

EUROPEAN  
U R B A N  
INITIATIVE

# European Urban Initiative – Innovative Actions Guidance

Call 4  
Driving Innovation at the Local Level



Co-funded by  
the European Union



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# LIST OF ABBREVIATIONS

APR	Annual Progress Report
AUA	Associated Urban Authorities
EC	European Commission
EDES	Early Detection and Exclusion System
ERDF	European Regional Development Fund
EU	European Union
EUI	European Urban Initiative
EUI.Connect platform	EUI's online project management platform
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

# 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. Cities are at the forefront of tackling the challenges that will determine Europe's future. They drive growth, competitiveness and innovation, while also playing a critical role in promoting sustainability and social inclusiveness. Cities advance decarbonisation and climate resilience, contribute to preparedness for future crises and disruptions, and to fostering economic, social and territorial cohesion. Today, around 75% - close to 340 million people - of the EU population lives in cities and other urban areas. The way how we develop cities and other urban areas in the EU 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. Cities 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, cities and 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 in 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 peripheral cities, 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.

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. In the 2021-2027 period, the European Commission strongly 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, are mobilising substantial investments in urban areas. A minimum 8% of the European Regional Development Fund (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 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 European Commission adopted in December 2025 an EU Agenda for Cities: Driving Growth and Prosperity, which presents the EU vision, policy approach and a set of actions for cities of all sizes for sustainable and integrated urban development. It aims to provide a framework to strengthen the territorial and urban dimension of EU policies. The EU Agenda for Cities builds on major strategic frameworks such as the Territorial Agenda 2030 and the New Leipzig Charter and is complemented by the intergovernmental cooperation on urban matters and its main tool - the Urban Agenda for the EU. 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 (EUI) – successor of the Urban Innovative Actions Initiative implemented during the 2014-2020 programming period.** This 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 Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund<sup>1</sup> (hereinafter: the ERDF/CF Regulation), and to strengthen the innovation capabilities of cities as beneficiaries or intermediary bodies in the management of these Funds.

A standard definition of innovation is provided by OECD – Oslo Manual (2018)<sup>2</sup>: “An innovation is a new or improved product or process (or combination thereof) that differs significantly from the unit’s

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<sup>1</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>2</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.org/en/publications/oslo-manual-2018\\_9789264304604-en.html](https://www.oecd.org/en/publications/oslo-manual-2018_9789264304604-en.html)

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). Moreover, some analyses emphasise the importance of locality in defining innovations – "Innovation can be either radical or incremental, and it can be based on either the generation of an original invention or the adoption and adaptation of others' innovations (Damanpour and Schneider 2008). Hence, it is not the source of innovation but the local site of implementation that determines whether something is an innovation (Roberts and King 1996)"<sup>3</sup>.

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.

In accordance with Article 154 of the Financial Regulation<sup>4</sup>, following a call for expression of interest launched in May 2021, the **European Commission has designated the Region Hauts-de-France (France)**

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<sup>3</sup> Jean Hartley, Eva Sørensen and Jacob Torfing - Collaborative Innovation: A Viable Alternative to Market Competition and Organizational Entrepreneurship: <https://www.jstor.org/stable/42003129>

<sup>4</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,

as **Entrusted Entity for the implementation of the EUI**. A Contribution Agreement was 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) was created to assist the Entrusted Entity and to ensure the day-to-day management of the EUI.

### 1.3 EUROPEAN URBAN INITIATIVE – SCOPE OF SUPPORT

The EUI proposes **capacity building** activities, offers funding for **innovative actions** in cities, provides **knowledge** and fosters **exchange of experience**, and **empowers cities** for sustainable urban development in Europe.

The Initiative has a total ERDF budget of around EUR 395 million over the programming period 2021-2027.

Figure 1. Main elements of the EUI scope of support



The present Guidance refers to the Innovative Actions pillar of the European Urban Initiative (EUI-IA).

(EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012: <https://eur-lex.europa.eu/eli/req/2018/1046/oj>

## 1.4 DRIVING INNOVATION AT THE LOCAL LEVEL

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-IA is therefore to continue support initiated by the Urban Innovative Actions Initiative by **providing urban authorities throughout Europe with space and resources to increase their innovation potential to find new answers to the interconnected and complex local challenges related to sustainable urban development.**

At the outset of EUI, it was agreed between Initiative authorities that Call 4 will follow an updated format to previous Calls. The updated EUI-IA format of support has been set to contribute to the following objectives:

1. **To support the development of innovative ideas – whether transferred from elsewhere or locally developed – in order to foster experimentation as a driver of progress in addressing sustainable urban development challenges across the EU.**
2. **To allow more cities to raise their own innovation potential and increase their capacity for implementing innovative solutions.**

The updated EUI-IA Call 4 for Proposals aims to contribute to reducing disparities between cities, in particular small and medium sized-cities, that need to improve their innovation capacities in comparison to EU innovation front-runners. The support, offered to urban authorities under the Innovative Actions pillar of the EUI, will enable them to implement **locally innovative projects**, enhancing how cities across the EU respond to key urban challenges. This should also be seen as an opportunity for urban authorities to strengthen their administrative capacity for innovation, improve local policies and operational approaches, and enhance the knowledge and skills of local government employees.

Urban authorities should seize the opportunity offered by the EUI-IA to pilot innovative approaches and working methods going further than the conventional approaches implemented in their city. The EUI-IA aims at strengthening the transformative power of EU cities to innovate and respond to current challenges for the resilient, sustainable and inclusive urban life by turning ambitious and creative ideas into practice that can be tested in real urban settings and daily municipal operations.

### What is local innovation?

**Projects should be new, bold, creative and experimental within the local context, going beyond the methods and practices usually employed by the urban authority in its day-to-day operations.**

Urban authorities may propose solutions (whether products, services, or processes) that are new to their specific context, even if such solutions have already been practiced – tested, or tested to some extent – elsewhere in the EU or beyond. This EUI-IA Call for Proposals therefore welcomes locally innovative solutions i.e. those that have **not yet been adopted locally in the given urban area** (a context specific approach).

As in previous EUI-IA Calls, the proposed innovation should be city-led, meaning relevant for the MUA as a public institution. Furthermore, the city must play a central role in the project by leading a local partnership towards achieving medium- to long-term goals defined for their urban area.

## 1.5 MAIN FEATURES OF A SUCCESSFUL INNOVATIVE SOLUTION

The new format of EUI-IA is looking for projects which are:

### ➤ **Locally innovative**

As explained above, projects should be new, bold, creative and experimental within the given local context. The proposed project must go beyond the methods and practices usually employed by the urban authority in its daily operations and should have a transformative power for local urban systems and policies. Urban authorities can propose solutions (products, services, processes) that may have been previously tested, or tested to some extent elsewhere, but not yet adopted locally (context specific approach). Urban authorities should demonstrate that the proposed project introduces a meaningful advancement over current practices and therefore considered locally innovative. Innovation in this context should be city-led, meaning relevant for the MUA as a public institution. Furthermore, the city must play a central role in the project by leading a local partnership towards achieving medium- to long-term goals defined for their urban area.

### ➤ **Of good quality**

Projects should meet key quality standards such as clear and logical interrelation between the objectives, activities and outputs, realistic ambitions, effective management structures and procedures, good value for money.

### ➤ **Place-based**

Urban authorities should make the place-based approach<sup>5</sup> the centrepiece of their project, a natural step when considering context specific innovation tailored to the particular needs and characteristics of the local environment. They should consider the specific local situation and demonstrate a clear understanding of its assets and deficits when defining the challenge(s) to be addressed and the solution proposed. In this context, the proposal should outline the relevant territorial scale of the intervention (e.g. neighbourhood level, city-wide, functional urban area),

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<sup>5</sup> Each urban area has unique social, economic, environmental and cultural contexts and experiences which shape everyday life therefore “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.” New Leipzig Charter

([https://ec.europa.eu/regional\\_policy/sources/brochure/new\\_leipzig\\_charter/new\\_leipzig\\_charter\\_en.pdf](https://ec.europa.eu/regional_policy/sources/brochure/new_leipzig_charter/new_leipzig_charter_en.pdf))

define the resources needed and determine the local actors to be involved both in the partnership and in the co-creation and/or co-production of solutions.

➤ **Participative**

Urban authorities should seek to benefit from sources of external expertise from their local innovation ecosystems essential for the successful delivery of the project, 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 appropriate and effective mechanisms of consultation, coordination and co-design.

➤ **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).

## 1.6 ELIGIBLE AUTHORITIES

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

- **First category:** Any urban authority of a Local Administrative Unit(s) defined according to the degree of urbanisation (DEGURBA) of Eurostat<sup>6</sup> as city, town or suburb (corresponding to DEGURBA code 1 or DEGURBA code 2 of Eurostat) comprising at least 25 000 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 25 000 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 – MUA, and Associated Urban Authorities – 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 25 000 inhabitants.

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<sup>6</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>7</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>8</sup>** ([https://www.urban-initiative.eu/sites/default/files/2026-01/EUI-IA\\_Call\\_4\\_Correspondence\\_table.xlsx](https://www.urban-initiative.eu/sites/default/files/2026-01/EUI-IA_Call_4_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. If more recent data is available, it may be taken into account only if it comes from a National Statistical Institute<sup>9</sup>. In this case, relevant evidence must be provided with the Application Form: (i) a link to a relevant database (section B.2 – Main Urban Authority “Comment”) and (ii) an appropriate document exported from the National Statistical Institute’s database with a clear indication of the urban authority and its population size (Part I – AF Annex). The updated population figure of the Urban Authority should be provided in the Application Form as well (section B.2 – Main Urban Authority “Number of inhabitants”). In the absence of evidence provided, evidence that does not allow for the correct identification of the urban authority and/or the indicated population figure, or a reference to other data source than respective National Statistical Institute, the Correspondence Table will remain the reference document.

During the selection procedure the Permanent Secretariat will perform its Eligibility Check exclusively on the basis of the information provided 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.

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<sup>7</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 \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg_11_3_10)
- [Glossary: Degree of urbanisation - Statistics Explained \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg_11_3_10)

<sup>8</sup> EUI-IA Correspondence table (“EUI-IA\_Correspondence\_table” file) can be downloaded from the respective Call for Proposals page on the EUI website.

<sup>9</sup> List of the European Statistical System partners (National Statistical Institutes): <https://ec.europa.eu/eurostat/web/european-statistical-system/ess-partners>

Additional detailed information on the eligibility of urban authorities is provided in the following sections.

### 1.6.1 FIRST CATEGORY

- **Municipalities/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 or 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 25 000 inhabitants.
- **Municipalities/city councils whose administrative borders include several Local Administrative Units.** This is the case for municipalities/city councils for example 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 minimum 25 000 inhabitants and if the majority (at least 51% of the inhabitants) live in Local Administrative Units 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)).
- **Municipalities/city councils/districts whose administrative borders are within a single 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) comprising at least 25 000 inhabitants.

This category notably applies for autonomous sub-division of a municipality (for instance but not limited to: districts, municipio, arrondissement, kerület, ...). The urban authority must attach to the Application Form evidence proving its population number, administrative boundaries delimitation, and confirmation that it has a status of a local government.

### 1.6.2 SECOND CATEGORY

**Organised agglomerations** where the total population is at least 25 000 inhabitants and 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 associations that are composed on a voluntary basis, for a specific purpose and/or with a limited duration are not included).
- **To be composed only by municipality/city councils** (therefore in this category associations involving other institutions such as universities, chambers of commerce, etc. are not included).

- **To have specific competences, fixed by national law, delegated by the municipalities involved** for policy areas relevant for the EUI-IA project. Agglomerations 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 25 000 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.

### 1.6.3 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 1.6.1 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>10</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.

### 1.6.4 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.

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<sup>10</sup> Template of the Partnership Agreement can be found on the EUI website together with other documents for the applicants.

- Urban authorities (whether it is as a MUA or as an AUA) can be involved in only one project proposal in the framework of each Call for Proposals.
- Urban authorities (whether it is as a MUA or as an AUA) already supported in an approved project by the EU-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”).

## 1.7 THEMATIC COVERAGE

On 3 December 2025, the European Commission adopted the EU Agenda for Cities: Driving Growth and Prosperity<sup>11</sup>, which sets out a forward-looking perspective for sustainable and integrated urban development. It comprises a series of actions and aims to provide coordinated and streamlined support to address cities’ needs and to implement key EU priorities at the local level. The European Urban Initiative could make an important contribution to the delivery of this Agenda. Following a bottom-up approach, the new EU-IA Call 4 for Proposals will allow urban authorities to submit proposals aligned with the urban priorities set in the EU Agenda for Cities:

- (i) competitiveness, digitalisation, innovation and investment;
- (ii) social inclusion and equality;
- (iii) security, safety and preparedness;
- (iv) affordable, sustainable, decent quality and inclusive housing and buildings;
- (v) climate action, environment and clean energy;
- (vi) mobility.

