

URBACT IV – Guidance for applicants

State Aid

This document aims to provide the necessary steps for determining whether the application is State-Aid relevant and requires framing under a State Aid regulation (De Minimis or GBER).

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1. Legal Framework

The assessment and management of State aid risks in projects financed under the URBACT IV are based on the following key EU regulations :

- **Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 (CPR):** Common Provisions Regulation, outlining general rules for EU Funds.
- **[Regulation \(EU\) No 2021/1059 of the European Parliament and of the Council of 24 June 2021 \(Interreg Regulation\)](#):** Specific provisions for European territorial cooperation programmes, including State aid considerations.
- **[Regulation \(EU\) No 2021/1058 of the European Parliament and of the Council of 24 June 2021¹ \(ERDF Regulation\)](#):** Defines ERDF objectives and eligibility rules.
- **Articles 107 and 108 of the Treaty on the Functioning of the European Union (hereinafter “TFEU”):** Provide the legal basis for assessing whether a measure constitutes State aid and the procedural rules
- **General Block Exemption Regulation (GBER) – [Regulation \(EU\) No 651/2014 of 17 June 2014 modified²](#):** Lists specific exemptions from the notification requirement under Article 107(3) TFEU.
- **De Minimis Regulation – [Regulation \(EU\) No 2023/2831 of 13 December 2023](#)** Sets thresholds below which aid is not considered to distort competition.

2. What is State Aid?

Projects receiving funding from the URBACT IV Programme must be subject to an analysis to determine whether there is a risk of State aid. State aid is defined as any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, and insofar as it affects trade between Member States. (article 107 (1) of the TFEU).

Point of attention:

Under EU Law the term “undertaking” refers to any entity engaged in an economic activity, regardless of its legal status or the way it is financed.

This definition can be further detailed in five cumulative criteria:

- The aid is granted to undertakings (means any entity engaged in economic activity) ;
- The aid is provided by the Member State (imputability) or through State resources (public funds) ;
- The aid favours certain organisations or the production of certain goods(selectivity criterion) ;
- The aid confers an advantage that distorts or threatens to distort competition ;
- The aid measure affects trade between Member states.

State aid compliance in the URBACT IV Programme will be assessed based on these criteria. If all five criteria are met, the project must comply with State aid rules. If only one criterion is not met, State aid rules do not apply.

An [EU Survey](#) containing the different State aid assessment criteria is available on the URBACT website and must be duly completed by the applicants.

¹ Consolidated text of Regulation (EU) 2021/1058 modified. This text is meant purely as a documentation tool and has no legal effect. The Union's institutions do not assume any liability for its contents. The authentic versions of the relevant acts, including their preambles, are those published in the Official Journal of the European Union and available in EUR-Lex. Those official texts are directly accessible through the links embedded in this document.

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3. How to assess the risk of State Aid?

In the context of State aid, a beneficiary refers to the undertaking that receives financial support. Any entity (company, organization, or a public entity) can be considered as an undertaking if it engages in economic activities (defined by the Court of Justice as “any activity consisting in the provision of goods or services on a given market”) regardless of its legal status and the way in which it is financed, or whether the entity intends to make profit.

If an organization gains an advantage from a project that it wouldn't normally receive under market conditions, it may be classified as State aid.

State aid can occur at two levels:

- **At the beneficiary level** (the main recipient of the funds) ;
- **At the final recipient level** (if the funds indirectly benefit another entity).

This procedure applies at the application stage but may, in certain cases, be applied retroactively³.

3.1. INITIAL SELF-ASSESSMENT BY PROJECT APPLICANTS

To determine whether State aid rules apply, applicants must complete a State aid self-assessment questionnaire, addressing the five cumulative criteria outlined in point 2:

1. **Undertaking and economic activity:** Does the activity involve the provision of goods or services on a market?
2. **Use of State resources:** Does the funding come from public resources?
3. **Selectivity:** Is the measure selective, favoring certain undertakings or sectors?
4. **Economic advantage:** Does the project provide an economic advantage that the recipient would not have obtained under normal market conditions?
5. **Effect on competition and trade:** Could the aid affect competition and trade between Member states?

If all five criteria are met, the activity is considered **State aid** and must comply with applicable rules.

Where the application of de minimis or the GBER would entail specific constraints, project partners may explore alternative approaches, such as excluding the relevant activities from the project application form or implementing them outside the project framework (only possible at application stage).

The questionnaire is available on the URBACT website as an EU Survey and must be duly completed. Please note that the conclusions drawn by the applicant in the self-assessment constitute an indicative element only and is not, under any circumstances, considered as decisive.

