



EUROPEAN COMMISSION

European Structural and Investment Funds

Guidance for Member States on  
Integrated Sustainable Urban Development  
(Article 7 ERDF Regulation)

**DISCLAIMER**

*“This is a working document prepared by the Commission services. On the basis of applicable EU law, it provides technical guidance for colleagues and bodies involved in the monitoring, control or implementation of the European Structural and Investment Funds on how to interpret and apply the EU rules in this area. The aim of this document is to provide Commission services' explanations and interpretations of the said rules in order to facilitate the programme implementation and to encourage good practice(s). This guidance is without prejudice to the interpretation of the Court of Justice and the General Court or decisions of the Commission.”*

## Table of Contents

1. BACKGROUND.....	3
1.1. Regulatory references.....	3
1.2. Purpose of the guidance.....	3
2. GUIDANCE.....	4
2.1. Elements covered in the programming.....	4
2.2. Empowerment of Urban Authorities.....	5
2.2.1. Selection of individual operations.....	5
2.2.2. Designation of urban authorities as intermediate bodies.....	5
2.2.3. Suggested content of the written record of arrangements between Managing Authority and urban authorities.....	6
2.2.4. Scope of audit requirements.....	7
2.2.5. Increased delegation to urban authorities- global grant.....	7
2.2.6. Conflict of interest.....	7
2.3. Integrated sustainable urban strategies.....	8
2.3.1. Integrated Urban Strategies in the context of Article 7 ERDF.....	8
2.3.2. Key principles regarding the Integrated Urban Strategies.....	8
2.3.3. Technical Assistance for the development of strategies or the amendment of existing strategies.....	9
2.3.4. Sustainable Urban Development supported through financial instruments.....	9
2.4. Monitoring of the implementation and evaluation of the Strategy.....	10
2.4.1. Monitoring Committee.....	10
2.4.2. Monitoring.....	10
2.4.3. Evaluation.....	11
ANNEX I - SUGGESTED COMPONENTS OF AN INTEGRATED URBAN STRATEGY.....	12
ANNEX II – SUGGESTED TEMPLATE OF WRITTEN RECORD OF ARRANGEMENTS BETWEEN THE MANAGING AUTHORITY AND URBAN AUTHORITY.....	14

## 1. BACKGROUND

### 1.1. Regulatory references

Regulation	Articles
<p>Reg. (EU) N° 1303/2013 Common Provisions Regulation (<i>hereafter CPR</i>)</p>	<p><b><i>For the EAFRD, EMFF, ERDF, ESF and CF</i></b></p> <p>Article 15(2)(a)(i) - Content of the Partnership Agreement with regard to integrated actions for sustainable urban development</p> <p>Article 32 - Community-led local development</p> <p>Article 33 - Community-led local development strategies</p> <p>Article 34 - Local action groups</p> <p>Article 35 - Support from the ESI Funds for community-led local development</p> <p>Article 36 - Integrated territorial investment</p> <p>Annex I - Sections 3.3 (Integrated Territorial Strategies) and 6.5 (Arrangements for Addressing Key Territorial Challenges)</p> <p><b><i>For the ERDF, ESF and CF</i></b></p> <p>Article 96(3)(b) - Content of operational programmes with regard to integrated actions for sustainable urban development</p>
<p>Reg. (EU) N° 1299/2013 European Territorial Cooperation (<i>hereafter ETC</i>)</p>	<p>Article 2(3)(b) - Exchange of experience on sustainable urban development</p>
<p>Reg. (EU) N° 1301/2013 European Regional Development Fund Regulation (<i>hereafter ERDF</i>)</p>	<p>Article 7 - Sustainable urban development</p> <p>Article 8 - Innovative actions in the area of sustainable urban development</p> <p>Article 9 - Urban development network</p>
<p>Reg. (EU) N° 1304/2013 European Social Fund (<i>hereafter ESF</i>)</p>	<p>Article 12 – Specific provisions on the treatment of particular territorial features</p>