The applicants are encouraged to review the EU Agenda for Cities to learn more about the proposed topics. They will also be described in the Terms of Reference of the Call for Proposals. Urban authorities submitting an Application Form shall select only one of the topics described in the Terms of Reference

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<sup>11</sup> [EU Agenda for Cities: Shaping Europe’s urban future - Regional and Urban policy.](#)

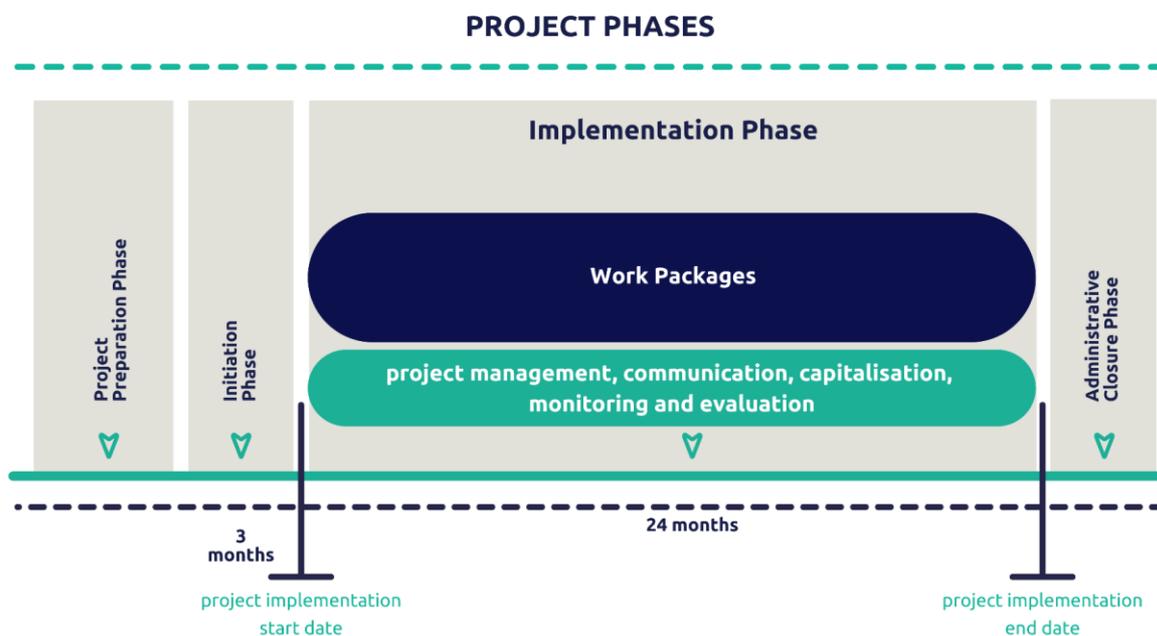
of the Call. However, in the Application Form they can present an integrated approach proposed in case the main topic is supplemented by additional topics from those listed.

## 1.8 PROJECT PHASES

EUI-IA project lifespan consists 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. **Initiation Phase** (covered by a lumps sum) lasts 3 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 ex-ante audit, as well as for the initial project management arrangements. The aim is to create the necessary conditions for a smooth and effective start of the Implementation Phase (see Chapter 4 "Initiation Phase and Contracting" for the details).
- iii. **Implementation Phase** (covered by simplified costs options and real costs) lasts 24 months; 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. All project implementation activities are to be carried out during this phase. It is essential to allocate/foresee a sufficient and reasonable period for the testing the innovative solution under real conditions, as well as for the proper evaluation of the project's implementation towards the achievement of its objectives and expected results. In duly justified cases, projects may request an extension of up to four months — see Chapter 5.2 "Project Changes" for the details. Such extensions will be granted only when properly justified.
- iv. **Administrative Closure Phase** (covered by a lump sum) lasts 3 months and includes all administrative activities taking place after the Implementation Phase to formally close the project and obtain validation of the narrative and financial reporting documents. During this phase, EUI-IA project representatives are also expected to remain available to participate in knowledge capitalisation and dissemination activities initiated by the Permanent Secretariat (for more details please see Chapter 7 "Project Communication and Capitalisation").

Figure 2. EUI-IA project lifespan



## 1.9 FUNDING PRINCIPLES

### 1.9.1 TOTAL COSTS PRINCIPLE

EUI follows the total costs principle. This means that whilst the project receives ERDF co-financing up to 80% of the total eligible costs, **every Partner (MUA, AUA, Delivery Partners) receiving ERDF needs to plan 100% of the project budget value and within it secure at least 20% of contribution to complete its budget.** More details on how to secure Partners' contribution under the Chapter 6.6.3 "Project Partner contribution".

Each project may receive up to EUR 2 million in ERDF co-financing, and project implementation should take place within a period of maximum two years.

## 1.9.2 ERDF PAYMENTS

EUI-IA payment scheme is based on the combination of principles of advance ERDF payments and lastly of reimbursement of costs that were actually incurred and validated by the First Level Control (FLC):

### ➤ First ERDF payment

The MUA receives an initial ERDF **advance payment, representing 50%** of the total ERDF grant, within 80 days from the validation of the 3-month Initiation Phase.

This first payment also includes two lump sums covering:

- Project Preparation: EUR10,000 (EUR 8,000 ERDF)
- Initiation Phase: EUR 30,000 (EUR 24,000 ERDF)

These two lump sums combine for a total of EUR 40,000 in eligible costs, with EUR 32,000 covered by ERDF funding.

### ➤ Second ERDF payment

A second ERDF **advance payment, representing 30%** of the ERDF grant, is disbursed to the MUA upon the submission of Financial Claim 1 (FC1) and validation of reported expenditure by FLC.

Key condition for submission of FC1 by the MUA is that project expenditure reached at least 35% of the total project budget. If the project expenditure validated by the FLC falls below 35% of the total budgeted, the second ERDF advance payment will be made on a pro-rata basis.

### ➤ Third ERDF payment

The third ERDF payment, corresponding to a **maximum of 20%** of the approved ERDF grant, is made as a **reimbursement** for costs that have already been incurred, paid, and validated by the FLC. By the end of the project, this payment ensures the full disbursement of the approved ERDF budget, provided that all eligible costs have been incurred and validated.

The payment is made to the MUA after EUI approvals and validations of the following reports to be submitted during the Administrative Closure Phase:

- Approval of the final Annual Progress Report (FPR) submitted 1 month after the project end date.
- Validation of project expenditures in Financial Claim 2 (FC2) by the FLC submitted 3 months after the project end date.

If the project expenditure validated by the FLC reaches less than 100% of the total eligible costs, this third ERDF payment will be made on a pro-rata basis.

This third payment also includes the closure lump sum of EUR 7,500 in total eligible costs (EUR 6,000 ERDF).

It is crucial to understand that this third payment is **not processed as an advance**. Consequently, during the last phase of project implementation Project Partners must pre-finance their expenditures.

### 1.9.3 ERDF LUMP SUMS

Three lump sums are automatically allocated in the project budget (under the cost category External Expertise and Services) to grant ERDF funds for services provided by Project Partners during specific project phases not related to project implementation and therefore **outside the project eligibility period** – Preparation Phase, Initiation Phase and Administrative Closure Phase (see Chapter 1.8 “Project Phases”).

- Costs related to tasks performed during these phases (Project Preparation, Initiation and Administrative Closure) can never be claimed on a real cost basis. This approach simplifies the financial management process because, during these phases, Project Partners do not need to provide detailed financial documentation as audit trail for every expense.
- The payment of the lump sum is conditioned to the successful completion of the phase, which includes the delivery of agreed deliverables, results or outputs to the Permanent Secretariat.

In details:

#### ➤ **Project Preparation Phase**

This initial Phase prior to project application, is covered by a lump sum of EUR 10,000 (up to **EUR 8,000 ERDF**) to be received by the MUA and distributed among Project Partners based on Partners’ individual contributions or internal agreement. This lump sum is payable based on the minutes of the EUI Selection Committee decision where project is listed as selected for ERDF funding.

#### ➤ **Initiation Phase**

The Initiation Phase is a critical step prior to project implementation, covered by a lump sum of EUR 30,000 (up to **EUR 24,000 ERDF**) granted once conditions defined in the Chapter 4 “Initiation Phase and Contracting” are fulfilled. Project will receive the lump sum even if the project does not pass the Initiation Phase to move into the full Implementation Phase. This payment is only withheld if the project withdraws before the Initiation Phase is concluded.

## ➤ Administrative Closure

After the Implementation Phase is completed, project will have a period for administrative and financial closure covered by a lump sum of EUR 7,500 (up to **EUR 6,000 ERDF**). MUA will receive this payment after all steps of the administrative closure are completed and validated.

## 1.10 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 (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 long-term sustainability and scale-up once completed.
- Assistance in the experimentation process to ensure that it constitutes a meaningful learning journey for urban authorities with a long-term broader transformative potential.
- Development of knowledge outputs that will capture and disseminate achievements, post-implementation prospects (sustainability, scale-up), lessons learnt and good practices, to a wider audience in view of promoting innovative approaches throughout the EU.
- Participation and contribution to broader capitalisation and dissemination activities of the EUI by sharing the knowledge generated with a wider audience of policymakers and practitioners across Europe for the benefit of the Cohesion policy in general.

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 stage.

EUI Experts are individuals with in-depth knowledge of different urban topics; 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.

**The EUI 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 PRINCIPLE

Given the complexity and the interconnected nature of the challenges to be addressed, urban authorities cannot act alone when designing and implementing innovative solutions. Acting in a partnership will not only support effective piloting, benefiting from the knowledge and expertise that exists outside of the urban authority's local ecosystem, but also help ensure long-term sustainability if the solutions prove successful.

##### **Project Partnership**

The development of strong partnerships between public bodies and other sectors of society, such as the private sector, academia or 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 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 relevant experience and expertise to complement those within the MUA and add value to the entire project.

The Partnership should be complementary in terms of policy and thematic competences. There is no "one size fits all" solution. Applicants should be aware that the size of the partnership has a direct impact on the efficiency of project implementation. Therefore, partnerships with more than 6 Partners may require extra efforts and resources to ensure an effective management. Overall, quantity does not mean quality, rather every Partner should have clear and specific role in the project's implementation – the MUA should identify Partners and structure the Partnership with the relevant sectors of society and/or thematic expertise needed for the successful implementation of the innovative solution.

Within the EUI-IA, the MUA is expected to be directly involved in the experimentation and to play a strategic and operational leading role in the development of the EUI-IA project by establishing and chairing a Project Partnership.

## 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);
- **if applicable**, (see Chapter 1.6.3 “Third category”) **AUA(s)**.

All Project Partners (MUA or AUA, Delivery Partners) benefiting from the ERDF allocation must secure their own contribution (see Chapter 1.9 “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 formalise their cooperation by signing a Partnership Agreement. The Permanent Secretariat provides the MUA with a proposed framework template of the Partnership Agreement to be further tailored and signed by all Partners involved in the project.

## Involvement of target groups

When developing the EUI-IA project it is necessary to identify who will benefit from the projects activities, outputs and results. Depending **on the nature of the project, different target audiences may be relevant (e.g: citizens, trainees, job seekers, vulnerable groups and/or marginalised communities, users of a given service or administration). Target groups therefore directly benefit from the project in line with its objectives.** The needs of the target groups should therefore be considered in the design and implementation of the project.

## Participation and co-creation

Participation and co-creation are key for the development and implementation of 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, in addition to engaging with the projects key target groups, identifying the wider group of 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 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 influence the project either directly and/or indirectly but have 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 of the projects target groups 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.

To summarise, **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 also capable to **quantify and monitor the population targeted by participation and co-creation activities.**

## 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. The MUA should ensure the involvement of all Project Partners in the design phase of the project as well as in its implementation.

The overall management of the project and strategic coordination of the Partnership remain the responsibility of the MUA and in general cannot be entrusted to a Delivery Partner. The MUA is the single point of contact for the Permanent Secretariat once the project is approved.

*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 1.6.2 “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 1.6.3 “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.

AUA formalise the contractual relation with the MUA by signing the Partnership Agreement, as other Project Partners, following the approval of the project.

It must be noted that 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, and on the other hand – to enable smaller urban municipalities to partner with other municipalities to test solutions to local challenges and improved delivery of public services.

### **Delivery Partners**

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 are not eligible to participate in a project as Delivery Partners.

