) and produced as result of the ERDF funding given to the project that will remain in use by the target group after the completion of the project. Examples: 3D printer for the vocational centre, server to manage traffic data, solar panels, batteries to store energy...

#### Equipment depreciation rule

##### *Accessory equipment*

Depreciation only applies to accessory equipment (that are accessory to project implementation and necessary for the delivery of the project outputs). For this type of equipment, a pro-rata depreciation value needs to be calculated based on a justified and equitable method, considering two aspects: (i) the depreciation period of the equipment (if applicable according to local legislation) and (ii) its percentage of use by the project. For accessory equipment, the full purchase price is eligible if used solely for the purpose of the project and depreciable within the eligible period.

##### *Investment equipment*

No depreciation applies to costs related to investment equipment: its full purchase price is eligible.

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

- Equipment and depreciation are eligible if it is not covered by the office and administration costs (e.g. the IT system of the Partner is covered by the cost category 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 Project Partners that are subject to public procurement law.

- 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, installation, maintenance or reparation of the equipment are eligible.
- Costs of equipment which are purchased, rented or leased from another Project Partner are not eligible.
- Investment equipment must comply with the investment ownership and durability principles applying to productive investments (see Chapter 7.5.5 “Ownership and durability”).

#### **Audit trail**

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

- (i) Evidence that the procurement was done in line with the applicable procurement rules.
- (ii) Invoice providing all relevant information in line with the applicable accountancy rules.
- (iii) Proof of payment.
- (iv) Accessory equipment: applicable calculation scheme for depreciation.
- (v) Investment equipment: contract laying down the investment to be provided, with clear reference to the project.

## **7.2.6 INFRASTRUCTURE AND CONSTRUCTION WORKS**

The infrastructure and construction works cost category covers costs related to investments in infrastructure that do not fall into the scope of other cost categories. This includes costs for:

- Purchase/provision of land (limited to maximum 10% of the total project budget).
- Purchase/provision of real estate.
- Site preparation.
- Building permits.
- Building materials.

- Delivery.
- Handling.
- Installation.
- Renovation.
- Specialised interventions (e.g. soil remediation, mine-clearing).
- Other costs necessary to the implementation of construction works.

A Project Partner can report full costs of infrastructure and works that are implemented within the project. Infrastructure and construction works are eligible on a real cost basis only if crucial for the achievement of the project's outputs and results.

The following principles have to be obeyed:

- All costs are subject to applicable EU, EUI, national and internal procurement rules. The Project 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 cost category insofar as it is fully justified as part of the project's activities (no depreciation applied).
- Infrastructure and construction works have to comply with the investment ownership and durability principles applying to investments in infrastructure (see Chapter 7.5.5 "Ownership and durability").



### Audit trail

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

- (i) Evidence of compliance with the applicable EU, EUI, national and internal procurement rules.
- (ii) Documents pertaining to the work may be required such as feasibility studies, environmental impact assessment and planning permission.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) Proof of payment.

## 7.3 INELIGIBLE EXPENDITURE

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

- VAT unless it is genuinely and definitely borne by the Project Partner.
- Interests on debts.
- Costs related to fluctuation of foreign exchange rate.
- Fines, financial penalties and expenditure on legal disputes and litigation.

- 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 EUI rules on communication.
- Gifts (except promotional giveaways).
- Tips.
- Fees between Project Partners of the same project for services, supplies and work carried out within the project.

## 7.4 ELIGIBILITY PERIOD

Any **expenditure must be incurred/actions constituting the basis for reimbursement based on simplified cost options must be carried out during the eligible period** (see also section 1.7 “Project Phases” for more details regarding the project phases).

**The eligibility period for project expenditures corresponds to the project implementation period.** Costs of the project activities, to be eligible, must be incurred, and for the simplified cost option, the activities constituting the basis for reimbursement must have been carried out, between the project implementation start date and the project implementation end date and paid before the submission of the second Financial Claim to the FLC for validation. It is to be noted that **the eligibility of expenditures related to Thematic Work Packages ends with the end date of the Thematic Work Packages.** Any expenditure related to Thematic Work Packages incurred after the Thematic Work Packages end date will not be deemed eligible, even though the implementation period is still ongoing. In the 6 months-period between the end date of Thematic Work Packages and the end date of the Implementation phase, only expenditures incurred regarding “horizontal” Work Packages (Management, Monitoring & Evaluation, Communication & Capitalization) and Transfer Work Package will be deemed eligible.

**The other project phases are automatically covered with dedicated lump sums** according to the following conditions:

- **Project Preparation.** For the preparation activities, EUI-IA grants a lump sum of EUR 25 000 total eligible costs (corresponding to maximum EUR 20 000 ERDF) provided the project is approved. Consequently, costs incurred during the preparation phase can never be claimed on a real cost 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 Project Partners in proportion to their involvement in the preparation of the project. No further documentation is necessary. Project Partners do not need to document that the expenditure has been incurred and paid, or that the lump sum corresponds to the reality. In case a project does not enter or conclude the Initiation Phase, only the lump sum for project preparation is paid to the project.

- **Project Initiation Phase.** This phase is covered by a dedicated lump sum of EUR 75 000 total eligible costs (corresponding to maximum EUR 60 000 ERDF) provided that this phase is completed (and even if the phase is not successfully completed; e.g. failure to comply with readiness checks – see Chapter 4.2. Project readiness check). The lump sum is paid regardless the project starts or not the Implementation phase. Only in case a project does not complete the Initiation Phase (ex. project drops out), no lump sum is paid.
- **Administrative Closure.** After the Implementation phase, the project has 1 month to submit the final Annual Progress Report, and 3 months to submit final (second) Financial Claim and Final Qualitative Report. Similarly, to the Preparation and Initiation Phase, the Administrative Closure 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 EUI Authorities, EUR 20 000 total eligible costs (corresponding to a maximum of EUR 16 000 ERDF) are granted to the MUA which can share it amongst the Project Partners in proportion to their involvement. No further documentation is necessary. Project Partners do not need to document that the expenditure has been incurred and paid, or that the lump sum corresponds to the reality.