### 1.2. Purpose of the guidance

In recognition of cities' importance in the delivery of the Europe 2020 strategy (combined with the increasing recognition of the added-value of the integrated territorial approach), the urban dimension of Cohesion Policy has been significantly strengthened for the 2014-2020 period. This is particularly evident concerning the ERDF, in which Member States are now obliged to earmark at least 5% of their national ERDF allocation (under the Investment for Jobs and Growth goal) to support integrated sustainable urban

development strategies where urban authorities shall be responsible for at least tasks relating to the selection of operations. In addition, new tools have been introduced to encourage innovation and experimentation in the field of urban development (Urban Innovative Actions, Article 8 ERDF) and to deepen the discussion on the implementation of the urban dimension (Urban Development Network, Article 9 ERDF).

While the scope of the EU supported investments in urban areas is quite broad (involving for instance at least 50% of the ERDF and other urban focussed initiatives of the Commission), this guide deals specifically with questions from national, regional and local authorities concerning the implementation of integrated sustainable urban development as laid out in Article 7 ERDF. It recalls the key elements to be defined in the programmes, and provides answers to implementation questions linked to delegation to urban authorities, designing integrated strategies and monitoring and evaluating progress.

## 2. GUIDANCE

### 2.1. Elements covered in the programming

Before providing detail on individual sections, it is worthwhile to summarise the elements relevant to urban development which should be set out during programming:

- Selection of urban areas for Article 7 ERDF - The **selection** of urban areas/integrated sustainable strategies is the responsibility of the Managing Authority (MA) (it is left to the Member States to **define which territories** are to be considered as "urban areas"). Principles for selecting urban areas are set out in the Partnership Agreement (PA) and can include **pre-selection** of urban areas based on an analysis of needs (e.g. economic growth centres, metropolitan areas, or deprived neighbourhoods), **competitions**, or **on-going selection** based on defined criteria e.g. level of deprivation.
- Delegation - It is set out in Article 7(4) ERDF that urban authorities 'shall be responsible for tasks relating, at least, to the **selection of operations**'. It should be clear from the programmes that this minimum requirement will be met and that those urban authorities shall be designated as '**intermediate bodies**' (**IB**) as they will be carrying out functions assigned to the MA under Article 125 CPR.
- Method of implementation - Sustainable urban development under Article 7 ERDF shall be undertaken through integrated territorial investment (ITI) as referred to in Article 36 CPR, or through a specific programme, or through a specific priority axis. In the context of the 'specific priority axis', 'specific' means entirely dedicated to sustainable urban development. Regardless of the implementation mechanism chosen, the same implementation requirements apply i.e. minimum requirement for delegation, the use of **at least two thematic objectives** (Article 96(1)(c) CPR) and the use of funding in an integrated manner.
- The centrepiece of Article 7 ERDF is the existence of **integrated sustainable urban strategies**, addressing economic, environmental, climate, demographic and social challenges. The strategy constitutes the framework for the selection of **individual operations** (suggested elements for a strategy are presented in Annex I).

## 2.2. Empowerment of Urban Authorities

The CPR creates the possibility that MAs *may* designate one or more IBs to carry out certain tasks (according to Art. 123(6) CPR). However, in the framework of Article 7(4) ERDF, this is an obligation. Urban authorities *shall* be designated as IBs, whatever the extent of tasks delegated. They shall be responsible for tasks relating, at least, to the selection of operations in accordance with Art. 123(6) CPR [or where appropriate Article 123(7) CPR].

### 2.2.1. Selection of individual operations

For operations outside Article 7 ERDF, the MA selects operations (Article 125(3) CPR), based on a methodology and criteria approved by the Monitoring Committee (MC) (Article 110(2)(a) CPR).