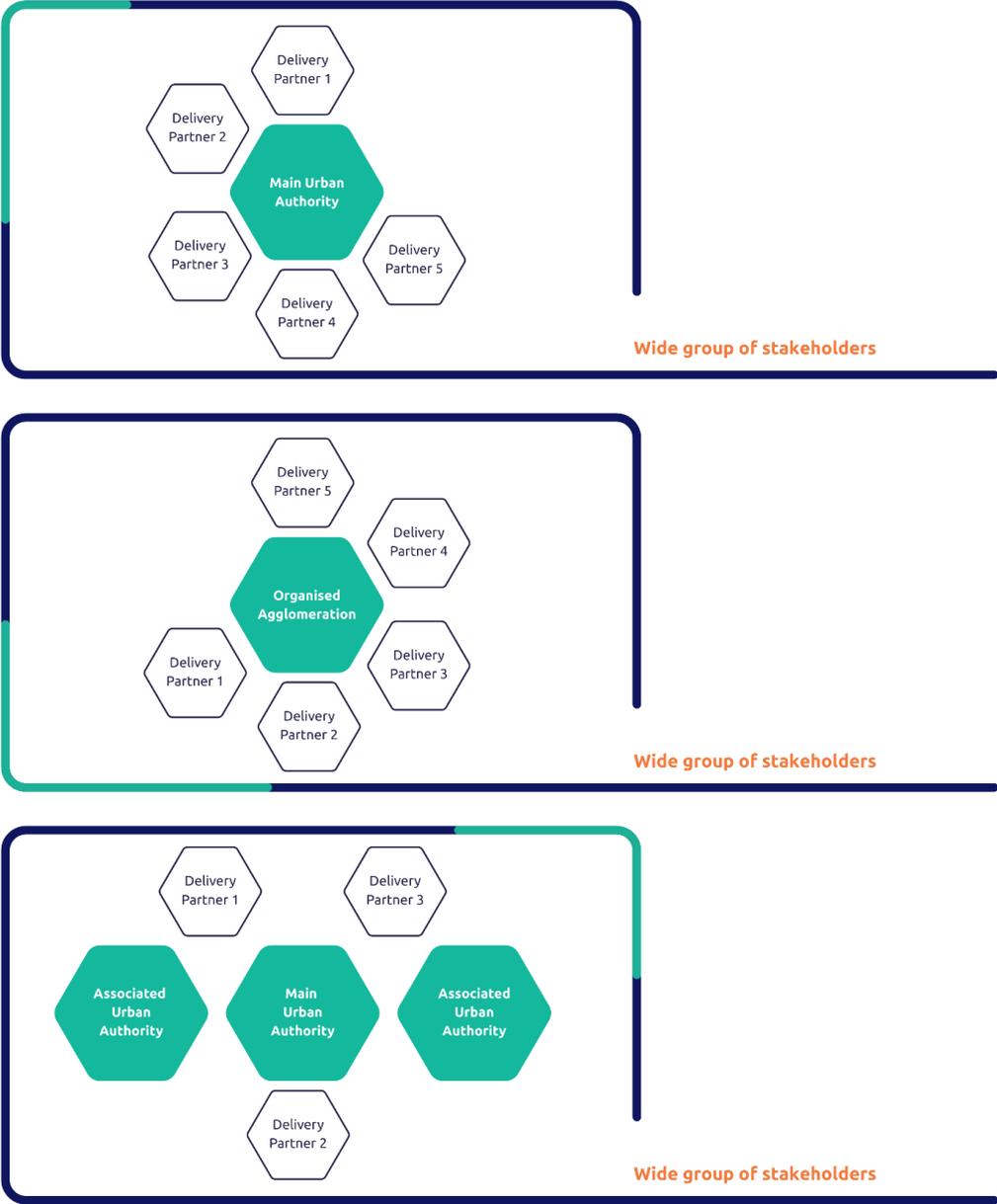
Detailed information on Delivery Partners (including legal status, experience and competencies, contact persons, etc.) must be provided in the Application Form. In principle a Delivery Partner could be involved in several project proposals in the framework of the same Call for Proposals.

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 1.6 "Eligible authorities".

### 2.1.3 EXAMPLES OF THE PROJECT PARTNERSHIP STRUCTURES

Graphic presentation below illustrates a couple of examples of possible Partnership structures.

Figure 3. Examples of Partnership structures

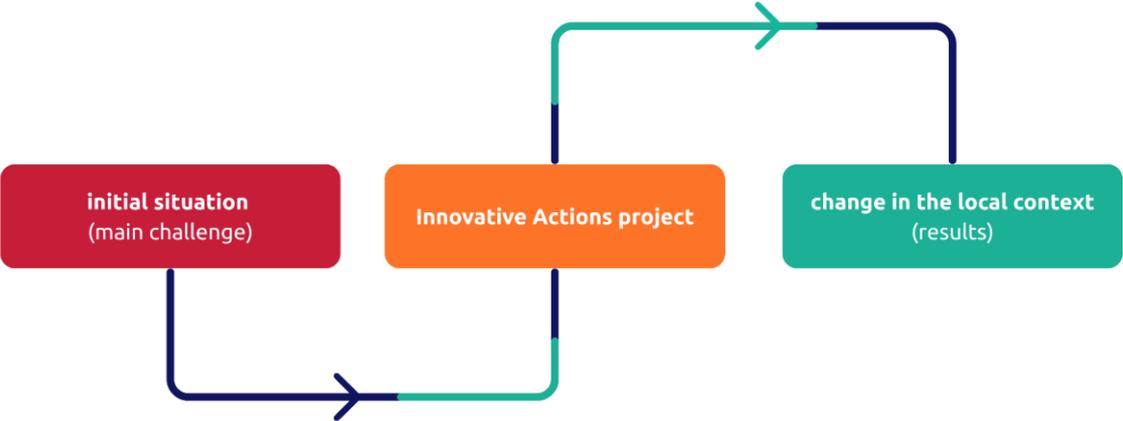


## 2.2 PROJECT WORK PLAN

### 2.2.1 THE PROJECT INTERVENTION LOGIC

The Intervention Logic of an IA project is a representation of how the planned actions are expected to bring about the desired change in the local situation. It serves as the backbone of a project, describing the initial aim to address an urban challenge to the activities and outputs needed to achieve that aim and deliver the expected results. At its simplest, the Intervention Logic is a way of organising a project and its interventions. The Intervention Logic describes: Why is the project needed? What problems will the project solve? What is the “desired change” and how is this change to be achieved?

Figure 4. The EUI-IA Intervention Logic: key elements



#### Strategic and operational components

The EUI-IA Intervention Logic is composed of strategic and operational components that must be clearly defined.



Overall Objective

The **overall objective** is what the project aims to achieve by the end of implementation. It relates to the **strategic aim of the project**, its plan for long-term change in a certain existing socio-economic situation and how it will benefit the beneficiaries/end users.



Specific Objectives

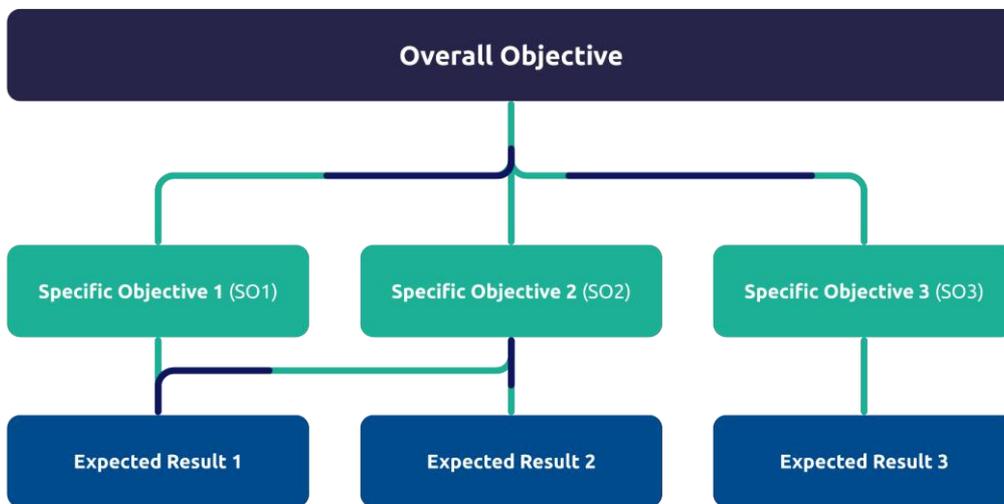
**Specific objectives** are concrete goals that the project is trying to achieve during its implementation. Three specific objectives must be defined to **support the achievement of the overall objective**. They are narrower in scope than the overall objective and are described in a more precise and operational manner. Each specific objective should correspond to a Work Package (see Chapter 2.2.2 “How to structure the Work Plan”).



**Expected results** reflect the “desired change” in the local situation as direct consequence of the project implementation. It represents the immediate advantage for beneficiaries or end users. They shall be as realistic, specific, concrete and measurable as possible. Expected results **should correspond to specific objectives**.

The strategic components of the Intervention Logic are interconnected. The specific objectives support the achievement of the overall objective, and each specific objective may be linked to one or more expected results.

Figure 5. The project’s strategic aims



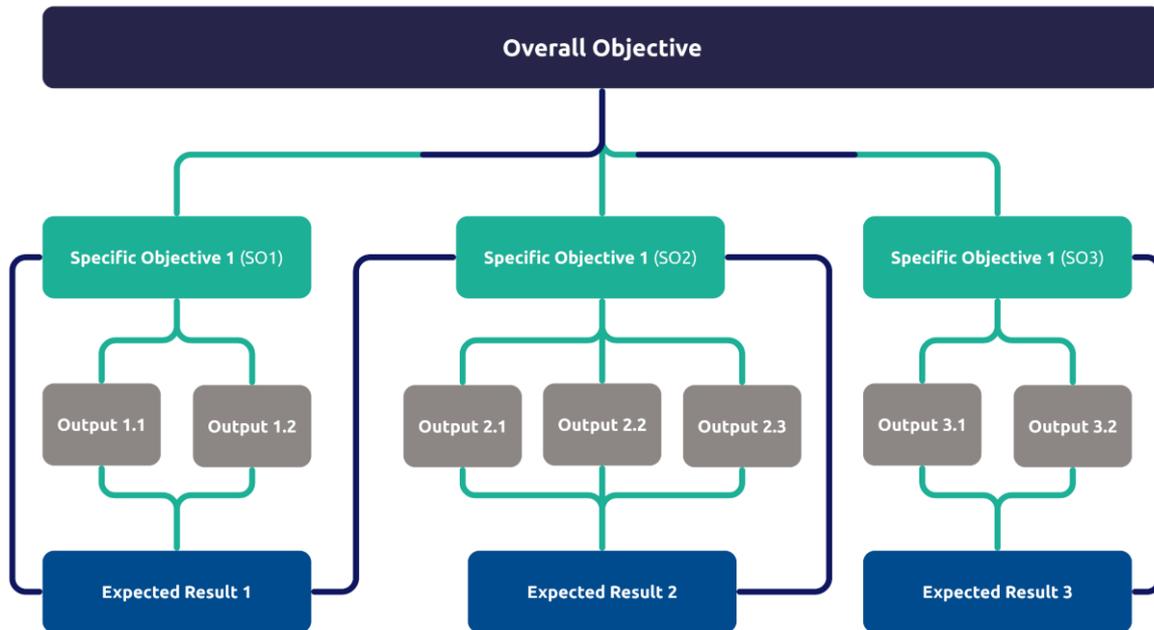
To achieve expected results, IA projects deliver outputs.



An **output** is a specific, measurable end-product of the project, achieved through the implementation of activities. Outputs are what the project ultimately delivers thanks to the funding received. They directly contribute to the achievement of project objective(s) and result(s). Each Work Package must lead to the delivery of at least one output.

Outputs therefore support and contribute to the achievement of project results. They are essential tools that enable the project to deliver the “desired change” in the local situation. In other words, outputs trigger and support the realisation of the results shown in Figure 6.

Figure 6. Outputs: tools to support achievement of results



A well-defined Work Plan is needed to deliver the project outputs, consisting of essential operational components which are defined below.

**Project Work Plan** explains the “how” of your project. It’s a roadmap representing the guide for implementing your project. The Work Plan is a breakdown of the project into major units of work called Work Packages, and Work Packages are broken down into smaller tasks called activities.

**Work Packages**, as mentioned above, are operational 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. Work Packages structure the project implementation and ensure that resources are logically organised. **Each Work Package must deliver at least one output.** To structure an EUI-A project, three Work Packages should be used where all implementation activities are to be described (see Chapter 2.2.2 “How to structure the Work Plan”).



An **activity** is a specific task or stage of the project delivery for which resources are used. **Each activity must result in at least one deliverable and one or several activities may contribute to an output.** The planned activities should be necessary and sufficient to achieve the project’s objectives and expected results. All activities must directly benefit the project.

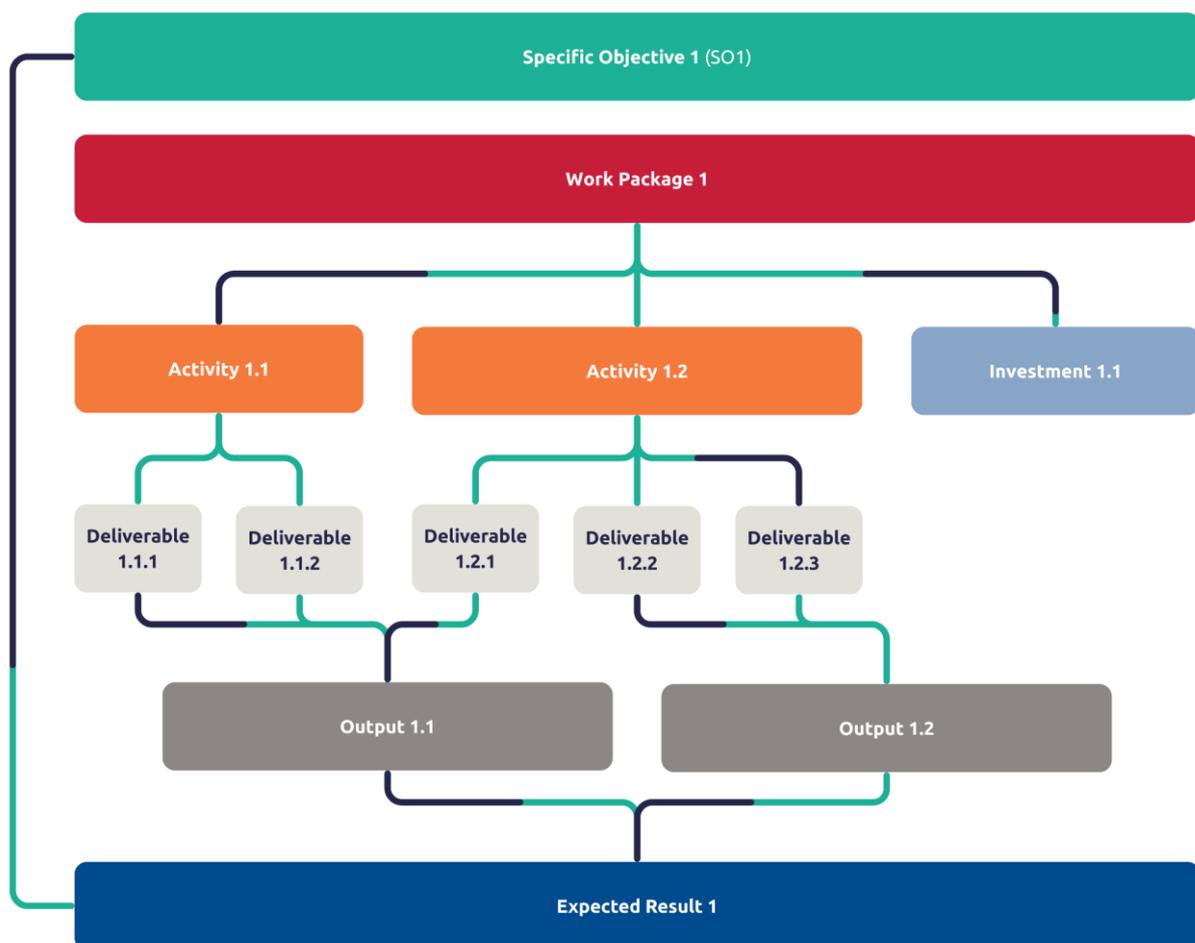


A **deliverable** is a tangible or intangible step delivered via a project activity. It is an **intermediary step towards the delivery of a project output**.