## 7.5 OTHER EUROPEAN URBAN INITIATIVE – INNOVATIVE ACTIONS ELIGIBILITY RULES

### 7.5.1 USE OF THE EURO AND EXCHANGE RATES

All financial budgeting, reporting and project follow-up will be in euro. This means that expenditure must be budgeted in the Application Form and reported to the Permanent Secretariat in euro, and that all ERDF payments will be made in euro.

Project Partners located outside the euro zone will report expenditures in their national currency, which will be automatically converted into euro by the EEP upon submission of the claim, based on the exchange rate of the European Commission applicable in the month the documents are submitted to the FLC for verification on the EEP.

reporting expenditures – <u>Project Partner located outside the euro zone</u>	
expenditure incurred in	exchange rate to apply
euro	No conversion. The expenditure is already in euro.
other currency	<p><a href="#">Exchange rate of the Commission</a><sup>43</sup> in the month during which the claim was first electronically submitted to the FLC.</p> <p>Note that the exchange rate must only be applied for the expenditure actually incurred by the Project Partners. If the expenditure in a currency other than euro was firstly paid by the employee and then reimbursed by the Project Partner, the conversion rate will apply to the amount finally paid by the Project Partner.</p>

For Project Partners located inside the Euro zone and incurring expenditure in another currency than euro, these expenditures must be reported in that currency, which will be automatically converted into euro by the EEP upon submission of the claim, based on the exchange rate of the European Commission applicable in the month the documents are submitted to the FLC for verification on the EEP.

reporting expenditures – <u>Project Partner located inside the euro zone</u>	
expenditure incurred in	exchange rate to apply
euro	No conversion. The expenditure is already in euro.
other currency	Institutional (internal) rules, if applicable.

<sup>43</sup> [http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/infoeuro/infoeuro\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm).

## 7.5.2 REVENUES

Any potential revenues or net revenues generated by project activities do not have to be deducted from the project budget, as long as they are used to cover the operation and/or maintenance costs of project investments and contributing to the financial self-sustainability of the proposed innovative solutions, the continuation and/or scaling -up of activities beyond the project lifespan.

## 7.5.3 PROJECT PARTNER CONTRIBUTION

As stated in the funding principles, the EUI-IA projects follow the “total costs” principle: a project is co-financed by the ERDF up to 80% of the total eligible costs, and each Project Partner (MUA or AUA, Delivery Partner and Transfer Partner) receiving ERDF must secure a financial contribution to complete its budget up to the contribution target (20% of the Partner eligible costs at least).

Project Partner contributions to a project can be secured with:

- **Public or private** resources (but in any case, not from another EU funding source).
- Project **Partner’s own resources or external resources** (i.e. covered with resources from an entity external to the Partnership, or from another Project Partner<sup>44</sup>). The source of the contribution must be clearly stated in the Project Partner’s contribution section of the Application Form.
- **Cash or in-kind:**
  - Contributions in cash refer to contributions paid to the project by the Project Partners. In that respect, own Project Partner staff costs provided to projects must be considered as in cash contribution (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, and for which no cash payment supported by invoices or documents of equivalent probative value has been made.

### In-kind contributions

Eligible in-kind contribution can be goods, staff (volunteers only), land and real estate, equipment, studies, services or rents under the framework of the EUI-IA. They must be necessary to carry out the tasks and achieve the project objectives agreed by the Project Partners.

In-kind contributions may be eligible provided specific conditions are met:

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<sup>44</sup> For instance, the MUA (or any other Project Partner) can cover part or the full amount of the contribution of another Project Partner with less financial capacity.

- 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.
- They comply with the applicable EU rules and do not contravene national rules.
- 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/person.
- Contributions were not previously paid for or co-financed by EU funds.
- The provision of land as contribution is limited to 10% of the total project budget<sup>45</sup>.
- The provision of staff as contribution for volunteering work is defined as work carried out for the benefit of the project without receiving any financial compensation for it (i.e. cannot be part of the paid assignments of the volunteers, cannot be assigned to employees receiving remuneration from a project partner or any other organisation, cannot be covered by scholarship fees...). Additionally, unpaid work should have a specific purpose contributing to the content of the project activities and should be limited to a certain time period. Unpaid workers must have the following documentation available: a signed agreement between the volunteer and the organisation specifying the duration and conditions of the unpaid work; signed time sheets indicating the time spent by the volunteer on the project. Project Partners can report cost of unpaid voluntary work only up to the level of their own contribution.
- In-kind contributions are eligible only if they are included in the approved Application Form.

**In-kind contribution must be reflected in two different sections of the Application Form: the Partner Contribution section and the project budget in the Work Plan<sup>46</sup>** as they are considered as Project Partner expenditure. In-kind contribution can be budgeted and declared in the following cost categories:

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

When reported, in-kind contribution shall be validated by the project designated FLC like any other project expenditure. The Project 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

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<sup>45</sup> Regulation (EU) 2021/1060, Article 64 (b).

<sup>46</sup> For instance: a derelict building valued at EUR 100,000 is “given” to a project as in-kind contribution by Project Partner X to be refurbished and used for project activities. The Application Form should show EUR 100,000 as in-kind contribution of Project Partner X in the Partner contribution section and budgeted in the relevant Work Package budget.

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.