Within the framework of sustainable urban development according to Article 7 ERDF, the responsibility of approving a methodology and criteria for the selection of operations stays with the MC. However, the actual ranking and selection of operations is delegated to the urban authority responsible for implementing the sustainable urban development strategy.

The various tasks which comprise 'the selection of operations' are specified in Article 125(3) CPR, and include the assessment of the content of the operations as well as verifications with regard to eligibility, administrative capacity and compliance.

To perform the tasks delegated to it, urban authorities must have access to key information such as whether an operation is eligible for support, complies with applicable law and has the necessary administrative, financial and operational capacity to meet the conditions for support. Where an urban authority does not have sufficient expertise to undertake these verifications, they may be performed by the MA (or another IB on its behalf). The urban authority may thus limit its assessment to the quality of the operations, their relevance to the integrated urban strategy and to the relevant programme. The scope of delegation is determined by the MA in consultation with the urban authority and formally recorded in writing (see Annex II for one way in which the written record could be made).

MAs may retain the right to undertake a final verification of eligibility of operations before approval. Thereby the MA will ensure itself that the operation selection procedures and criteria have been correctly applied by the urban authorities, in particular regarding the requirements to ensure that:

- the contribution of the operations to the achievement of the specific objectives and results of the relevant priority axis are ensured;
- procedures are non-discriminatory and transparent and take into account the general principles set out in Articles 7 and 8 CPR;

If the MA has evidence that the selection criteria have been incorrectly applied, then the delegation of the selection of operations should be suspended until a resolution can be found.

### 2.2.2. Designation of urban authorities as intermediate bodies

With the delegation of tasks for the selection of operations the urban authority acts as an IB.

The procedures for designation (including notification to the Commission and report and opinion of the independent audit body (IAB)), which apply to the MA and certifying authority (CA), are set out in Article 124 CPR.

In respect of Article 7 ERDF, urban authorities are covered by the designation procedure set out in Article 124 CPR **only with respect to the functions delegated to them**. This means that the IAB, providing the **report and the opinion** in the framework of the designation process, needs to obtain assurance on the compliance of the set-up of the system related to the delegated functions with the designation criteria set out in Annex XIII CPR. The IAB should be able to do this by auditing the MA's and/or the CA's own assessment of the IB combined with some additional testing at IB level, possibly on a sample basis.

Where the tasks delegated to the urban authority covers only the selection of operations, the **IAB thus needs to have assurance** that:

- the relevant arrangements between the MA and the urban authorities are formally **recorded in writing** (for example, through a written agreement such as that contained in Annex II), and
- **adequate procedures** related to the delegated functions are in place at the level of urban authorities, and adequate procedures are in place at the level of the MA to supervise the effectiveness of the functions delegated to the urban authorities.

**A written record of the arrangements** between the MA and the IB form an essential element of the management and control system. In principle, they should be in place from the start of the programme. However, in the framework of Article 7 ERDF (sustainable urban development), the selection of urban authorities as IBs may take place during the implementation of the programme (for instance, if a competition is held to select the best strategies). In this case, urban authorities will only be audited by the Audit Authority (AA) during implementation of the programme, after the formalisation of those authorities as IBs.

The MA should immediately inform the AA of the designation of any new IBs during the course of programme implementation. The AA should then assess the risks related to the new IB and revise its audit strategy accordingly with a view to providing assurance on the continued compliance of the MA with the designation criteria as regards functions delegated to the new IB.

As stated in section 2.10 of the guidance for Member states on Designation Procedure:

*During implementation of a programme, if the MA (...) delegates functions to a new IB there is no requirement to re-notify the designation of the MA (...). However, **the body responsible for monitoring the designation** will need to monitor that these bodies continue to comply with the designation criteria following such a change. (...) The body responsible for monitoring the designation will need to satisfy itself on the adequacy of the setup of the systems related to the functions delegated to the new IB and this should be verified by the AA in the course of its system audit work. (...)."*

### 2.2.3. *Suggested content of the written record of arrangements between Managing Authority and urban authorities*

In line with Article 7 (5) ERDF, the MA, in consultation with the urban authority, determines the scope of tasks to be undertaken by the urban authority concerning the management of integrated actions for sustainable urban development. This shall then be formally recorded in writing. Following Annex XIII CPR on the designation criteria, the

written record of arrangements shall cover a description of the respective responsibilities and obligations of the IBs and delegating bodies, a statement that the MA verified the capacities of the IB to carry out the delegated tasks and a description of reporting procedures.