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.

In addition, deliverables are not necessarily of a tangible nature. This means that they do not need to take the form of a specific, visible product such as a report or study. Instead, deliverables are used to break activities into smaller, manageable parts, making it easier to track progress and completion. They act as intermediary steps that help monitor how activities move toward the delivery of project's outputs.

Figure 7. Work Package logic  
– from activities through deliverables to output(s), and ultimately - results.



## 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-IA, two types of indicators are defined: output indicators and result indicators.

**Output indicators**<sup>12</sup> are used to measure and monitor project outputs. A number of output indicators is indicatively provided in the Application Form, and they can be selected by the applicants whenever relevant for the project proposal. At the same time, applicants are invited to define their project specific output indicators. For those, the category “Other” should be selected.

**Result indicators**<sup>13</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 indicatively provided in the Application Form, and they can be selected by the applicants whenever relevant for the project proposal. At the same time, applicants are invited to define their project specific output indicators. For those, the category “Other” should be selected.

To propose good quality indicators, please refer to RACER criteria<sup>14</sup> when describing result indicators in the Application Form. 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).

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<sup>12</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>

<sup>13</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>14</sup> [https://commission.europa.eu/document/download/9c8d2189-8abd-4f29-84e9-abc843cc68e0\\_en?filename=BR%20toolbox%20-%20Jul%202023%20-%20FINAL.pdf](https://commission.europa.eu/document/download/9c8d2189-8abd-4f29-84e9-abc843cc68e0_en?filename=BR%20toolbox%20-%20Jul%202023%20-%20FINAL.pdf)

The target value<sup>15</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.

## 2.2.2 HOW TO STRUCTURE THE WORK PLAN

Project implementation is described through the Work Plan. **A maximum of three Work Packages can be used in the Work Plan, each corresponding to one specific objective.** Each Work Package will describe the activities, deliverables and outputs required to achieve the corresponding specific objective, ultimately leading to the achievement of the overall objective. These Work Packages are therefore the heart of any EUI-IA project. They describe in detail how the proposed innovative solution will be carried out. Activities and deliverables include the "experimental setup" (e.g.: equipment, infrastructure and works); the demonstration and testing phase; as well as the implementation process.

Under each Work Package, Project Partners shall describe the main activities, the related deliverables and outputs as well as Partners' roles and responsibilities at activity, deliverable and output levels along with the time plan for implementation (via activity, deliverable and output delivery dates). While designing the Work Packages, Project Partners should pay particular attention to describe the different tasks or stages (activities) and intermediary steps (deliverables) necessary to deliver the proposed outputs.

The project's Work Plan should be structured in the Application Form, as follows:

- A maximum three Work Packages where project implementation is described.
- Each Work Package must correspond to one of the specific objectives of the project, which is selected in each Work Package (see Chapter 2.2.1 "The Project Intervention Logic").
- A maximum of six activities can be listed under each Work Package.
- A maximum of six deliverables can be developed under each activity.
- Each Work Package must also lead to at least one output.
- Communication activities must be embedded in each Work Package – each Work Package must define a communication objective and at least one communication activity and deliverable.

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<sup>15</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>

- For each Work Package, one Project Partner should be identified as the Work Package leader, responsible for coordinating the delivery of related activities. Each Partner leading or responsible for an activity should also be mentioned in the activity descriptions.
- The approach to project management is described in a dedicated section in the Application Form (see Chapter 2.2.4 “Project Management”).

It is strongly advised that projects ensure good readability of the activities proposed and distribution of tasks amongst Partners. Applicants should emphasise cross-references (quoting activities, deliverables or outputs (e.g. “A 2.1”) from other Work Packages) to support understanding of how these elements are connected or related. This helps to ensure a clear and logical coherence in the overall Work Plan.

### 2.2.3 INVESTMENTS IN THE WORK PLAN



Regarding investments, applicants may include **one or more investment(s) within the relevant Work Packages, if needed and properly justified**. As a general rule, investments should be foreseen in EUI-IA projects **only to the extent that they are necessary for achieving the project’s outputs and results**. Depending on the nature of the proposed innovative solutions, investments should provide essential support (infrastructure and/or equipment) for the related Work Package or project outputs.

Each investment must be described in a dedicated section of the Application Form (known as the Investment Fiche). These investments may take the form of **infrastructure** or **productive investments**. “Productive investment” refers to expenditure on buildings, equipment, or intangible assets (such as software or patents) that help create goods or deliver services. It may also include investment in infrastructure that ensures public access to services in areas such as energy, environment and biodiversity, transport, and digital connectivity. For further details see regulation (EU) No 2021/1058 and No 2021/1060.

In case of multiple investments or complex investments composed of several independent elements, each one of them should be described separately in its own Investment Fiche and considered as a distinct item. Each Fiche must include a description and justification of the investment, its location (and, if available, the exact address), a list of required documents and permits (e.g. technical requirements, work permits), details on durability and final ownership (for more information on ownership, please refer to Chapter 6.6.5 “Ownership, durability and intellectual property”), a detailed cost breakdown, and a list of related risks, which should also be presented in Part G: “Risk Management” of the Application Form.

Investments must be proportionate to the Work Plan and budget, and they should represent good value for money. Moreover, each investment must remain in use by the project’s target group after the project’s completion.

## 2.2.4 PROJECT MANAGEMENT

IA projects are expected to ensure sound management and coordination of the project led by the MUA (see Chapter 2.1.2 “Typology of the European Urban Initiative – Innovative Actions Partners”). 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. The MUA retains the ownership (see Chapter 1.5 “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.

Applicants will be asked about their approach to project management in the dedicated section of the Application Form. Projects should explain the management structures and procedures they plan to use and how they will handle reporting, quality, risk, and financial management including the resources, roles and responsibilities of Partners. Projects should also reflect on the day-to-day operational management and decision-making approaches and how to ensure effective monitoring of financial data, distribution of ERDF budget amongst the partnership, reporting of expenses incurred and collection/verification of audit trail. The management of public procurement processes and legal proceedings should also be considered.

**Four management questions can be found in the Application Form** with each with supporting sub-questions:

- How will you coordinate your project?

Who will be responsible for coordination? Will you have any other management structures (e.g., thematic groups, WP managers)? How will the internal communication work?

- Which measures will you take to ensure quality in your project?

Describe specific approaches, processes and responsible partners. If you plan to have any type of project evaluation, please describe its purpose and scope here.

- What will be the general approach you will follow to communicate about your project?

Who will coordinate project communication and how will they ensure the involvement of all partners? How will the communication function contribute to transferring your project results? Please note that all communication activities should be included in the Work Packages as an integral part of your project. There is no need to repeat this information here.

- How do you foresee the financial management of the project and reporting procedures for activities and budget (within the partnership and towards the programme)?

Define responsibilities, deadlines in financial flows, reporting flows, project related transfers, reclaims, etc.

The budget for management should be included in the overall project budget.

## 2.2.5 PROJECT COMMUNICATION

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 success. Communication must be treated as an integral part of the project 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. Communication should be integrated in the Work Plan.

**Each Work Package must include a communication objective.** This should explain how you plan to reach and engage the identified target groups and/or the wider stakeholders (described in sections C 2.1. and C 2.2 of the Application Form), and how this will support the implementation of activities in the Work Plan. Each Work Package must include **at least one compulsory activity and deliverable linked to its communication objective.**

As participation and co-creation are key aspects of the project and of sustainable urban development, the communication approach and related activities should be targeted, meaningful, and supportive of the project's objectives.

Some recommended communication activities include, but are not limited to, the following:

- Kick-off communication: Develop a communication strategy, organise a kick-off event, and prepare tailored messages for the main target groups and wider group of stakeholders (to be described under sections C 2.1 and C 2.2 of the Application Form). These messages should clearly explain the project's objectives, expected outputs, results, and benefits.
- Outreach activities (promotional and informational): Ensure the project has a strong presence across different communication channels such as social media, websites, newsletters, and publications. Engage with the media and organise events to raise awareness about the project in your local area.
- Engagement activities: Carry out actions that support the implementation of the project and help achieve its results. This includes engaging target groups and stakeholders in project activities to ensure the success and relevance of the innovative solutions developed.

- Knowledge sharing activities: Conduct capitalisation and dissemination actions such as preparing case studies, policy briefs, and participating in EUI events. These activities mainly aim to share knowledge with other cities, EU networks, and policymakers.
  
- Final closing and dissemination: Organise a final event or publish materials to present the main results and outcomes of the project, marking the end of its implementation phase. Projects are expected to design and communicate tailored messages to their target groups (to be described under C 2.1. and C 2.2 of the Application Form) about the project's objectives, outputs, results, and benefits. Activities proposed should be consistent and relevant for the identified target groups.

# 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 and by the Call deadline. A published Terms of Reference will define the specifications and Call requirements, including the list of policy areas for which the MUA can submit a project proposal. The submission of the Application Form and annexes is 100% paperless using the EUI-IA's EUI.Connect platform. A Courtesy Document (in a Word format) to help applicants preparing their Application Forms is provided on the EUI website, together with the EUI.Connect 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 in any of the official EU languages.

It should be noted that the Quality Assessment is done based on 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 is not guaranteed by the Permanent Secretariat and therefore is at the applicants' own risk. Only the information provided in the Application Form is considered for the assessment. The documents to be sent are:

- **Application Form:** the Application Form must be filled in using the EUI.Connect platform. It is composed of sections presenting the project idea and the rationale (including information on the innovativeness of the proposal), the partnership (including the MUA, the Delivery Partners, and if relevant the AUA), the intervention logic, the proposed Work Plan and budget. Editing and submission is only possible during an open Call for Proposals. The application includes several 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.
- **Confirmation Sheet:** the Confirmation Sheet is automatically generated by the EUI.Connect platform. It is accessible at any time during the application process and must be signed by a legal representative of the MUA and uploaded in the Application Form Part H "Confirmation". The Application Form cannot be submitted without the Confirmation Sheet.
- **Annex:** applicants can upload one annex in the EUI.Connect platform that will be attached to the Application Form. This could be a map presenting the area of intervention, a graph, an infographic, etc. It is not recommended to include long text documents. The type and size of the file to be annexed are specified in the EUI.Connect Guidance. Please note that annex can only serve as a supporting document. It cannot be considered as an "extended Application Form" and information required for the Quality Assessment – as per the Application Form instructions and

assessment criteria – must be included directly in the Application Form to be considered for the assessment.

## 3.2 SELECTION PROCESS

After the closure of the Call for Proposals, each Application Form submitted during the eligible period is subject to a **selection process organised along the following 3 steps: the Eligibility Check, the Quality Assessment and the Operational Assessment.**

### 3.2.1 ELIGIBILITY CHECK

Upon closure of a Call for Proposals, the Permanent Secretariat carries out an Eligibility Check on all project applications submitted 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 EUI.Connect platform 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 25 000 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 25 000 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 25 000 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 2 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 EUI.Connect platform in the Application Form Confirmation Sheet Section.

**If all requirements set out above are not 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 QUALITY ASSESSMENT

Applications that are declared eligible and admissible will be subject to a Quality Assessment carried out by a Panel of External Assessors. A Panel of External Assessors is set up through a call for applicants to cover the specific policy areas relevant for the Call. The Panel of External Assessors is composed of independent experts with: an in-depth knowledge of the thematic policy-areas of the Call; an excellent understanding of the diversity of the EU's urban areas; 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.

The following elements are under evaluation during the Quality Assessment:

## 1. PROJECT RELEVANCE & INNOVATION – 40%

1.1	To which extent is the main challenge well defined, justified and supported by evidence, on its social, economic, and/or environmental dimensions?
1.2	How clearly is the Urban Authority's current approach to the challenge described? How convincingly is the need for change (limitations and shortcomings of the current approach) justified?
1.3	How convincing are the explanations that the solution is innovative in the local context? In what ways does the proposed solution go beyond existing practice in the Urban Authority? How tangible is it and how effectively does it address the shortcomings identified in the current approach?
1.4	How well does the project make use of and builds on existing knowledge, practices, or research? How relevant are the sources which support the proposed solution (existing practices, data and/or scientific literature, previous locally tested approaches, etc.)?
1.5	To what extent does the project align with the Call's policy areas?