3.2. SME DEFINITION

If, following the self-assessment, a partner is considered to qualify as an undertaking, it shall carry out a self-assessment to determine whether it qualifies as a Small and Medium-sized Enterprise (SME) or as a large enterprise under the applicable EU definition using appropriate tools⁴. This classification is a key element in the application of State Aid rules, as it may affect eligibility conditions, applicable aid intensities and reporting obligations. Applicants or project partners are therefore required to carefully assess their status, taking into account criteria such as staff headcount, annual turnover and balance sheet total, and to communicate the outcome of this assessment to the MA/JS.

³ Cases where the operation has already been approved and is under implementation.

For the purpose of determining the size and type of the undertaking (autonomous, partner or linked enterprise), project partners should refer to the guidance and assessment tool made available by the European Commission under the EU SME definition at the following link:

https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en

3.3. VERIFICATION BY THE JOINT SECRETARIAT

The JS and Member States (MS) shall conduct their own independent assessment to determine whether the activity concerned constitutes State aid. The outcome of this assessment, including the analysis performed for each activity, shall be properly documented and archived, and made available for audit purposes, where required. The JS and Member States (MS) verify the applicant's self-assessment and classify the project into one of the following categories:

Category A – Activities not constituting State aid

Activities falling under this category do not constitute State aid, as one or more of the five cumulative criteria are not fulfilled. As a consequence, State aid rules do not apply. No further State aid action is required.

The analysis carried out by the JS concluding that the measure does not constitute State aid shall be documented, retained and archived for audit purposes.

This category includes, in particular:

- non-economic activities;
- activities carried out in the exercise of public authority, i.e. activities intrinsically linked to the exercise of public powers and which cannot, by their nature, be carried out by private operators (e.g. regulatory or statutory decision-making functions);
- purely social activities of a non-economic nature, provided free of charge or within a statutory social framework, which do not involve the offering of goods or services on a market and do not compete with private operators;
- activities without economic advantage, selectivity, or effect on competition and trade.

In all cases, the absence of State aid must be assessed on a case-by-case basis and duly documented. The fact that a measure is open to a large number of potential beneficiaries, or is based on objective eligibility criteria, does not in itself exclude its selective nature, in line with EU State aid jurisprudence.

Category B – Activities constituting State aid

Activities falling under this category constitute State aid. They may only be implemented if they comply with an applicable compatibility basis.

B1. State aid granted under the De Minimis Regulation:

Aid granted under the de minimis Regulation is considered compatible with the internal market and does not require notification to the European Commission.

Key conditions include, inter alia:

- the ceiling of EUR 300,000 per single undertaking per Member State over three fiscal years;
- verification by the JS and the Lead Partner (in case of indirect State aid) that the ceiling is not exceeded prior to granting the aid;
- registration of aid by the JS in a central national or European register as of 1 January 2026 and upload of information within 20 working days after the aid being granted;
- retention of all supporting documents by the beneficiary and the Managing Authority for 10 years.

B2. State aid exempted under the General Block Exemption Regulation (GBER)

Aid granted under this category is compatible with the internal market and exempted from notification, provided that all GBER conditions are fulfilled.

For URBACT IV, in particular, the following provisions may apply:

a) GBER Article 20a – Aid for ETC projects

- no identification of eligible costs is required;
- no additional documentation from the beneficiary/final recipient is required;
- no reporting obligations for beneficiaries;
- the total amount of aid shall not exceed EUR 22,000 per undertaking per project;
- the use of Simplified Cost Options (SCOs) is optional;
- cumulation rules laid down in Article 8 GBER apply.

b) GBER Article 20 – Aid for costs incurred by undertakings participating in ETC projects

- eligible costs include staff costs, office and administrative costs, travel and accommodation, external expertise and services, equipment, infrastructure and works;
- the total amount of aid shall not exceed EUR 2.2 million per undertaking per project;
- the Managing Authority shall establish a GBER scheme, ensure reporting, and retain detailed records for 10 years;
- cumulation with other GBER aid or de minimis aid is possible, subject to compliance with applicable cumulation rules;
- the use of SCOs is optional.

For French Managing Authorities, the GBER provisions relating to European Territorial Cooperation (ETC) have been transposed into the national State aid scheme SA.111120, which entered into force on 1 January 2024 and will expire on 31 December 2026. State aid granted under this scheme must fully comply with all its conditions and explicitly refer to the scheme. The reference to SA.111120 must be included in the relevant legal act, such as:

- ✓ the intervention rules (or any equivalent document),
- ✓ the aid award decision or resolution,
- ✓ or any other legally binding act granting the aid.

The standard references and wording set out in Section 1.1 of the scheme may be used for this purpose. In addition, the Managing Authority shall closely monitor any regulatory developments related to the GBER and ensure that the reference to the applicable scheme code is updated accordingly, where relevant.