An example of such a written record of arrangements is given in Annex II. However, it should be noted that this is not the only method (e.g. in some Member States a Legal Act is used).

#### *2.2.4. Scope of audit requirements*

In addition to what is described above in relation to the designation process, the urban authorities, as IBs under Article 7 ERDF, will be covered during implementation of the programme by **system audits and audit of operations** carried out by the AA and by audits by the Commission or the European Court of Auditors. In the context of system audits, the compliance with key requirements of the management and control systems, as set out Annex IV of the Delegated Regulation (EU) No 480/2014, will be assessed to the extent they are linked to the delegated tasks. The scope of the audits of operations carried out by the AA is the one defined in Article 27 of this Regulation.

#### *2.2.5. Increased delegation to urban authorities- global grant*

Where the Member State or the MA has entrusted more tasks to the urban authority beyond that of selection of operations, such as the management of part of a programme under Article 123(7) CPR ("global grant"), the IAB should verify whether the MA has set a framework for ensuring the definition of the urban authorities' responsibilities and obligations and in particular the verification of their capacities to carry out delegated tasks and the existence of reporting procedures, as follows from the designation criteria set out in Annex XIII point 1(ii) CPR.

This means that in the event that, at the time of the designation process, the Member State/MA has entrusted to urban authorities a "global grant" in the sense of Article 123(7) CPR, then the IAB should assess if the MA's required framework covers satisfactorily the verification of whether the urban authorities provide the necessary guarantees and financial management capacity.

After the notification of the designation and during implementation of the programme, the AA should also verify, in particular in the context of system audits, whether the MA has implemented correctly the procedures that it has set-up to verify that the urban authorities concerned by Article 123(7) CPR provide the necessary guarantees and financial management capacity.

#### *2.2.6. Conflict of interest*

When the urban authority is the IB under Article 7 ERDF and also the beneficiary of an operation that the same authority has selected, arrangements should be in place to ensure that the principle of separation of functions is respected, as follows from Article 72 CPR. This basic principle is a baseline requirement for any management and control system. It addresses important risks related to management override and mitigates fraud risk. Also, the separation of functions reduces errors by having more than one person performing or reviewing transactions in a process, increasing the likelihood of an error being found.

The key element is that functions delegated by the MA to the IB are allocated to units/departments within the urban authority that are not directly involved with the beneficiary's responsibilities.

In duly justified cases, where a separation of functions into different units/department of the urban authority would not be proportionate (having regard to the number of staff and volume of funds being managed), there should be, as a minimum, separate persons responsible for the IB and beneficiary duties. In this case, the head of the urban authority performing IB functions has to ensure an increased level of supervision and quality review.

### **2.3. Integrated sustainable urban strategies**

#### *2.3.1. Integrated Urban Strategies in the context of Article 7 ERDF*

In accordance with Article 7 ERDF, integrated urban strategies should be comprised of interlinked actions which seek to bring about a lasting improvement in the economic, environmental, climate, social and demographic conditions of an urban area. Whilst the operations supported by ESI Funds need not cover all these elements, the wider strategy must take account of all the aspects listed.

In terms of what is meant by 'interrelated' or 'interlinked', it means that actions should not be proposed and funded in complete isolation from each other, but rather that they should be developed within the context of a wider integrated strategy with the clear aim of creating a coherent and integrated response to the problems of the urban area concerned (deprived neighbourhood, city district, entire city, metropolitan area, etc.). Whilst integrated actions are strongly encouraged, there is no requirement that an individual action itself is integrated.