#### 7.5.4 BUDGET FLEXIBILITY

In order to leave some flexibility in the way the project budget estimated in the Application Form is actually spent during the project lifetime, projects are allowed to:

- Carry out, within the limit of 25%, any modification of the budget of any Work Packages at project level and reallocation to (an)other Work Packages(s) without the prior approval of the Permanent Secretariat.
- **Overspend by a maximum of 25% or EUR 25 000** (whichever is more favourable to the project) **the budget of any Project Partner or cost categories at project level, without prior approval of the Permanent Secretariat.** In case an overspending of more than 25% is foreseen for any Project Partner or cost category at project level, then a duly justified request must be submitted for prior approval to the Permanent Secretariat (see Chapter 6.2 “Project changes”).

No underspending level (including by more than 25%) require any approval of the Permanent Secretariat.

In any case, **the originally approved ERDF funding cannot be exceeded.**

#### 7.5.5 OWNERSHIP AND DURABILITY

To ensure the sustainability of the project investments after the end of the EUI-IA project and to avoid the ERDF grant producing any undue advantage, specific rules on ownership and durability must be observed for each investment in infrastructure or productive investment<sup>47</sup> co-financed from the project. This rule applies to both project infrastructures and works and project investments equipment.

##### Ownership

Only Project Partners can become owners of the project investments. Ownership of outputs having the character of investments in infrastructure or productive investments realised within the project **must remain within the Project Partnership and the related Project Partners** for at least 5 years following the final payment to the MUA.

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<sup>47</sup> A productive investment should be understood as investment in fixed capital or immaterial assets of enterprises, with a view to producing goods and services and thereby contributing to gross capital formation and employment.

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, Project Partnerships might have good reasons to protect their project deliverables and outputs. These cases must be included in Section G of the Application Form "Risk management", and Projects Partners should make use of the Partnership Agreement to make the necessary provisions for questions on ownership and Intellectual Property Rights<sup>48</sup>.

## Durability

All investment in infrastructure or productive investment co-financed from the project budget must remain operational and continue to serve their purpose for a certain period to ensure the project durability. Within the 5 years of the final payment to the project, any substantial modifications occurring in the form of any of the following situations, would result in a violation of rules concerning durability<sup>49</sup>:

- a cessation of operation;
- a transfer of a productive activity outside the NUTS level 2 region in which it received support;
- a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
- a substantial change affecting the nature, objectives, or implementation conditions of the investment which would result in the undermining of its original objective.

Likewise, if project investments are unfinished at the end date of the Thematic Work Packages in a way that would prevent the project achieving its original objectives and investments durability and sustainability, the MUA is responsible for completing them at own costs, between the end date of the Thematic Work Packages and the end of the project Closure Phase. Should the investments not be completed after this acceptable timeframe, the Entrusted Entity may recover all or part of the unduly paid ERDF support. Durability and sustainability are considered undermined whenever the non-completion of an investment prevents it to be used and/ or used for the purpose foreseen in the Application Form.

The MUA and Project Partners must inform the Permanent Secretariat / Entrusted Entity where any of the above conditions on ownership and durability are not met within the 5 years period of the final payment to the project. Where the Project Partner does not comply with the above requirements, the Permanent Secretariat will request recovery of unduly paid ERDF subsidies (see Chapter 7.7 "Recovery of European Regional Development Funds"). For the calculation of the irregular amount the Permanent Secretariat considers the total co-financing provided for the investment, the period during which the investment was used in line with the Initiative rules and the period in which it did not comply. The periods of compliance and noncompliance will be set in proportion to establish the financial irregularity

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<sup>48</sup> For more information about IPR, applicants can consult the EU IPR helpdesk: [www.iprhelpdesk.eu](http://www.iprhelpdesk.eu)

<sup>49</sup> Regulation (EU) 2021/1060, Article 65(1)



and the repayment amount. Likewise, should there be no information for the non-completion of the unfinished investments or due justification mitigating the impact on project durability, unduly paid sums may also be recovered by the EUI.

## 7.5.6 PROCUREMENT

### 7.5.6.1 PUBLIC PROCUREMENT

Project Partners who fulfil the definition of a contracting authority according to the relevant national procurement legislation must 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. EUI-IA projects must obey the applicable public procurement rules. Thus, any purchase of goods, services, or public works for the implementation of a EUI-IA project must be carried out in line with the relevant public procurement rules.

Project Partners must follow the requirements for procurement set in EU rules, national legislation and EUI-IA rules. The procurement rules apply to the project expenditures reported under real cost:

- External expertise and service costs.
- Equipment.
- Infrastructure and works.

Please note that costs covered by the simplified cost options (lump sum, flat rate or standard unit cost for staff) might be also subject to public procurement rules due to national legislation or internal rules.

Public procurement rules foresee different kinds of procurement procedures. In general, the higher the value of a contract to be awarded, the stricter the procurement rules that must be complied with. Notably, the value of the contract determines the range of the publicity required for the respective procurement, either an EU wide tender or a national level tender.

The EU has set up minimum requirements for public procurement<sup>50</sup>. Considering the nature of the activities performed in EUI-IA 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>50</sup> For more information about EU Commission rules concerning public procurements, please consult: [https://ec.europa.eu/growth/single-market/public-procurement\\_en](https://ec.europa.eu/growth/single-market/public-procurement_en)

- 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<sup>51</sup>:

type of contractor	nature of procurement	estimated value
central government authorities (e.g. ministries)	public contracts for services and supply	≤ EUR 140 000
	public contracts for works	≤ EUR 5 382 000
sub-central contracting authorities (e.g. cities)	public contracts for services and supply	≤ EUR 215 000
	public contracts for works	≤ EUR 5 382 000

For contracts with an estimated value below these EU thresholds, Project Partners must respect the principles of the Treaty if their contract presents a certain cross-border interest. In other cases, they apply a corresponding national (regional, local, or institutional) procedure. In case stricter rules are applicable according to any of these regulatory frameworks, the strictest of the applicable procurement rules applies.