## 2. CITY-LED APPROACH & PARTNERSHIP QUALITY – 20%

2.1	How convincingly does the project demonstrate that it is city-led? To which extent is the proposed innovation relevant for the Urban Authority in its role as a public institution? How does the Urban Authority demonstrate their active involvement in the implementation of the innovative solution and a steering role in the partnership?
2.2	How appropriate is the partnership composition in terms of partners' thematic expertise, experience and capacity? How complementary are the partners' roles? Is distribution of tasks among partners detailed in the Work Plan together with appropriately allocated budgets?
2.3	How specific and relevant are the target groups and relevant stakeholders identified in relation to the project's objectives? Are target groups quantified and are they of sufficient scale to contribute to the project's objectives?

## 3. INTERVENTION LOGIC, DURABILITY & SCALING – 20%

3.1	To which extent are the overall and specific objectives clear, measurable, and achievable within the project timeframe?
3.2	To what extent do the expected results and outputs logically derive from the specific objectives and planned activities? How realistic, specific, and measurable are they?

3.3	To which extent does the project provide a well thought-out and realistic prospects for the post-project durability and self-sufficiency of its outputs and investments (use, ownership, maintenance)? What potential does the project show for scaling up, if successful?
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#### 4. WORK PLAN & CO-CREATION – 20%

4.1	How coherent, logical and well-detailed is the Work Plan (Work Packages, activities, deliverables, outputs, and investments, where applicable) for achieving the expected results? Is the need for investment well justified and relevant to reach project objectives?
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4.2	How are participation and co-creation activities with citizens and relevant stakeholders integrated into the workplan? How do the communication objectives and activities support project delivery?
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As a result of the Quality Assessment, the Panel of External Assessors evaluates each application and ranks them based on their scores.

### 3.2.3 SCORING SYSTEM

A scoring system is applied to support the decision-making process. Each weighted assessment criterion is scored on a scale from 1 to 5. The overall project score is calculated as a weighted average. The following scoring scale is used:

- 5      Excellent
- 4      Very good
- 3      Good
- 2      Insufficient
- 1      Very poor

If a project scores a 2 or below under any assessment criterion, it is automatically rejected and will not be further processed.

The scoring system is applied considering 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 are not provided with their respective scores but with detailed comments for all criteria assessed.

## **Bonus points**

Additional points may be awarded based on the results of the Eligibility Check. Bonus points are added to the final Quality Assessment score.

### **➤ Bonus points for small and medium-sized cities**

In line with the objective of the EUI to support cities of all sizes, projects led by smaller Urban Authorities will receive additional points:

- An Urban Authority with a population of fewer than 50,000 inhabitants will receive 0.25 points (5% of the total score).

Additional points will be granted based on the data indicated in the EUI-IA Correspondence table (see Chapter 1.6 “Eligible Authorities”). If more recent data is available, it may be taken into account only if it comes from a National Statistical Institute<sup>16</sup>. In this case, relevant evidence must be provided with the Application Form: (i) a link to a relevant database (section B.2 – Main Urban Authority “Comment”) and (ii) an appropriate document exported from the National Statistical Institute’s database with a clear indication of the urban authority and its population size (Part I – AF Annex). The updated population figure of the Urban Authority should be provided in the Application Form as well (section B.2 – Main Urban Authority “Number of inhabitants”). In the absence of evidence provided, evidence that does not allow for the correct identification of the urban authority and/or the indicated population figure, or a reference to other data source than respective National Statistical Institute, the Correspondence Table will remain the reference document. .

### **➤ Bonus points for cities located in less developed and transition regions**

Projects led by Urban Authorities located in regions with lower socio-economic development levels according to the NUTS 2 classification of Eurostat<sup>17</sup> will receive:

- An Urban Authority located in a less developed region or a transition region will receive 0.25 points (5% of the total score).

The list of NUTS 2 regions together with their assigned category can be found on the EUI-IA respective Call for Proposals website: [https://www.urban-initiative.eu/sites/default/files/2026-01/2021-2027\\_IJG\\_Categories\\_of\\_NUTS2\\_regions\\_0.xlsx](https://www.urban-initiative.eu/sites/default/files/2026-01/2021-2027_IJG_Categories_of_NUTS2_regions_0.xlsx)

Bonus points may be applied cumulatively. Each type of bonus point may be awarded only once. In the case of associations or groupings of Urban Authorities, only the situation of the Main Urban Authority will be considered.

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<sup>16</sup> List of the European Statistical System partners (National Statistical Institutes): <https://ec.europa.eu/eurostat/web/european-statistical-system/ess-partners>

<sup>17</sup> [https://ec.europa.eu/regional\\_policy/policy/how/is-my-region-covered\\_en](https://ec.europa.eu/regional_policy/policy/how/is-my-region-covered_en)

### 3.2.4 OPERATIONAL ASSESSMENT

Applications assessed as part of the Quality Assessment are then reviewed under the Operational Assessment in ranked order until the available budget for the Call has been fully allocated.

The Operational Assessment is carried out by the Permanent Secretariat. Its main objective is to assess the operational readiness of the proposal, i.e.: it is realistic with the project timeline, ready to be implemented swiftly and it demonstrates good value for money.

The following elements will be considered during the Operational Assessment:

1. To which extent is the timeline realistic, properly sequenced, and including contingency? How well does the project demonstrate technical and operational readiness, and capacity for implementation within two years?
2. How appropriate and well defined are the proposed management structures, procedures, and arrangements (including those related to investments) for ensuring effective project implementation?
3. How well does the project identify relevant risks (including those related to investments)? How credible and proportional are the proposed mitigation measures?
4. How reasonable, well-explained, and aligned with planned activities is the budget? Are there any indications of ineligible costs or State aid risks?
5. Are the technical, legal and administrative requirements of the investment(s) clearly identified and sufficiently detailed?

Project proposals which will not positively pass the Operational Assessment will not be considered for funding.

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, 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").

### 3.2.5 SEAL OF EXCELLENCE

Applications submitted under the EUI-IA Call 4 for Proposals that comply with the minimum quality requirements of the Call, but cannot be financed due to budgetary limitations, may be attributed a Seal of Excellence by the EC<sup>18</sup>.

The Seal of Excellence is a quality label awarded to project proposals submitted under a EUI-IA Call for Proposals and ranked above a predefined quality threshold by independent External Assessors. With this label the Commission recognises the value of project proposals and encourages other funding organisations to take advantage of the high quality EUI-IA evaluation process.

To be eligible for the Seal of Excellence, a proposal must demonstrate a consistent level of good quality across all Quality Assessment criteria by receiving a minimum score of '3 – good' for each assessment criterion. It is important to note that the Seal of Excellence does not refer to projects' operational readiness.

The Seal of Excellence certificate indicates basic information on the proposal, the Call and the applicant. It is unique and safe against fraud. This quality label recognises the value of the proposal and helps other funding bodies take advantage of the EUI-IA evaluation process.

### 3.2.6 NOTIFICATION OF RESULTS

Based on the results of the Quality Assessment and Operational Assessment, in agreement with the European Commission and the Entrusted Entity, an overall final ranking is established. Applicants are notified on the decision regarding their application (selected for funding or rejected). Applicants are also informed if their rejected proposal has been granted the Seal of Excellence.

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<sup>18</sup> REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review - <https://data.consilium.europa.eu/doc/document/PE-35-2025-INIT/en/pdf>

In Article 12, the following paragraph is added:

*"Innovative actions which have been assessed in a call for proposals under the European Urban Initiative, comply with the minimum quality requirements of that call, and cannot be financed due to budgetary constraints, may be attributed a Seal of Excellence by the Commission. For the purposes of the Seal of Excellence, the European Urban Initiative is considered to be another Union source distinct from the programmes implemented and prepared in accordance with Article 7 of Regulation (EU) 2021/1060."*

### 3.3 EXCLUSION CRITERIA FOR GRANT APPLICANTS

In accordance with the Financial Regulation<sup>19</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,
- 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 EUI.Connect. 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>20</sup>. If a MUA is detected in the EDES, the Permanent

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<sup>19</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.

<sup>20</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.

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:

- 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,
- project's Initiation Phase results,
- financial control procedures,
- the decisional process of the Entrusted Entity/Permanent Secretariat during project implementation.

Complaints do not cover matters that have already been fully investigated through this complaint's 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**

15 Rue du Palais Rihour, 5th floor,

59 800Lille, 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 regarding quality assessment of the submitted proposal). 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>21</sup>. This deadline will not prejudice the start of the Initiation Phase for the selected projects.

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<sup>21</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

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.

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 project's Initiation Phase results (including ex-ante audit)*

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 Initiation Phase conclusions do not correspond to the required information and documents provided by the applicant.
- The Initiation Phase process 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.

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system while the assessment lasts. Therefore, the Permanent Secretariat cannot be held accountable in case the notification was not received by the applicant.

# 4 INITIATION PHASE AND CONTRACTING

The Initiation Phase covers the first 3 months before the project Implementation Phase. Its purpose is to ensure that all administrative and technical conditions are met for a smooth and efficient start of the project implementation. 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, and the ex-ante audit. 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), please refer to the “Initiation Phase Factsheet” that will be provided to the selected projects.

## 4.1 PRINCIPLES OF THE INITIATION PHASE

There are the following principles of the Initiation Phase:

- The Initiation Phase strictly lasts 3 months.
- The Initiation Phase is disconnected from the Implementation Phase. That means it is conducted for 3 months prior to 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 30 000 (corresponding to EUR 24 000 ERDF and being a part of a EUR 40 000 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.
- The project will be requested to answer and address recommendations from the Selection Committee. These recommendations will notably ensure the project has a reliable strategy and sufficient anticipation with regard to overall readiness and the risks identified in the Application Form “Risk management” Section (i.e. project management, human capacity to implement project, readiness in procurement procedures, realistic timeline and budget, legal environment for project implementation, investments-related documentation, location and administrative authorizations...).

- 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 findings, required Result Indicators corrections, etc. must be submitted by the project and validated by the Permanent Secretariat.
- A Monitoring Plan must be drafted and jointly agreed by the project and responsible Lead Officer at the Permanent Secretariat. 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 3 months' dedicated timeframe:
  - If necessary, a revised Application Form jointly agreed with the Permanent Secretariat.
  - Positive outcome of the ex-ante audit carried out by the FLC.
  - Information on the composition and contact details of the project management team and bank account details filled on the EUI.Connect platform.
  - Signed Partnership Agreement with all Delivery 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 3-month timeframe (i.e., all above-mentioned steps finalised and no major gap or irregularity detected in the ex-ante audit), the 50% advance payment is made within 80 days from the successful validation 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 3-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 3 months (any of the above-mentioned steps not finalized, or negative outcome of the ex-ante audit), 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 since these lump sums are irrespective of the results of the Initiation Phase validation process. 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 EX-ANTE AUDIT

The ex-ante audit (desk-based or on the spot) is organised by the First Level Controller (FLC) during the Initiation Phase and prior to the first ERDF advance payment. It is compulsory for the MUA and selected Project Partners. FLC checks amongst others:

- the management of the project including the structures, tools and procedures for the administrative and financial management of the project, public procurement policies, resources allocated to the project, etc.
- 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.

It should be noted that all Project Partners must attend the audit training session at the very beginning of the Initiation Phase.

As stated above, the positive outcome of the ex-ante audit is a condition of the successful completion of the Initiation Phase.

## 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. 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 at least 1 milestone 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 PROJECT IMPLEMENTATION

## 5.1 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 preventative monitoring and yearly reporting**. This approach shall enable MUA to anticipate and address potential issues in project delivery, without overburdening project teams with excessive reporting requirements. Effective monitoring and reporting approach strongly relies on transparent and open cooperation between the MUA and 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 limit risks and ensure smooth project implementation. Potential adjustments to the initial plans may be needed but are allowed only in a duly justified cases (see Chapter 5.2 “Project changes” for more details).

### 5.1.1 PREVENTATIVE MONITORING

#### Milestone Reviews and Monitoring Plan

One of the key tools of the EUI-IA preventative monitoring framework are the Milestone Reviews based on the project’s Monitoring Plan. The **Monitoring Plan** is a project management 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, investments and/or 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 shared reference for preventative, flexible and continuous monitoring of the project delivery**. These milestones are jointly identified and agreed between the project and the Permanent Secretariat during the Initiation Phase. Although the number, nature and composition of the milestones vary from one project to another, it is recommended to schedule one Milestone Review per year, avoiding, as much as possible, any overlap with the Annual Progress Report submission period. In practice, the MUA sends in advance to the Permanent Secretariat an update on the project’s progress based on the pre-identified milestones which are then discussed in a meeting 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**. In principle, each project is visited at least once during its project lifetime by the responsible Permanent Secretariat’s officer. 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. 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.

## **5.1.2 PROJECT REPORTING – ANNUAL PROGRESS REPORTS AND FINANCIAL CLAIMS**

Besides the preventative monitoring, the Permanent Secretariat will take stock of the project's progress through the regular assessment of **Annual Progress Reports (APRs)** and **Financial Claims (FCs)**.

The **APR** describes the activities implemented, the deliverables/outputs produced, the results achieved, the resources used, etc. During the project implementation period, projects are required to submit yearly reports. The final APR will also include a qualitative section to summarize the different aspects of the overall project implementation, including: challenges encountered and solutions applied; 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; etc. These reports will provide a comprehensive overview of the project's implementation, achievements, and impact.