#### *2.3.2. Key principles regarding the Integrated Urban Strategies*

Although the regulation does not go into detail on the content of integrated urban strategies, there are some key principles which we recommend to be taken into account:

- The integrated urban strategy should not be viewed as an administrative exercise that an urban authority has to complete in order to qualify for funding under Article 7 ERDF. It should be a comprehensive and evolving strategy that is of real use to the urban authority and that helps to address key challenges.
- It should be based on the real development needs of the area concerned following a robust territorial and demographic analysis which identifies:
  - the challenges;
  - the strengths;
  - the weaknesses;
  - the opportunities (in the specific area and in relation to the wider area);
  - a development strategy (indicative actions, measures, investments, operations)
- It should set out a mid-term/long-term vision i.e. until at least 2020.
- It should be comprised of a system of interlinked actions which seek to bring about a lasting improvement in the economic, environmental, climate, social and demographic conditions of an urban area. Whilst the actions funded by ESI Funds need not cover all these elements, the wider strategy must take account of all the aspects listed above. Although not compulsory, Member States should seek to use the ESF, in synergy with the ERDF, to support measures related to employment, education, social inclusion and institutional capacity, designed and implemented under the strategy.

- As not every operation occurring within the urban area will be financed in the frame of sustainable urban development under Article 7 ERDF, the strategy should clearly refer and build upon other major investments (including ESI-funded investments) occurring within the urban area concerned. By extension, any EU funded investment project should therefore seek to take account of and link with the 'Article 7' integrated urban strategy. The Commission recommends that coordination mechanisms are set up between relevant MAs to ensure synergy and coordination between investments, in particular EU supported ones, in the urban territory concerned.
- It should be coherent with the overall development targets of the region and Member State.
- It should be realistic in terms of the capacity to implement and it should be proportionate to the amount of funding concerned.
- Those operations in the strategy to be funded by ESI Funds must be linked to the objectives of the programme from which the funds derive. If an ITI uses funding from several priority axes or programmes, a Member State may wish to express the objectives of the ITI through additional result indicators covering all contributing priorities or programmes.
- It should clearly demonstrate how local citizens, civil society, other governance levels will be involved in the implementation of the strategy. The creation of the strategy should be a collective undertaking, as the co-production method increases the likelihood of an integrated approach and the chances of successful implementation. While it is accepted that the co-production method is challenging and requires additional effort, it will benefit the urban authority in the long term.

Additional detail on the possible content of an integrated urban strategy is set out in Annex I.

#### *2.3.3. Technical Assistance for the development of strategies or the amendment of existing strategies*

The creation of integrated sustainable urban strategies can be financed through Technical Assistance, if this is foreseen in the respective programme. If needed, the subsequent development and amendment of those parts of the strategy financed by Article 7 ERDF can be financed either from Technical Assistance or from the specific urban priority axis, the specific urban programme or the investment priorities contributing to the ITI.

#### *2.3.4. Sustainable Urban Development supported through financial instruments*

Support to sustainable urban development can take any of the forms of support provided under Article 66 CPR. One of these forms is financial instruments (FI), which could be particularly suitable in areas such as property development, brownfield regeneration, investments in energy efficiency or urban mobility. In the period of 2007-2013, eleven countries set up urban development funds through JESSICA, investing an overall EUR 1.5 billion in urban areas.

Since the delegation of the tasks relating at least to the selection of operations implies in fact selection of individual urban operations, a correct approach must be applied when the support to sustainable urban development under Article 7 ERDF is delivered through an FI.