The procurement process requires thorough documentation for audit trail purposes and transparency of the decision-making process, as well as equal treatment of all potential contractors. The adherence to public procurement procedures must be well documented, even for procurement contracts pre-existing the EUI-IA project and used for the project activities. Documents such as public procurement notes, evaluation process, terms of reference, offers, order forms and contracts must be available for financial control and audit purposes. It should be noted that even below the EU thresholds, the fundamental principles of public procurement still apply: transparency, effective competition, non-discrimination and equal treatment. 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 research, 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. Therefore, it is recommended that, even where direct awarding is allowed, Project Partners still request offers

<sup>51</sup> As European procurement thresholds are updated on a regular basis, please always make sure the values referred to in the Guidance are still applicable at the time of your procurement procedure: [https://ec.europa.eu/growth/single-market/public-procurement/legal-rules-and-implementation/thresholds\\_en](https://ec.europa.eu/growth/single-market/public-procurement/legal-rules-and-implementation/thresholds_en)

from different providers or provide evidence of adequate market search before selecting one provider to ensure an adequate level of transparency and of economical use of public funds.

### **In-house contracting**

The in-house contracting is the contractual relationships established between a public authority willing to purchase services/goods/works and a provider (legal person governed by private or public law) which is fully owned and/or under the control of this authority (administrative control, control in terms of the activities performed and financial control). This control may be exercised directly by a single contracting authority or jointly with other contracting authorities.

These contracts fall outside the scope of public procurement<sup>52</sup> if all 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).
- There is no private ownership involved.

Before recurring to any exemption to public procurement rules, Project Partners should assess carefully whether the contractual relationships they intend to enter fulfil the stringent conditions set by public procurement rules. FLC will check whether the requirements for in-house contracting have been fulfilled. In-house contracting can be eligible under condition that the related requirements set up also at national level are fulfilled. In-house should be limited to 50% of the budget of the concerned Project Partner and must be reported on a real cost basis. Public procurement rules foresee very limited and well-defined exceptions, among which the in-house contracting.

### **7.5.6.2 MARKET RESEARCH**

Project Partners who 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, considering the EUI-IA projects are co-financed with public funds, and in order to demonstrate these funds are used in compliance with the principles of efficiency, economy and effectiveness, they must observe the basic principles of transparency, non-discrimination and equal treatment by complying with a specific requirement of market research.

When purchasing works, supplies or services, these Project Partners must ensure adequate market research by asking for at least 3 comparative offers, or presenting at least 3 internet quotes or prices

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<sup>52</sup> Article 12 Directive (EU) No 2014/24/EU.

for any contracts with a value higher than EUR 10 000 excluding VAT, and ensure thorough documentation for audit trail purposes and transparency of the decision-making process. In case the Project Partner must comply with other stricter rules (e.g. national, internal rules), these stricter rules apply.

In exceptional and duly justified cases, an exception to this market research principle can be accepted whenever the non-contracting Authority Project Partner can demonstrate an existing long-standing, reliable and cost-efficient relation with a specific provider. In that case, the audit trail should include a solid justification for the choice of the provider.

### 7.5.6.3 MOST COMMON PROCUREMENT ERRORS

Public procurement law is a complex matter and many findings during financial controls in European structural and investment financed projects are related to procurement errors. Therefore, it is important that Project Partners are well aware of the public procurement rules which are applicable to them at all levels and act accordingly, paying special attention to avoid procurement errors. In case of doubts, Project Partners should contact the Permanent Secretariat or seek legal advice (from their legal department or external procurement experts).

The most common errors in European structural and investment 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.

## 7.5.6.4 ENFORCEMENT OF PROCUREMENT RULES

For each Project Partner, the FLC checks inter alia if the applicable procurement rules have been respected. Therefore, Project Partners must ensure that any procurement procedure is orderly carried out and documented. Failure to comply with the procurement requirements or to provide documentary proof of compliance with European, national, local and internal public procurement rules will lead to financial consequences.

If a procurement error is detected, the European Commission guidelines<sup>53</sup> will serve as a reference for determining possible financial corrections.

## 7.5.7 STATE AID

### 7.5.7.1 WHAT IS STATE AID?

According to Article 107 of the Treaty on the functioning of the European Union, 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 is liable to distort competition and affect 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<sup>54</sup>.

A State aid risk is recognized whenever the 5 following conditions are met:

- **The measure is granted to an undertaking:** 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 (they can be public bodies, non-governmental organisations or universities, as well as private firms). 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.
- **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

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<sup>53</sup> Commission’s Decision No C (2019) 3452 of 14.05.2019

<sup>54</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).

“general 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.

- **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.
- **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).
- **Effect on competition and trade:**
  - Distortion of competition: A measure granted by the State is considered to distort or threaten to distort competition when it is liable to improve the competitive position of the recipient or even to maintain a stronger competitive position compared to other undertakings with which it competes. This is generally found to exist when the State grants a financial advantage to an undertaking in a liberalised sector where there is, or could be, competition. The fact that the authorities assign a public service to an in-house provider does not as such exclude a possible distortion of competition.
  - Effect on trade: Public support to undertakings constitutes State aid insofar as it affects trade between Member States or is liable to affect such trade. This happens where State financial aid strengthens the position of an undertaking as compared with other undertakings competing in intra-Union trade. A measure may be considered to have a purely local impact and consequently no effect on trade between Member States, when the beneficiary supplies goods or services to a limited area within a Member State and is unlikely to attract customers from other Member States, and that it cannot be foreseen that the measure would have more than a marginal effect on the conditions of cross border investments or establishment.

Care should be taken to ensure that funding of EUI-IA projects neither distorts competition nor leads to market interference without sufficient cause. In order to maintain a level playing field for all undertakings active in the internal market, **EUI-IA projects involving economic activities (i.e. offering goods or services on the market) must be designed in accordance with State aid rules** so as to ensure

the effectiveness of public spending and prevent market distortions. At the time of project submission, the MUA will need to ensure that the project has been designed so as to comply with State aid rules at all levels, including to third parties (undertakings not included as Project Partners in the Project Partnership that receive an advantage through the project's activities that they would not otherwise have received under normal market conditions). State aid compliance will be assessed on the basis of the activities to be undertaken Project Partners as described in the submitted Application Form.