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

### 5.1.3 REPORTING PERIODS AND DEADLINES

The project APRs and FCs are not necessarily submitted together.

The scheduled project implementation period is 2 years (24 months), therefore there are **two reporting periods each covered by an APR**:

- first one submitted one month after the first year of the EUI-IA project implementation (serving as an intermediary progress report);
- second (and final) one submitted one month after the second year of the EUI-IA project implementation. In case of extension of the project implementation, the submission of the final APR is postponed accordingly (i.e. one month after the newer end date of project Implementation Phase after the granted extension).

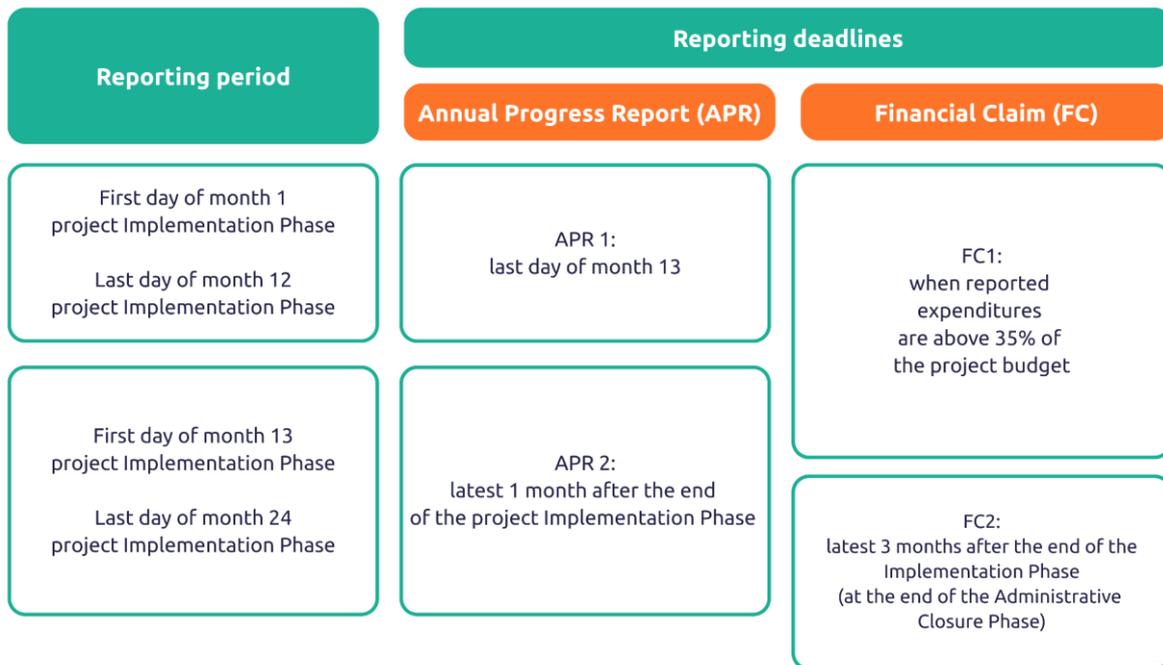
At the same time, **only two FCs are to be submitted**:

- first FC (FC1) during the Implementation Phase when the reported expenditure has reached at least 35% of the project total eligible budget;
- second FC (FC2) when the Administrative Closure Phase is over (3 months after the end of the Implementation Phase).

All reports (APR and FC) are submitted online in English via the EUI.Connect platform. The procedure is thus paperless. The overall process is coordinated, centralized, and controlled by the MUA. Project Partners provide the MUA with the information necessary for the preparation of the reports. During the APRs and FCs assessment, the Permanent Secretariat or FLC 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 shows the different reports, and indicative reporting periods and reporting deadlines:

Figure 8. Reporting periods and reporting deadlines



## 5.2 PROJECT CHANGES

EUI-IA projects must be implemented according to the approved Application Form. The Initiation Phase (see Chapter 4 “Initiation Phase and Contracting” 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-IA has a set of standardised rules and conditions under which approved projects can request modifications during their implementation.

**Two 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.
- **Major changes** are relating to more strategic types of changes: major budgetary changes, changes in the Partnership, project’s duration or changes related to other substantial elements having an impact on project’s implementation or on the achievement of project objectives. 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.

### 5.2.1 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 EUI.Connect platform 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>22</sup>;
  - minor changes to Result Indicators (clarification of definition, target values, introduction of new indicators).

Minor changes in the Work Plan and minor budgetary changes should be duly justified and reported to the Permanent Secretariat through the APR. The Permanent Secretariat will revise and, if duly justified,

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<sup>22</sup> See Chapter 6.6.4 "Budget flexibility".

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 should be noted that minor changes can lead in very specific cases to an update of the Application Form.

## 5.2.2 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.
- **Changes in the budget.** Changes in budget exceeding the limits of the flexibility rule<sup>23</sup> are considered as major changes and allowed in duly justified cases, when the content and objectives of the project are not affected. It should be noted that no additional ERDF can be requested.
- **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 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.

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<sup>23</sup> See Chapter 6.6.4 "Budget flexibility".

- **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 4 months.

### 5.2.3 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 only submit maximum 1 Request for major Change.
- After their Implementation Phase, approved projects can request 1 final major budgetary change. 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 Phase, except for the above-mentioned budgetary adjustments prior to the FC2 submission.
- Major changes require prior approval of the 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:

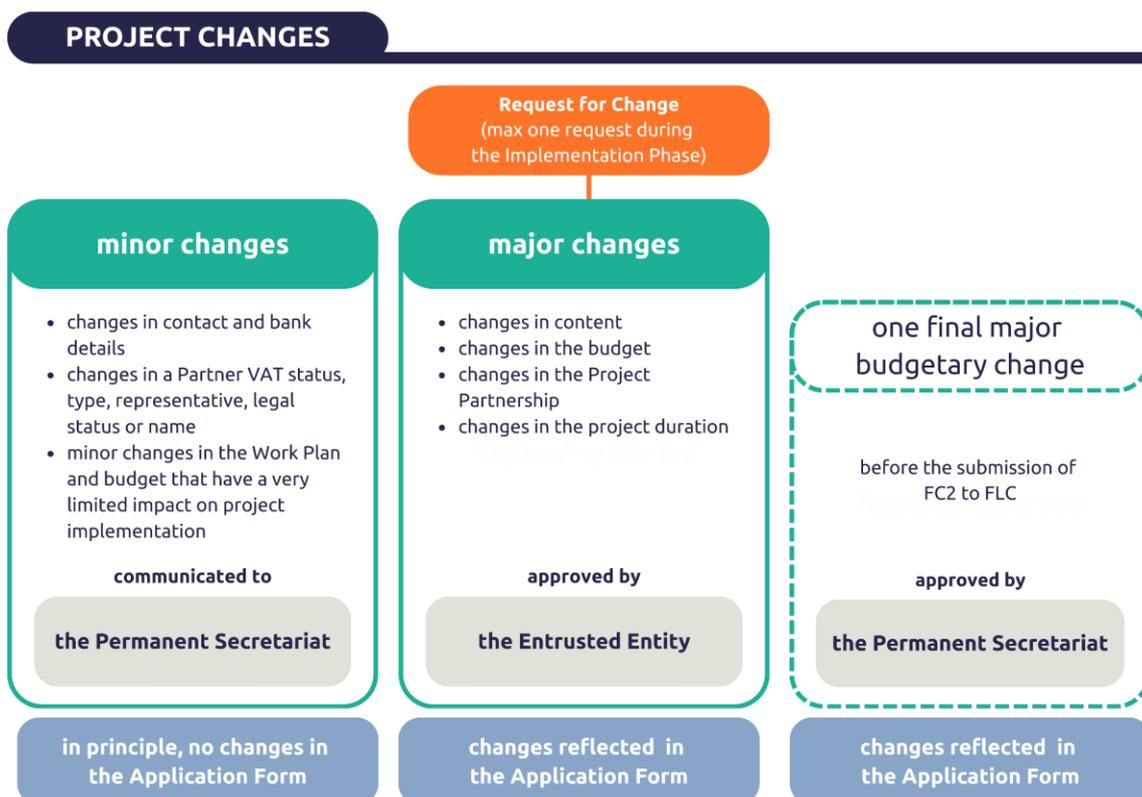
- Approval of the Request for Change: the change will only enter into force after the approval from the relevant EUI Authority has been received. However, once approved they are valid retrospectively starting from the date when the written request was submitted to the Permanent Secretariat. All (and 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 or 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 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 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 ELIGIBILITY OF EXPENDITURE

## 6.1 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/organisational level: internal rules applicable to each Project Partner.

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

Project costs must comply with the following **eligibility principles**:

- 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 the 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>24</sup>.
- Comply with the principles of efficiency, economy and effectiveness (provide value for money).

Additionally, project costs could face **ineligibility in case of**:

- Double financing of the same costs (e.g. expenditure which is already co-financed from another funding source).

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<sup>24</sup> In practice, the expenses are reported in their original currency in the FC1 or FC2 on the EUI.Connect platform which allows automatic conversion using the exchange rate of the month of the FC submission for validation to the FLC. See Chapter 6.6.1 "Use of the euro and exchange rates" for more information.

- Reported expenses related to contracts between Project Partners concerning the delivery of services, supplies or works among themselves during the project lifetime.

## 6.2 COSTS OPTIONS FOR THE PROJECT IMPLEMENTATION PHASE

When building their project implementation budget, each Project Partner has the possibility to choose from three options (combination of different simplified cost options and real costs), depending on which is the most appropriate and convenient for them as per the project scope and nature of their activities.

### 6.2.1 OPTION 1

Standard hourly rate per Member State for Staff costs, flat rate for Office and Administration, Travel and Accommodation; real cost for the rest of cost categories

Project Partner profile relevant for this cost option:

This option is suitable for Project Partners dedicating a significant share of their project budget to infrastructure and construction works, and/or equipment, and/or high value contracts for external expertise and services.

Overview of Option 1 elements:

cost categories

Staff	Standard hourly rate per Member State (hourly rate * number of hours)
Office and Administration	Flat rate 15% * Staff costs
Travel and Accommodation	Flat rate 5% * Staff costs
External Expertise and Services	Real costs
Equipment	
Infrastructure and Construction Works	

In details:

- **Staff expenditures** are declared by Project Partners as direct staff costs on the basis of a simplified cost option method: a **standard hourly rate per Member State**. The hourly rate is

standard for each Project Partner. The table of hourly rates per Member State is available here: [labour cost levels - hourly rate per Member State](#). This table should be used by applicants for the Staff costs calculations and it is based on the Eurostat data for Labour cost levels for each Member State. While calculating the staff costs, applicants should make sure to use the most up-to-date hourly rate available in the linked Eurostat data. Updating the calculations – should more recent data be published – will be possible during the Initiation Phase.

- **Office and Administration expenditures** are covered by an automatic flat rate of 15% of the reported Staff costs.
- **Travel and Accommodation expenditures** are covered by an automatic flat rate of 5% of the reported Staff costs.
- **External Expertise and Services, Equipment, and Infrastructure and Constructions Works expenditures** are direct real costs.

## 6.2.2 OPTION 2

### [Standard hourly rate per Member State for Staff costs and 40% flat rate of Staff costs for other cost categories](#)

**Project Partner profile relevant for this cost option:**

This option is suitable for Project Partners with staff intensive activities, where the direct staff costs represent a significant share of the Partner’s budget and where many activities are done “in-house”.

**Overview of Option 2 elements:**

#### cost categories

Staff	Standard hourly rate per Member State (hourly rate * number of hours)
Office and Administration	Flat rate 40% * Staff costs
Travel and Accommodation	
External Expertise and Services	
Equipment	
Infrastructure and Construction Works	

## In details:

- **Staff expenditures** are declared by Project Partners as direct staff costs on the basis of a simplified cost option method: **a standard hourly rate per Member State**. The hourly rate is standard for each Project Partner. The table of hourly rates per Member State is available **here**: [labour cost levels - hourly rate per Member State](#). This table should be used by applicants for the Staff costs calculations and it is based on the Eurostat data for Labour cost levels for each Member State. While calculating the staff costs, applicants should make sure to use the most up-to-date hourly rate available in the linked Eurostat data. Updating the calculations – should more recent data be published – will be possible during the Initiation Phase.
- **All other expenditures** under Office and Administration, Travel and Accommodation, External Expertise and Services, Equipment, Infrastructure and Construction Works costs categories are automatically calculated as 40% flat rate on Staff costs. The beneficiary only needs to document expenditure related to Staff costs.

*Example calculation for the 40% flat rate based on reported Staff costs:*

<i>Eligible reported Staff costs (a)</i>	<i>EUR 88,000</i>
<i>Flat rate for all other cost categories (b)</i>	<i>40%</i>
<i>Eligible other costs (automatic reporting without proof of actual costs) (a*b)</i>	<i>EUR 35,200</i>
<b>TOTAL COSTS</b>	<b>EUR 123,200</b>

*Assuming the selected ERDF rate is 80%, then the ERDF co-financing for this Partner will amount to 98,560 ERDF (= 123,200 x 0.8).*

## 6.2.3 OPTION 3

### 20% flat rate for Staff costs, flat rate for Office and Administration, Travel and Accommodation; Real cost for the rest of cost categories

#### **Project Partner profile relevant for this cost option:**

This option is suitable for Project Partners who are not predominantly categorised as relevant for Option 1 (investment intensive and/or high value external contracts) or for Option 2 (staff intensive), and who can prove the existence of at least one employee on the payroll of the organisation.