In FIs, individual investment decisions on operations must be taken on the basis of business plans that demonstrate the financial viability according to market standards. Such decisions are taken by a fund managers [only exception being Article 38(4)(c) CPR] acting in accordance with market practices. Urban authorities or any other public investor, including MAs, must not be involved in individual investment decisions. However, if FIs are to be used within the context of Article 7 ERDF and contribute towards the minimum 5% requirement, these urban authorities must be represented in governance bodies of the FI such as supervisory or advisory board. Such a requirement in relation to individual investment decisions is also confirmed in the State aid framework for urban development funds in Regulation (EU) No 651/2014.

## **2.4. Monitoring of the implementation and evaluation of the Strategy**

### *2.4.1. Monitoring Committee*

The requirements for the composition of the MC are set out in Article 48 CPR. Its composition shall be decided by the Member State. However, it shall be composed of representatives of the relevant Member State authorities, IBs, and competent regional and local authorities, according to its institutional and legal framework (Article 5 CPR). Explicitly mentioned are competent urban and other public authorities.

### *2.4.2. Monitoring*

- The Member State shall set up a monitoring system that allows for reporting data by programme, by priority axis, as well as by Fund and category of intervention (including territorial delivery mechanisms and territory type, where appropriate). This enables, for auditing purposes, to separate and declare expenditure for each individual priority, including priorities contributing to an integrated urban strategy. Progress in programme implementation and achievement of objectives is assessed by qualitative and quantitative indicators (Article 27(4) CPR). They form the basis for monitoring, evaluation and review of performance and include financial indicators relating to expenditure allocated, output indicators relating to the operations supported and result indicators relating to the priority concerned. These above-mentioned regulatory requirements apply also to sustainable urban development actions supported under Article 7 ERDF.
- Member States must report on programme implementation through Annual Implementation Reports (Article 50 CPR), including sustainable integrated urban development. In addition, in 2017 and 2019 the Member States shall provide a progress report (in line with Article 52 (e) CPR) on the implementation of the PA. These progress reports include assessment of the implementation of the integrated approach to territorial development incorporating sustainable urban development. Therefore the Commission encourages Member States to regularly monitor the implementation of Article 7 ERDF on urban strategies in MCs.
- By 31 December 2015, the Commission will provide a report on the uptake of sustainable integrated urban development in PAs and programmes, in the framework of reporting on the outcome of the negotiations (Article 16(3) CPR).
- The Urban Development Network, which will promote capacity building, networking and exchange of experience at Union level between urban authorities responsible for sustainable urban development strategies, will seek to receive on-going feedback on the implementation of Article 7 ERDF.

### 2.4.3. *Evaluation*

- Evaluation during the period (Article 56 CPR) requires Member States to assess at least once during the period how support from the Funds has contributed to the objectives for each priority. Such evaluations should be based on an evaluation plan (Art. 56(1) CPR) which is expected to be coherent with the objectives and planned actions as stated in the programme, priority or ITI through which sustainable urban development is deployed.
- In the case of an integrated urban strategy which is using funding from different priorities or programmes, the Commission strongly recommends including additional evaluation questions, or carrying out additional evaluations assessing the contribution of the strategy as a whole to the urban development objectives.

## **ANNEX I - SUGGESTED COMPONENTS OF AN INTEGRATED URBAN STRATEGY**

The URBACT programme <http://urbact.eu/> has invested significant effort on the development of the integrated approach and in systemising the required components of integrated local actions plans and strategies. The list below, which sets out the suggested components of the integrated urban strategy, is based on that contained in the URBACT Local Support Group Toolkit. The way in which these components are presented will of course depend on the local situation.

### *a) Summary of the urban context and the identification of the main problems and policy challenges*

Possible content:

- Statistical and referenced evidence to demonstrate and define city context and challenges (with clear reference to the five challenges under Article 7 ERDF), for example:
  - Population statistics and demography;
  - Unemployment and employment statistics;
  - Industrial / employment composition;
  - Summary of relevant programmes (ERDF and ESF) covering the city.
- It is also advised to set out the current state of play with regard to the five challenges (economic, environmental, climate, social and demographic) specifically identified by Article 7 ERDF, for example:
  - Summary of institutional context – roles and responsibilities of different agencies;
  - Summary of existing strategies and policies relevant to this field (local, regional and national);
  - Information from baseline research / expanded SWOT analysis;
  - Presentation and analysis of problems and options for solutions.