### 7.5.7.2 HOW TO COMPLY?

Considering the nature of the EUI-IA projects, two criteria (selectivity and undue advantage) are deemed automatically met. Therefore, the **EUI-IA State aid risk analysis focuses on the 3 other criteria:**

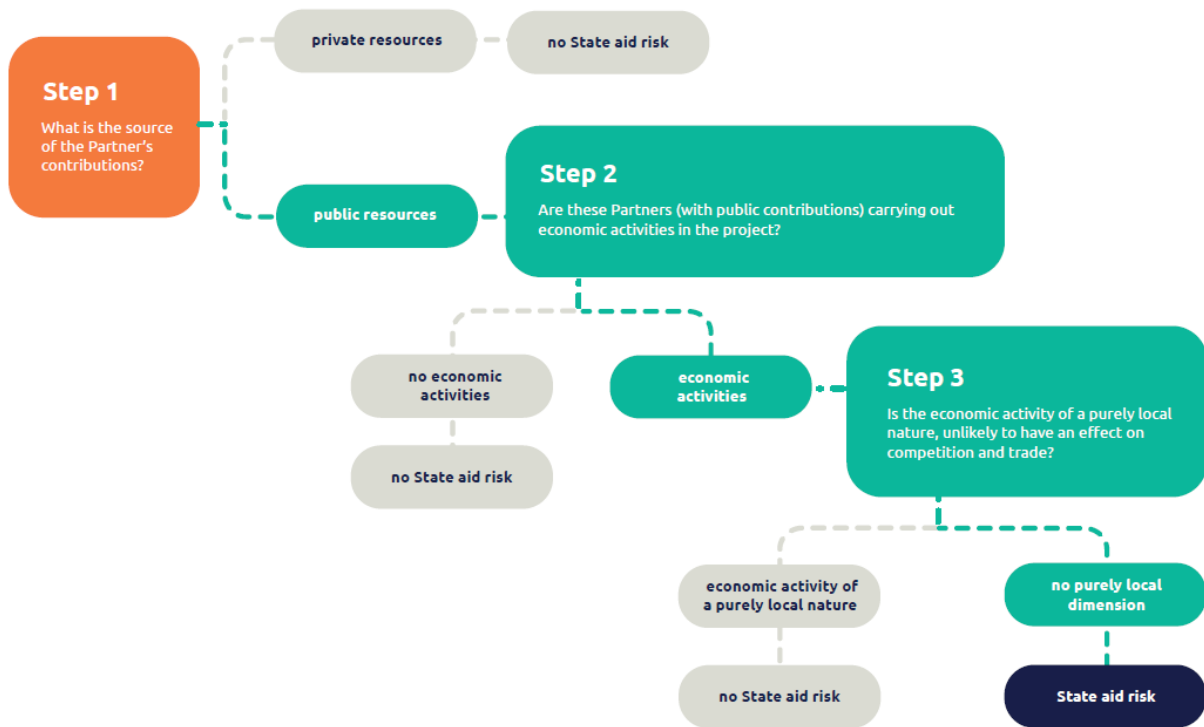
- **State resources;**
- **Economic activities;**
- **Effect on trade and competition.**

EUI-IA is a centrally managed EU instrument, implemented through indirect management via an Entrusted Entity, the Région Hauts-de-France. The European Union budget finances the EUI-IA projects by the ERDF (up to 80% of the project's costs). These resources are not under the control of Member States but of the Commission and Entrusted entity. Consequently, **the ERDF received by the Project Partner is not concerned by the State aid rules and is immune from State aid risk.**

The Project Partner contribution (at least 20% of the project budget secured by the Project Partners) is covered by Project Partners' private or public contributions. Therefore, **only the contributions secured by each Project Partners as co-financing of EUI-IA projects may enter the scope of State aid rules, as far as public funding is involved and when conditions referred to in section 7.5.8.1 are met.**

The scheme below (Figure 9) can be used to carry out a State aid self-assessment risk at Project Partner level:

Figure 9. State aid self-assessment scheme



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:

- Eliminate the State aid element 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)<sup>55</sup>.
- Receive compatible and exempted from prior notification State aid by complying with the General Block Exemption Regulation<sup>56</sup>.
- Receive compatible State aid based on the State aid regime applicable to service of general economic interest (SGEI)<sup>57</sup>, if the project implanter has been entrusted with a genuine SGEI. In that case, the applicant would notably need to demonstrate the definition and entrustment of an SGEI, that the parameters of compensation have been established ex ante in a transparent manner and that the amount of compensation does not exceed the costs for the provision of the

<sup>55</sup> Commission Regulation (EU) No 1407/2013.

<sup>56</sup> Commission Regulation (EU) No 651/2014.

<sup>57</sup> Commission Decision 2012/21/EU.



SGEI and a reasonable profit, as well as a claw back mechanism ensuring the absence of overcompensation.

- Receive compatible State aid based on a Commission decision, approving a scheme, individual or an ad hoc aid, previously notified by a Member State.
- Informally contact the National Competition Authority for advice or the European Commission (DG Competition), via pre-notification or submit an official notification to the European Commission (DG Competition)<sup>58</sup>.

## 7.6 RETENTION OF DOCUMENTS

It should be noted that **all supporting documents (such as invoices, public procurement files, contracts, etc.) shall be made available at least until 31<sup>st</sup> December 2035** (corresponding to 5 years from the end date of the EUI). Other possibly longer statutory retention periods remain unaffected, as might be stated by national law, or in any case until any on-going audit, verification, appeal, litigation or pursuit of claim or investigation by the European Anti- Fraud Office (OLAF) are completed. 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.