It is important to note this option is **NOT** authorised for Project Partners who:

- foresee to include work, supply, or service contracts in their costs that exceed the value thresholds set by the EU Public Procurement Directives (see Chapter 6.6.6.1 “Public procurement”).

- cannot prove the existence of at least one employee on the payroll of the organisation.

#### Overview of Option 3 elements:

##### cost categories

Staff Costs	Flat rate 20% * direct costs
Office and Administration	Flat rate 15% * Staff costs
Travel and Accommodation	Flat rate 5% * Staff costs
External Expertise and Services	Real costs
Equipment	
Infrastructure and Construction Works	

#### In details:

- **Staff expenditure** is automatically calculated as 20% flat rate of the project direct costs (External Expertise and Services + Equipment + Infrastructure & Construction Works)
- **Office and Administration expenditure** is covered by a flat rate of 15% of the reported Staff costs.
- **Travel and Accommodation expenditure** is covered by a flat rate of 5% of the reported Staff costs.
- **External Expertise and Services, Equipment, and Infrastructure and Construction Works expenditures** are direct real costs.

## 6.3 COST CATEGORIES

The following sections provide an overview on the eligibility principles for the different cost categories defined to support use of the ERDF budget by 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.

### 6.3.1 STAFF

This cost category covers gross employment costs of persons employed directly by the Project Partner and working full or part time on the project implementation 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.
- Dividends<sup>25</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 invoice-based 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.

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<sup>25</sup> It may concern staff members not being on the payroll of their organisations such as one-person companies, legal firms or Partnerships.

Depending on the selected cost option for project implementation (see Chapter 6.2 “Cost Options for the project Implementation Phase”), Staff costs may be calculated as follows:

- **20 % flat rate** of all costs of the Project Partner under External Expertise and Services, Equipment, and Infrastructure and Construction Works (Option 3).
- **Standard hourly rate** provided by Eurostat data for every EU Member State (Options 1 and 2).

Decision on the Staff cost option applied in the Application Form is made by each Project Partner. This choice is valid for all staff members of the Project Partner. Within the same project, different Project Partners may apply different Staff cost options and might change them before the FC1 submission to the FLC.

### 6.3.1.1 STAFF COSTS BASED ON A FLAT RATE

Under this option, the Staff costs are calculated as 20% flat rate of the total direct costs budgeted in the Application Form and later eligible amount declared by the Project Partner and validated by the FLC under the following cost categories:

- External Expertise and Services.
- Equipment.
- Infrastructure and Construction Works.

When budgeting or reporting Staff costs using this option, the distribution of Staff costs between Work Packages automatically follows the distribution of the expenditure planned for the above-mentioned cost categories between Work Packages.

To use this option, a Project Partner must meet the following criteria:

1. At the time of FC submission, the Project Partner must demonstrate that one employee at least is on the payroll.
2. The Project Partner does not foresee including work, supply, or service contracts in their costs that exceed the value thresholds set by the EU Public Procurement Directives (see Chapter 6.6.6.1 “Public procurement” for more details.)

#### Audit trail

With this methodology, Project Partners need to prove the existence of at least one employee on the payroll of the organisation to claim staff. 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 Works), which form the basis for the calculation, are legal and regular.

### 6.3.1.2 STAFF COSTS BASED ON STANDARD HOURLY RATE PER MEMBER STATE

Under this option, the Staff costs are calculated based on standard hourly rate defined per Member State using Eurostat data Labour cost levels. 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 Project Partner employee regardless of their position and actual salary.

Standard hourly rates for EU are defined Eurostat on an annual basis. See Chapter 6.2 “Cost Options for the project Implementation Phase” for the link to the table of hourly rates per Member State to be used for calculation.

General formula to be used for calculation of Staff cost budget for each Project Partner is as follows:



During financial controls, Project Partners present to the FLC all documents that justify following facts:

1. Work hours are reported only for employee working under an employment contract or equivalent.
2. The Project Partner did not 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 in two cases:
  - a. For employees working part-time (e.g. employee working 50% of their working time on project implementation in line with the employment contract will be able to report maximum 860 hours per year).
  - b. For reporting periods shorter than 12 months (e.g. reporting period covering 8 months will cap the maximum number of hours to 1,146.7 hours).

The Permanent Secretariat will publish update of the hourly rate in the EUI.Connect platform used for the project reporting costs.

## Audit trail

Within this methodology, 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 and deliver it upon request in case of controls (such as SLC, European Court of Auditors...).

## 6.3.2 OFFICE AND ADMINISTRATION

This cost category 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.

**Under Options 1 and 3**, Office and Administration expenditure is covered by a **flat rate of 15% of the reported Staff costs**<sup>26</sup> (irrespective of the option chosen for Staff cost: 20% flat rate or standard hourly rate). All above-listed items are to be considered as covered by the flat rate and thus they cannot be reported under any other cost category.

Important! If no Staff costs are reported, no Office and Administration costs can be generated and claimed. Office and Administration costs are considered as paid in due proportion to the reported and validated Staff costs.

**Under Option 2**, Office and Administration, together with Travel and Accommodation, External Expertise and Services, Equipment, and Infrastructure and Construction Works expenditures are altogether covered by a **flat rate of 40% of the reported Staff costs**.

#### Audit trail

For flat rates, no specific audit trail is required (no matter the chosen cost Option 1, 2 or 3). 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 is included in any other cost category.

### 6.3.3 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.

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<sup>26</sup> In line with article 54.b of Regulation (EU) No 2021/1060.

- Services contracted by Project Partners for arranging the travel and accommodation of their own staff members (e.g. travel agencies, etc.).

**Under Options 1 and 3**, Travel and Accommodation expenditure is covered by a **5% flat rate of the reported Staff costs**<sup>27</sup> (irrespective of the Option chosen for Staff cost: 20% flat rate or standard hourly rate). 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 generated and claimed. Travel and Accommodation costs are considered as paid in due proportion to the reported and validated Staff costs.

**Under Option 2**, Travel and Accommodation, together with Office and Administration, External Expertise and Services, Equipment, and Infrastructure and Construction Works expenditure are altogether covered by a **flat rate of 40% of the reported Staff costs**.

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.

#### **Audit trail**

For flat rate, no specific audit trail is required (no matter the chosen cost Option 1, 2 or 3). 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.

### **6.3.4 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.

**Under Options 1 and 3** (External Expertise and Services claimed as real costs) the following rules apply:

A non-exhaustive list of expenses to be declared as **real costs** can include:

- Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks).

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<sup>27</sup> In line with article 53.5 (a) of Regulation (EU) No 2021/1060.

- 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>28</sup>).
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services.
- Intellectual property rights (IPR) and consultancy fees.
- Provision of guarantees by a bank or other financial institution when required by Union or national law or in a programming document.
- Travel and accommodation costs for external experts, speakers, chairpersons of meetings, service providers of the project or other third party involved in the project.
- Other specific expertise and services needed.
- Unpaid volunteer work (see Chapter 6.6.3 “Project Partner contribution” for more details).
- Financial Schemes.

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<sup>28</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” for Project Partners’ staff members.

## FINANCIAL SCHEMES

Financial schemes can be foreseen and implemented by Project Partners to support 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. 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.

Such schemes must:

1. respect the principles of transparency and equal treatment,
2. should promote the achievement of policy objectives of the EU and
3. contribute to the project's objectives and results.

It should be noted that, like with any other project expense, only the amount paid out by the Project Partner / MUA directly to a third party or to a service provider for the services/goods linked to an individual award, can be claimed to EUI-IA<sup>29</sup>.

The individual award must not exceed **EUR 60 000**, and no third party (organisation or individual) can receive more than EUR 60 000 in total from a Project Partner.

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 followed for any External Expertise and Services 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>29</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>30</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.

**Under Option 2 (External Expertise and services covered by a flat rate) the following rules apply:**

External Expertise and Services, together with Office and Administration, Travel and Accommodation, Equipment and Infrastructure and Construction Works expenditure are altogether covered by a **flat rate of 40% of the reported Staff costs.**

**Audit trail**

**Options 1 and 3:** 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.

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<sup>30</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.

(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.

**Option 2:** For the 40% flat rate option, no specific audit trail is required. Project Partners do not need to document that the External Expertise and Services 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 External Expertise and Services costs is included in any other cost category.

### 6.3.5 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 (as in-kind contribution) 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.

**Under Option 1 and 3 (Equipment claimed as real costs) the following rules apply:**

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

- **Accessory equipment:** a tool or device necessary for the implementation of project activities and for the delivery of the project outputs. 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 must be followed:

- 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 (see Chapter 6.6.5 “Ownership, durability and intellectual property”).

**Under Option 2 (Equipment covered by a flat rate) the following rules apply:**

Equipment, together with Office and Administration, Travel and Accommodation, External Expertise and Services, and Infrastructure and Construction works expenditure are covered by a **flat rate of 40% of the reported Staff costs.**

**Audit trail**

**Options 1 and 3** - 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.

**Option 2** - For the 40% flat rate option, no specific audit trail is required. Project Partners do not need to document that the equipment 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 Equipment costs is included in any other cost category.

## 6.3.6 INFRASTRUCTURE AND CONSTRUCTION WORKS

**Under Options 1 and 3 (Infrastructure and Construction Works claimed as real costs) the following rules apply:**

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 must be followed:

- 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 6.6.5 "Ownership, durability and intellectual property").

Under Option 2 (Infrastructure and Construction Works covered by a flat rate) the following rules apply:

Infrastructure and Construction Works, together with Office and Administration, Travel and Accommodation, External Expertise and Services, and Equipment expenditure are covered by a **flat rate of 40% of the reported Staff costs**.

#### Audit trail

Options 1 and 3 - 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.

**Option 2** - For the 40% flat rate option, no specific audit trail is required. Project Partners do not need to document that the infrastructure and works 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 Infrastructure and Construction Works costs is included in any other cost category.

## 6.4 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.
- Reported fees between Project Partners of the same project for services, supplies and work carried out within the project.

## 6.5 ELIGIBILITY PERIOD

To be eligible, reported **expenditures must be incurred, and actions constituting the basis for reimbursement based on simplified cost options must be carried out, during the eligibility period**. The eligibility period strictly corresponds to the project implementation period (see also Chapter 1.8 “Project Phases” for more details). Therefore, the eligibility of expenditures starts with the project official start date and ends with the project official end date, as presented in the Application Form

At the latest, project expenditure must be paid before the submission of the FC2 to the FLC for validation.

As listed in the Chapter 1.9.3 “ERDF lump sums”, three ERDF lump sums are foreseen to cover activities carried out by the project partnership outside of the official project Implementation Phase (eligibility period), for Project Preparation, Initiation Phase and Administrative Closure. To receive the lump sums, project needs to provide evidence that defined outcomes, deliverables or results are reached. Lump sums are, under this condition automatically included into the FC1 or FC2.

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

### 6.6.1 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. Project Partners located inside the euro zone and incurring expenditure in another currency than euro, will report expenditures in that currency. In both cases, the other currency will be automatically converted into euro by the EUI.Connect platform upon submission of the FC, based on the [exchange rate of the European Commission](#) (InforEuro) applicable in the month on which the FC is submitted to the FLC for verification via the EUI.Connect platform.

## 6.6.2 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.

## 6.6.3 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, AUA,, Delivery 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>31</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>31</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>32</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>33</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.

<sup>32</sup> Regulation (EU) 2021/1060, Article 64 (b).

<sup>33</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 budget section.

When reported in the FC, 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 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.

#### 6.6.4 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% or EUR 25 000** (whichever is more favourable to the project), **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 Work Package, 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 5.2 “Project changes”).

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

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

#### 6.6.5 OWNERSHIP, DURABILITY AND INTELLECTUAL PROPERTY

To ensure the long-term sustainability of project results and to avoid any undue advantage arising from the ERDF contribution, specific provisions on ownership and durability must be respected for all infrastructure and productive investments co-financed under the EUIA project. A productive

investment is expenditure on fixed or intangible assets to produce goods or services, such as purchasing new equipment or developing software to improve efficiency in a process<sup>34</sup>.

### Ownership of project outputs and investments

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.

### Durability of project outputs and investments

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>35</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.

#### **UNFINISHED INVESTMENTS**

Following this logic, if project investments are unfinished at the end date of the project in a way that would prevent the project achieving its original objectives and investments durability, **the MUA is responsible for completing them at own costs** by the end of the Administrative Closure Phase, or in an acceptable timeframe agreed with the PS in an exception plan, including concrete actions and a deadline. 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 where any of the above conditions on ownership and durability are not met within the 5 years period of the final payment to**

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<sup>34</sup> Examples: Investment equipment, digital tools developed by the project, specific IT platforms, etc. that are strictly linked to the project objectives and results.

<sup>35</sup> Regulation (EU) 2021/1060, Article 65(1)

**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 6.8 “Recovery of ERDF”). 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 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.

### **Intellectual Property rights of project outputs and results**

As a general principle of serving the general interest with the ERDF public funding, project outputs and results (e.g. processes leading to new products or services, studies, software platforms, policy recommendations, good practice guides, infrastructure, productive investments, etc.) are expected to be **freely available for the public**. In specific cases, Project Partners might have good reasons to protect their project outputs and results and are entitled to establish the property rights deriving from the project. Projects Partners should make use of the Partnership Agreement to make the necessary provisions for questions on ownership and Intellectual Property Rights<sup>36</sup>.

## **6.6.6 PROCUREMENT**

### **6.6.6.1 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. 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. In case stricter rules are applicable according to any of these regulatory frameworks, the strictest of the applicable procurement rules applies.