### *b) Setting of focus and objectives*

Possible content:

- Description of the focus of strategy and analysis of why this has been selected;
- Summary of main aspirations for the strategy;
- Presentation of strategic goal or vision;
- List of overall priorities of the Action Plan; and
- List of key objectives – what do you want to achieve – make sure these are Specific, Measurable, Achievable, Realistic and Timebound (SMART).

### *c) Actions / schedule*

Possible content:

- Breakdown of indicative activities / actions / operations which will be developed and delivered to help you meet these objectives and achieve results (you may choose to present this by putting different activities “under” the various objectives);
- Information on when these activities will be delivered;
- Gantt chart showing actions and timetable.

### *d) Funding scheme*

Possible content:

- Summary of resources which will be required to make this happen;
- Summary of potential sources of funding (including but not limited to ERDF and ESF);
- Presentation of how these activities relate to the programmes for 2014 to 2020 (and also other European initiatives such as Horizon 2020).

*e) Framework for delivery*

Possible content:

- Information on who will deliver actions – roles and responsibilities of stakeholders;
- Information on governance;
- Summary of indicators which will be used to monitor progress.

*f) Risk analysis*

Possible content:

- Description of type of risk (e.g. operational, financial, legal, staffing, technical, behavioural);
- Categorisation into low, medium or high risk;
- Outline of steps which could be taken to mitigate probability and impact.

## **ANNEX II – SUGGESTED TEMPLATE OF WRITTEN RECORD OF ARRANGEMENTS BETWEEN THE MANAGING AUTHORITY AND URBAN AUTHORITY**

### **Arrangements between urban authority XY and the MA regarding the selection of operations**

1. Under the responsibility of the MA, the urban authority XY carries out the selection of operations, to implement its integrated urban strategy.
2. The urban authority XY therefore acts according to Art 7 ERDF and Art 123(6) CPR as IB of the MA for the selection of operations. The MA has verified the capacities of the IB to carry out the delegated tasks.
3. The methodology and criteria for the selection of operations are approved by the MC.
4. The MA confirms that the integrated urban strategy of the urban authority XY is coherent with the priority axis XY of the programme. The MA and urban authority XY agree on appropriate reporting procedures to monitor the ongoing contribution of the strategy to the programme concerned.
5. The tasks of the authority for the selection of operations will be as follows:

*(As stated in section 2.2.1 of the guidance, in order to select operations, the urban authority should have all necessary elements at its disposal to take an informed decision. In particular, it should be aware whether an operation is eligible for support, complies with applicable law and has the necessary administrative, financial and operational capacity to meet the conditions for support. Where an urban authority does not have sufficient expertise to undertake these verifications, they may be performed by the MA. The results should then be provided to the urban authority. However, in all cases, the task of applying the agreed selection procedures and criteria, subject to the final check of eligibility, should lie with the urban authority).*
6. The MA retains the right to conduct a final check of eligibility before approval of the operations, thereby ensuring itself that the selection procedures and criteria have been correctly applied.
7. In case the urban authority is a beneficiary of an operation, the urban authority ensures a proper separation of functions in order to prevent potential conflict of interest. Appropriate procedures shall be in place.
8. The procedure and the results of the selection of operations will be documented by the urban authority and all documents will be retained in accordance with the appropriate timescales for ERDF funded operations. The MA, the AA, the European Commission and the European Court of Auditors have the right to conduct an audit regarding the selection.
9. The MA and the urban authority XY agree on an indicative budget to support the strategy. However, funding is not automatically guaranteed for those operations selected by the urban authority as they must be in accordance with regulatory requirements and they will also be dependent on the availability of funding.