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<sup>58</sup> [http://ec.europa.eu/competition/contacts/stateaid\\_mail.html](http://ec.europa.eu/competition/contacts/stateaid_mail.html).

## 7.7 RECOVERY OF EUROPEAN REGIONAL DEVELOPMENT FUNDS

Financial recovery of ERDF may occur:

- after controls by SLC, European Commission (European Court of Auditors - ECA, European Anti-Fraud Office - OLAF) or other relevant authorities (ex.: Entrusted Entity, Accounting Authority...),
- in case total eligible costs is below 80% after validation of the FC2 by FLC.

For ongoing and completed<sup>59</sup> projects, the unduly paid ERDF amounts will be deducted from the amount of the 3<sup>rd</sup> ERDF payment. For closed projects<sup>60</sup>, the MUA will pay back the ineligible or undue ERDF amounts to the EUI.

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<sup>59</sup> Projects that have ended their implementation period.

<sup>60</sup> Projects that have ended all project activities and received full due ERDF payment, including 3<sup>rd</sup> payment and closure lump sum.

# 8 PROJECT COMMUNICATION AND CAPITALISATION

Effective communication must be an important part of the EUI-IA projects and should be seen as one of the key factors of a project's successes and positive impact on its target audience and the broader EU community of Cohesion Policy stakeholders. Communication must be treated as an integral part of the project, a strategic project tool actively contributing to the project objectives. It brings together all members of a Project Partnership around common goals and will:

- make target groups, including the wider group of stakeholders (citizens, social and economic stakeholders) and other EU cities as well as the relevant managing authorities from Cohesion Policy programmes, aware of the EUI-IA project,
- help them to participate in the project, and
- 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, communication and capitalisation activities through the Work Package Communication and Capitalisation of the Application Form. For all related activities, Project Partners are encouraged to adopt a carbon-neutral based approach for example by limiting the production of promotional material.

## 8.1 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 and time, a common brand identity has been developed by EUI. The project is required to use the EUI visual identity (template and branding guidelines provided by EUI) together with a project logo (not mandatory to develop). Projects may also develop their own brand and identity for the solution they develop as long as it is clearly justified in the Application Form. However, while a project may develop its own brand and identity, it must, at all times, use and give visibility to EUI's visual identity in its promotional material.

## 8.2 PROJECT ACTIVITIES AND DELIVERABLES – WORK PACKAGE COMMUNICATION AND CAPITALISATION

The Work Package Communication and Capitalisation defines a set of the following mandatory activities and deliverables (see section 2.2.5 “Work Package Communication and Capitalisation” for additional information):

### Activity A.4.1. “Kick off Communication activities”

This activity allows to set the basis of communication activities for the entire implementation of the project. It includes the development of a communication strategy and the organisation of a kick-off event or meeting.

**Communication Strategy:** it defines the project’s communication objectives, the target groups, what message(s) it intends to promote, and the type of strategic approach that should be adopted accordingly. The communication strategy includes the following elements:

- **Objectives:** communication objectives must be goal-driven and help to deliver specific project objectives. They should be clear, brief, and concise. 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” are more effective. Project communication should also target the general public and a wider group of stakeholders (citizens, social and economic stakeholders) given that they are sufficiently defined as well. Communication shall be undertaken in the local language.
- **Activities:** what is the most efficient way to reach and communicate with and to 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 defined in the application phase. For instance, if the project chooses to contract external experts, it should be reflected in the “External Expertise and services” cost category.
- **Evaluation:** it is important to put in place tools and key performance indicators to measure the efficiency and effectiveness of the communication activities. They should be described during the elaboration of the communication strategy.

**Communication event/meeting:** it can be a kick-off event, bringing together the local partnership, local politicians, elected members, Commission’s representatives, Managing authorities representatives, and

the Permanent Secretariat staff, or any other activities relevant to the start of the project's implementation activities.

#### **Activity A.4.2 "Promotional and informational activities"**

This activity includes the set-up and delivery of digital communications (newsletters and social media accounts), the production of promotional materials and publications explaining the objectives of the projects (it can be a news article, poster, infographics, a video, etc.) during the project's lifetime and can consist of the following deliverables:

**Communication materials about project activities** can take the following form:

- Publications: printed or web publications must make clear reference to the financial support from the European Union.
- Digital activities (web and social media): EUI is present on social media (Twitter, LinkedIn, Instagram, Facebook, YouTube) and projects are highly encouraged to create their own account. For social media promotion, projects and their Partners are encouraged to use the given hashtags by the Permanent Secretariat.
- Public events dedicated to well-defined target groups.
- Promotional materials: EUI-IA 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 Permanent Secretariat and shall not exceed EUR 50 per gift. All promotional material should include a carbon-neutral based approach as much as possible.

**Media relations**: the EUI encourages projects to produce a press kit, with press releases, photos, fact sheets, identify and regularly inform key media at the local, regional and national levels

**Third-party events**: it is highly recommended to network and communicate on the EUI-IA project at relevant events at local, national and European level in order to raise awareness on project results and outputs, promote the innovative solutions presented to a broader audience for potential transfer, and increase possibilities for the project to seek and/or receive funding for post-implementation stages.

**Project page on the European Urban Initiative website**: In order to ensure accessibility, durability and consistency of the information, each EUI-IA project will have its own dedicated page on the EUI website. It is mandatory for the project manager to provide requested project information including good quality photos to the Permanent Secretariat abiding by the deadline communicated as it will serve as the main presentation of the selected project on the EUI website.