The procurement rules apply to the project expenditures reported under real cost:

- External expertise and service costs.
- Equipment.

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<sup>36</sup> For more information about IPR, applicants can consult the EU IPR helpdesk: [www.iprhelpdesk.eu](http://www.iprhelpdesk.eu)

- 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.

The EU has set up minimum requirements for public procurement<sup>37</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.
- 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>38</sup>:

type of contractor	nature of procurement	estimated value
central government authorities (e.g. ministries)	public contracts for services and supply	≤ EUR 143 000
	<u>public contracts</u> for <u>works</u>	≤ EUR 5 538 000
sub-central contracting authorities (e.g. cities)	public contracts for services and supply	≤ EUR 221 000
	<u>public contracts</u> for <u>works</u>	≤ EUR 5 538 000

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 for each Project Partner, even for

<sup>37</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)

<sup>38</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)

procurement contracts pre-existing the EUI-IA project and used for the project activities. i.e. documents such as:

- public procurement notes,
- evaluation processing and reports,
- terms of reference,
- offers,
- order forms and
- contracts

It should be noted that **even below the EU thresholds, following fundamental principles of public procurement still apply:**

- transparency,
- effective competition,
- non-discrimination and
- equal treatment.

Concretely, 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 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

Public procurement rules foresee very limited and well-defined exceptions, among which is the 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>39</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 contracting should be limited to 50% of the budget of the concerned Project Partner and must be reported on a real cost basis.

### 6.6.6.2 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 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 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-

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<sup>39</sup> Article 12 Directive (EU) No 2014/24/EU.

efficient relation with a specific provider. In that case, the audit trail should include a solid justification for the choice of the provider.

### 6.6.6.3 PREVENTING AND ADDRESSING PROCUREMENT NON-COMPLIANCE

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.

For each Project Partner, the FLC checks among other if the applicable procurement rules have been respected. Failure to comply with the procurement requirements or to provide documentary proof of compliance with relevant European, national, local and internal public procurement rules will lead to financial consequences. If a procurement error is detected, the European Commission guidelines<sup>40</sup> will serve as a reference for determining possible financial corrections.

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<sup>40</sup> Commission's Decision No C (2019) 3452 of 14.05.2019

## 6.6.7 STATE AID

### State aid definition

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<sup>41</sup>.

A State aid risk is recognized whenever the 5 cumulative 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).
- **Selectivity:** State aid is selective and thus affects the balance between certain companies/market operators and their competitors. 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. 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.
- **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.
  - 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

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<sup>41</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)

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.

### State aid compliance

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** to prevent market distortions.

At the time of project submission, **the MUA is responsible to ensure that the project has been designed in compliance 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).

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:

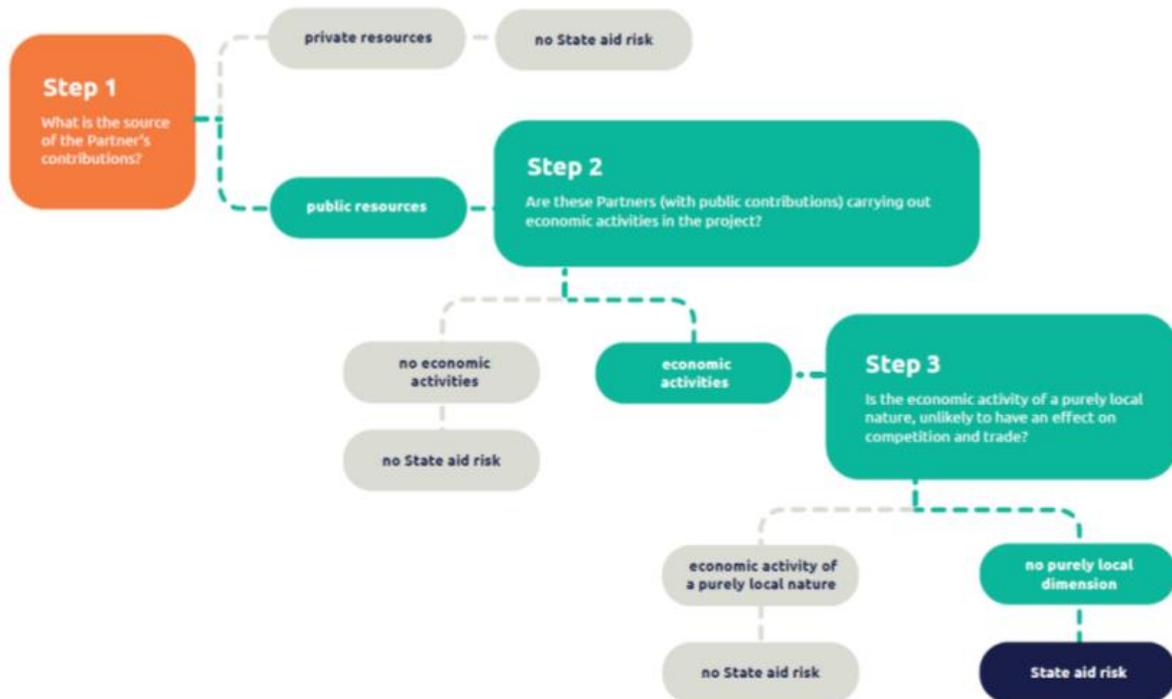
- State resources;
- Economic activities;
- Effect on trade and competition.

EUI-IA is a centrally managed EU instrument, implemented through indirect management and the European Union budget finances the EUI-IA projects by the ERDF (up to 80% of the project's costs). Therefore, 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 (20%) may enter the scope of State aid rules in EUI-IA projects, as far as public funding is involved.**

The scheme below can be used to carry out a State aid self-assessment risk at Project Partner level.

Figure 10. State aid self-assessment scheme



If all 5 conditions 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>42</sup>.
- Receive compatible and exempted from prior notification State aid by complying with the General Block Exemption Regulation<sup>43</sup>.
- Receive compatible State aid based on the State aid regime applicable to service of general economic interest (SGEI)<sup>44</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>42</sup> Commission Regulation (EU) No 1407/2013.

<sup>43</sup> Commission Regulation (EU) No 651/2014.

<sup>44</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>45</sup>.

In case of doubts, Project Partners should seek legal advice (from their legal department or external procurement experts).

## 6.7 RETENTION OF DOCUMENTS

It should be noted that **all supporting documents (such as invoices, public procurement files, contracts, etc.) shall be retained by Project Partners and made available on demand 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>45</sup> [http://ec.europa.eu/competition/contacts/stateaid\\_mail.html](http://ec.europa.eu/competition/contacts/stateaid_mail.html).

## 6.8 RECOVERY OF ERDF

Financial recovery of ERDF may occur:

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

For ongoing and completed<sup>46</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>47</sup>, the MUA will pay back the ineligible or undue ERDF amounts to the EUI.

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<sup>46</sup> Projects that have ended their implementation period but not yet administratively closed.

<sup>47</sup> Projects that have ended all project activities and received full due ERDF payment, including 3<sup>rd</sup> payment and closure lump sum.

# 7 PROJECT COMMUNICATION AND CAPITALISATION

## 7.1 PROJECT COMMUNICATION

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. Communication must be treated as an integral part of the project, a strategic tool actively contributing to the project's objectives. It brings together all members of the Project Partnership around common goals and will:

- make target groups, including the wider group of stakeholders (citizens, social and economic stakeholders), other EU cities and 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.

### Communication strategy

Sufficient time and resources should be dedicated to the project communication from the start. To ensure coherent, structured and effective outreach, each project is **strongly recommended** to develop a clear and comprehensive **communication strategy at the start of the project's Implementation Phase**. This strategy should outline how all communication and capitalisation activities as defined in the Work Plan of the Application Form (see Chapter 2.2.5 "Project Communication") will be planned, implemented and monitored throughout the project lifecycle. For all related activities, a carbon-neutral based approach is encouraged, for example by limiting the production of promotional material.

- The strategy should explain how the project intends to reach and engage its target groups and/or wider stakeholders, detailing the channels, tools, messages to be used and the timing. It should also ensure alignment between the communication objectives of Work Packages and the project's objectives, enabling consistent messaging, supporting the long-term visibility and the impact and durability of the innovative solution being tested.
- It is **recommended to draft the strategy at the application phase** to anticipate and organise each communication activity in relation to the Work Plan, as every Work Package must include at least one communication objective.

### Project page on the European Urban Initiative website

To ensure accessible and durable information, each EUI-IA project will have its own dedicated page on the EUI website. The project page will provide key information such as the purpose of the project, specific objectives, the location, the relevance to the EU Cohesion policy objectives, expected results and actual achievements. At a later stage, the project page will serve to showcase the key lessons learnt and important knowledge for the cities interested in replicating the innovative solution.

During the Initiation Phase, projects will provide to the Permanent Secretariat basic information (including good quality photos) that will serve as their main **presentation on the EUI website**.

During the Implementation Phase, **projects must provide regular news and updates**. At minimum 4 news article per year are expected and they must be published in English and supported by good quality photos. Good examples of news include: project kick-off event, important meetings with the local stakeholders, relevant milestones, site visit by external stakeholders and politicians, awards received by projects, article(s) from local/national press mentioning the project, relevant publications.

## 7.2 PROJECT CAPITALISATION AND DISSEMINATION

Dissemination 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 represent one of the key mechanisms used to facilitate the transfer, resulting mainly in increase in knowledge and capacities. These activities usually focus on capturing, analysing, explaining the knowledge generated by projects in the form of reports, case studies, policy recommendations and on disseminating it.

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.

Projects might be invited to contribute to the EUI capitalisation and dissemination activities. This could include 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.

## 7.3 PROJECT BRAND AND IDENTITY

Consistency is a central element of a brand identity. For this reason and to save the project costs and time, a common brand identity has been developed by EUI. Projects may 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 if it is clearly justified in the Application

Form. However, while a project may develop its own brand and identity, it must, always, use and give visibility to EUI's visual identity in its promotional material.

## 7.4 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 EUI-IA 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 supporting materials are available on the EUI website:

- European Urban Initiative Visual Identity.
- European Urban Initiative Brand book.
- Templates.

# GLOSSARY

term	definition
<b>Activity</b>	Specific task/stage of the project delivery for which resources are used. Each activity must result in at least one deliverable and one or several activities may contribute to an output. The planned activities should be necessary and sufficient to achieve the project's objectives and expected results. All activities must directly benefit the project.
<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>Application Form</b>	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.
<b>Association (or grouping) of Urban Authorities</b>	Association and/or grouping of urban authorities with a legal status of organised agglomeration or without a legal status of organised agglomeration and created on a voluntary basis by the authorities involved (already existing or created for the purpose of the EUI-IA funding).
<b>Associated Urban Authority</b>	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.
<b>Audit trail</b>	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 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) 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 EUI.Connect platform when the Application Form is completed. It has to be signed by a legal representative of the Main Urban Authority (or electronically, or printed, scanned and uploaded in the EUI.Connect platform). 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 step delivered via a project activities. It's an intermediary step towards 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>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.Connect platform</b>	Online platform to be used by the projects to generate and submit the Application Form, Annual Progress Reports and Financial Claims.
<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))

<b>Lump sum</b>	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.
<b>Main Urban Authority (MUA)</b>	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.
<b>NUTS (code)</b>	The Nomenclature of territorial units for statistics, abbreviated as NUTS (from the French Nomenclature des Unités territoriales statistiques) has been created by Eurostat in order to provide a standard classification of the EU territory. It is a geographical nomenclature subdividing the territory of the EU into regions at three different levels.
<b>Operational Check</b>	Carried out by the Permanent Secretariat against the selection criteria defined in the Guidance. The main objective of the Operational Check is to assess the operational readiness of the proposal, i.e.: it is realistic with the project timeline, ready to be implemented swiftly and it demonstrates good value for money.
<b>Organised agglomeration</b>	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.).
<b>Output</b>	Output is a specific, measurable end-product of the project, achieved through the implementation of activities. Outputs are what the project ultimately delivers thanks to the funding received. They directly contribute to the achievement of project objective(s) and result(s). Each Work Package must lead to the delivery of at least one output.
<b>Panel of External Experts</b>	The Panel of External Experts is in charge of the Quality 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>Project Partner</b>	Urban Authorities (Main Urban Authority and, if relevant, Associated Urban Authorities) and Delivery Partners involved in the project implementation and listed in the Partnership section of the approved Application Form.
<b>Quality Assessment</b>	Carried out by a panel of External Experts against the selection criteria defined in the Guidance, it is meant to assess project relevance and innovation, city-led approach and partnership quality, intervention logic, durability, scaling, Work Plan and co-creation.
<b>Result</b>	Expected Result reflect the "desired change" in the local situation as direct consequence of the project implementation. It represents the immediate advantage for beneficiaries or end users. 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, Quality Assessment and Operational Check.
<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

	<p>sums for Project Preparation, Initiation Phase and Closure Phase, and various flat rates depending on chosen Cost Option.</p>
<b>Stakeholder</b>	<p>Person, group or organisation that can affect, be affected by, or perceive itself to be affected by the project.</p>
<b>State aid</b>	<p>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.</p>
<b>Subsidy Contract</b>	<p>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).</p>
<b>Town (and suburb)</b>	<p>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>).</p>
<b>Urban Authority</b>	<p>Local administrative unit (LAU) defined according to the degree of urbanisation as city, town and suburb.</p>
<b>Work Package</b>	<p>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.</p>
<b>Work Plan</b>	<p>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.</p>