The project page will provide key information such as the purpose of the project, specific objectives, location of the project, relevance to the EU Cohesion policy objectives, expected results and actual achievements. At a higher stage, the project page will serve to showcase the key lessons learnt and knowledge important for the cities interested in replicating tested innovative solution. **Following the**

**Permanent Secretariat's requirement, it is mandatory for projects to provide regular news and updates on the project only in English.**

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

#### **Activity A.4.3 Capitalisation and dissemination activity:**

The codification of the practices implemented by the EUI-IA cities is an essential step to facilitate the transfer and the re-use of good practices by other urban authorities. Capitalisation activities (capturing/analysing/explaining the knowledge generated in the form of reports, case studies, policy recommendations and disseminating it) represent one of the key mechanisms used to facilitate the transfer, resulting mainly in increase in knowledge and capacities. Facilitating an effective process of knowledge transfer and creating the environment and opportunities for capturing, sharing and upscaling EUI-IA experiences, inspiring the use of Cohesion policy funds in urban areas, capacity building on innovation for all EU cities are strategic objectives for EUI.

This activity includes the participation and contribution to the activities organised by EUI (thematic policy-labs, capacity-building activities, etc.), and can be enlarged to the project's own capitalisation and dissemination activities such as participation to thematic conferences, creating synergies with other projects and initiatives, etc.

#### **Activity A.4.4 Final closing and dissemination activity:**

The final closing and dissemination activity of a project can be an event (e.g. an inauguration with officials and the press on a local level targeting a broader audience), an exhibition, a publication, or any other closing activity relevant for the project in order to mark the end of the implementation stage under the EUI-IA project framework. The aim is to showcase the main results and achievements of the project. For an event, representatives of the Permanent Secretariat, the European Commission as well as the relevant Managing authorities should be invited to explore the sustainability, upscaling and/or mainstreaming within Cohesion policy prospects of the project.

## **8.3 EUROPEAN LAW REQUIREMENTS REGARDING EUROPEAN UNION FUNDS AND VISIBILITY**

**Projects are co-financed by public funds and must consequently acknowledge their funding source.** Article 50 of the Regulation 2021/1060 of the European Parliament and of the Council of 24 June 2021 lays down beneficiaries' obligations regarding information and communication measures for the public:

- Projects must provide information on the project on their official website and social media channels. They should provide a short description of the project, its aim and result, and highlight the ERDF support from the EU.
- Partners must display the EU emblem and reference to the ERDF on all information and communication provided by the project in a visible manner. This also implies displaying the EU flag at events organised by the project. Make sure to insert the following sentence on each communication material: “Funded by the European Union” or “Co-funded by the European Union”.
- A project poster with information about the project (minimum size A3), including the financial support from the ERDF, at a location readily visible to the public of each project partner.
- Branding for infrastructure and construction sites: for all projects with a public contribution of more than EUR 500 000 (i.e. funds from European Urban Initiative – Innovative Actions or any other public sources), a durable plaque or billboard of clearly visible to the public, that present the emblem of the EU. Please note, that for ongoing infrastructure works a temporary billboard/ plaque is obligatory.

Please note that non-compliance with the above rules may lead to financial corrections on the ERDF funding.

The following materials and templates are available on the EUI website:

- European Urban Initiative Visual Identity.
- European Urban Initiative Brand book.
- Templates: (i) PowerPoint and Word, (ii) project poster, (iii) letter paper, (iv) publication layout, (v) permanent plaque, (vi) banner stand.

## 9 GLOSSARY

term	definition
<b>Activity</b>	<p>Specific task/stage of the project delivery for which resources are used. Each activity shall result in at least one deliverable and/or an output. The planned activities should be necessary and sufficient to achieve the project's objectives and expected results. 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.</p>
<b>Application Form</b>	<p>Binding document which describes the project (its objectives, results, outputs, Partnership, budget, etc.) and gives detailed information on the Work Plan and financial figures. The Application Form has to be submitted during the application process and is assessed by the panel of External Experts and the Permanent Secretariat, in order to select the projects to be funded. Once the project is approved, the Application Form 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 EUI-IA project modification rules and procedures.</p>
<b>Association (or grouping) of Urban Authorities</b>	<p>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 EUI-IA).</p>
<b>Associated Urban Authority</b>	<p>Urban authority involved in the EUI-IA project along with a Main Urban Authority in the framework of an association/grouping of urban authorities without a legal status of organised agglomeration. An Associated Urban Authority is not the main responsible organisation of the overall project implementation (the overall responsibility stays with the Main Urban Authority) but is responsible for the implementation of specific activities and the production of the related deliverables/outputs. It has a share of the budget and reports the costs incurred for the delivery of the activities.</p>
<b>Audit trail</b>	<p>Set of evidence documenting that expenditure claimed by the project fulfils the eligibility criteria set out in the Guidance. An adequate audit trail ensures that the accounting records and the supporting documents held at the level of the</p>



	Main Urban Authority and its Project Partners and at EUI level are adequate to trace expenditures.
<b>Beneficiary</b>	Name given in the EU regulations to the Project Partners (Main Urban Authorities, Associated Urban Authorities, Delivery Partners and Transfer Partners) which receive ERDF co-financing for the implementation of project activities.
<b>Cost categories</b>	A set of cost centres that facilitates reporting on expenditure. Each cost item can be allocated to one cost category 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>City</b>	Local administrative unit (LAU) where at least 50 % of the population lives in one or more urban centres. 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 Application Form is completed. It has to be printed, signed by a legal representative of the Main 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 all the Project 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 EUI-IA 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 Project Partner until they are discharged or paid. Incurred costs may include both direct and indirect costs.
<b>Contribution Agreement</b>	Agreement signed between the European Commission and the Entrusted Entity defining the entrusted tasks, the rules applicable to their implementation and the rights and obligations of the parties in their implementation.
<b>Deliverable</b>	Tangible or intangible object delivered during project activities. It's an intermediary step in the delivery of a project output and usually, one or more deliverables are needed to produce an output.
<b>Delivery Partner</b>	Any organisation different from the Main or Associated 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>Electronic Exchange Platform (EEP)</b>	Online platform to be used by the projects to generate and submit the Application Form, Annual Progress Reports and Financial Claims.
<b>Eligibility check</b>	Checks carried out to verify that an application complies with certain eligibility criteria as defined by EUI-IA 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 ERDF funds.
<b>Eligible expenditure/costs</b>	All project expenditure that is in line with the approved Application Form and compliant with EU, EUI, 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 European Urban Initiative. In the framework of the EUI the Entrusted Entity is the Region Hauts-de-France.
<b>EUI Experts</b>	Individuals in charge of providing support and advice to approved EUI-IA projects throughout their implementation.
<b>ERDF</b>	European Regional Development Fund.
<b>ERDF co-financing</b>	The EUI-IA financial support provided to the project from ERDF. Combined with the Project Partners' contribution it forms the total project budget.

<b>First Level Control (FLC)</b>	Before submission to the Permanent Secretariat for payment, each Financial Claim must be verified and validated by an independent controller. This process is carried out by a qualified First Level Control, which is an independent company or person.
<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 Project 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>	European Urban Initiative 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 – spatial, environmental, economic, social and cultural – are interwoven and success in urban development can only be achieved through an integrated approach. For example, 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. 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. Application Form, 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 which are used to divide up the territory of the EU for the purpose of providing statistics at a local level. In the framework of the EUI-IA the Local Administrative Unit (LAU) is considered (previously defined as NUTS5). Definition

provided by Eurostat ([http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Local\\_administrative\\_unit\\_%28LAU%29](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Local_administrative_unit_%28LAU%29))

**Lump sum**

It is a single sum of money paid to the project upon completion of pre-defined terms of agreement on deliverables and/or outputs. Lump sums involve approximations of costs established based on fair, equitable and verifiable calculation methods. It is one of the simplified cost options.

**Main Urban Authority (MUA)**

The Main Urban Authority is the main entity responsible for the overall project implementation and management. It bears the entire financial and juridical responsibility vis-à-vis the Entrusted Entity.

**NUTS (code)**

The Nomenclature of territorial units for statistics, abbreviated as NUTS (from the French Nomenclature des Unités territoriales statistiques) has been created by Eurostat in order to provide a standard classification of the EU territory. It is a geographical nomenclature subdividing the territory of the EU into regions at three different levels.

**Operational assessment**

Carried out by the Permanent Secretariat against the selection criteria defined in the Guidance. The main objective of the Operational Assessment is to assess the robustness of the proposal i.e.: is it justified, realistic, consistent and coherent, complete, ready to be managed effectively and implemented swiftly and if it demonstrates value for money.

**Organised agglomeration**

Association and/or grouping of urban authorities with legal status of organised agglomeration 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.).

**Output**

Output is what has actually been produced as a result of the funding given to the project. It is a main product (in other words: end product) of the project. It directly contributes to the achievement of project result(s). It shall be realistic, specific, concrete and measurable. Each implementation Work Package should lead to the delivery of at least one output.

**Panel of External Experts**

The Panel of External Experts is in charge of the Strategic Assessment of the admissible and eligible Application Form. Set up through Calls for Proposals, 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</b>	Contract signed between all the Project Partners containing all duties and responsibilities of each Project Partner before, during and after the project implementation.
<b>Permanent Secretariat</b>	Composed by a team of experienced professionals, it serves as "one-stop-shop" for all urban authorities and stakeholders involved in the European Urban Initiative.
<b>Annual Progress Report</b>	A written document submitted by EUI-IA projects on a regular basis (reporting period), describing the activities implemented, the deliverables/outputs produced, the results achieved, the resources used, etc.
<b>Project Partner</b>	Urban Authorities (Main Urban Authority and, if relevant, Associated Urban Authorities), Delivery Partners and Transfer Partners involved in the project implementation and listed in the Partnership section of the approved Application Form.
<b>Expected Result</b>	Expected change that is to be achieved by the project. Reflect the desired mid-term change in the local situation as direct consequence of the project implementation, the immediate advantage for beneficiaries or end users and the behavioural change. They shall be as realistic, specific, concrete and measurable as possible. Expected results should correspond to specific objectives.
<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 an Annual Progress Report.
<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 (SLC)</b>	The Second Level Control 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 EUI 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 Application Form are assessed in the framework of EUI-IA including Eligibility Check, Strategic Assessment and Operational Assessment.
<b>Simplified cost options</b>	Contrary to real costs, simplified cost options modify the concept of expenditure paid by Project Partner. They involve approximations of costs and are calculated according to a pre-defined method (e.g., established by the EUI-IA 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 EUI-IA, the lump sums for project preparation, Initiation Phase and closure, and the flat rate for office and administration costs and travel and accommodation 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>	Any aid granted by a Member State or through State resources (national, regional or local) in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, offering an advantage over competitors, in so far as it affects trade between Member States. Control of State aids reflects 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 defined in the Guidance, it is meant to assess the innovativeness and relevance, partnership and co-creation, measurability of results and impact, sustainability and scaling-up, as well as project's transferability of the proposal.
<b>Subsidy Contract</b>	Grant agreement between the Entrusted Entity and the Main Urban Authority, specifying the conditions upon which the Entrusted Entity transfers the subsidy for the Project implementation to the Main Urban Authority (on behalf of all Project Partners).
<b>Town (and suburb)</b>	Areas where less than 50% of the population lives in rural grid cells and less than 50% of the population lives in urban centres. 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>Urban Authority</b>	Local administrative unit (LAU) defined according to the degree of urbanisation as city, town and suburb.
<b>Work Package</b>	Building blocks of the Work Plan, they represent the main pillars of the project and are composed of related project activities required to deliver specific components of the project and produce project outputs.
<b>Work Plan</b>	Presents the "how" of the project. It's a roadmap representing the guide for implementing the project if it gets funded. The Work Plan is a breakdown of the project into major steps called Work Packages, and Work Packages are broken down into smaller steps called activities. Activities lead to deliverables and each Work Package leads to one or more outputs.