B3 – State aid requiring notification

Where a measure constitutes State aid and does not fall under the De Minimis Regulation or the GBER, it must be notified to and approved by the European Commission prior to implementation.

Category C – Other State Aid category compatible with exemptions

This is applicable in specific cases where previously established State aid schemes are not compatible.

For any aid granted under an applicable State Aid framework (1st and 2nd level), the three following principles must be respected where applicable: aid intensity (GBER), incentive effect (GBER other articles than Article 20 and 20a) and the cumulation principle (De Minimis).

Where necessary, the MA/JS may request specific supporting documents from the applicant/project partner in order to verify compliance with the applicable State aid conditions. This may include, for example, evidence confirming that the undertaking concerned is not an undertaking in difficulty within

3.4. SECOND-LEVEL STATE AID

A second-level State aid risk occurs when an undertaking benefits indirectly from financial support provided by an URBACT project partner. When the risk occurs, an assessment must be made to verify whether financial advantages granted through project activities could indirectly favor undertakings (final recipients), leading to potential distortions of competition and affecting trade between Member States.

To assess this risk, the following steps should be followed:

3.4.1. Identification of direct beneficiaries and final recipients

The Managing Authority (MA) and Joint Secretariat (JS) should verify if the project includes financial flows, services, or in-kind support that may benefit third parties (final recipients).

The applicant must provide a declaration on State aid relevance, detailing financial flows and potential advantages for undertakings.

3.4.2. Application of the State Aid "Five Criteria" Test

Each transaction should be assessed based on:

- 1. Undertaking and economic activity:** Does the activity involve the provision of goods or services on a market?
- 2. Use of State resources:** Does the funding come from public resources?
- 3. Selectivity:** Is the measure selective, favoring certain undertakings or sectors?
- 4. Economic advantage:** Does the project provide an economic advantage that the recipient would not have obtained under normal market conditions?
- 5. Effect on competition and trade:** Could the aid affect competition and trade between Member states?

If all five criteria are met, the activity may be considered State aid, and appropriate measures must be taken (e.g., application of GBER or De Minimis Regulation).

Where the second-level activity is economic in nature, State aid rules may nevertheless not apply where the measure does not confer a selective economic advantage, notably where beneficiaries are selected through open, transparent and non-discriminatory competitive procedures, where the granting entity acts in line with the market economy operator principle, or where the support does not affect trade between Member States, including in the case of purely local activities or support granted under the de minimis Regulation.

The qualification of second-level support as falling outside the scope of State aid rules must be assessed on a case-by-case basis and duly documented. The mere fact that support is open to a broad range of potential recipients or based on objective eligibility criteria does not, in itself, exclude the existence of selectivity, in accordance with EU State aid case law.

4. Verification during project implementation

4.1. Ongoing monitoring and reporting

Lead Partners (LPs) must track and report any changes in project implementation that may increase the risk of State aid. Any financial advantages granted to third parties should be disclosed in project reports.

To ensure ongoing compliance, each Project Partner is responsible for submitting all relevant information and documentation related to State Aid at each monitoring stage (progress reports and payment claims).

4.2. Compliance reviews

Projects presenting a higher risk of first- and/or second-level State Aid may be subject to specific checks during implementation. Where a potential State Aid element is identified, partners may be requested to provide justification of compliance.

Prior to project closure, a verification will be carried out to ensure that no unreported first- and/or second-level State Aid has been granted. Should any aid be identified at a later stage, appropriate corrective measures may need to be implemented, including, where applicable, the recovery of undue advantages.

5. Archiving

Where an operation or a measure involves State aid, the applicable “State aid archiving” rules shall prevail. In particular:

- for State aid granted under the General Block Exemption Regulation (GBER), detailed records containing all information and supporting documents necessary to verify compliance with the GBER conditions shall be kept for **ten years** from the date of granting the individual aid or from the date of the last aid granted under the relevant scheme. For European Territorial Cooperation programmes, this obligation applies to the Member State in which the Managing Authority is located, in line with the applicable national ETC scheme;
- this obligation does **not** apply to limited aid granted to undertakings for their participation in ETC projects under Article 20a GBER, where applicable;
- for **de minimis aid**, all relevant information and supporting documents shall be kept for **ten years** from the date of granting the aid, in accordance with Article 6(3) of Regulation (EU) 2023/2831.

Proper document retention arrangements must be ensured in order to guarantee the availability of all relevant documentation for audit and control purposes by the competent authorities, including the European Commission.

6. Definitions

Advantage: An advantage can take the form of direct payment of state resources in the form of grants and subsidies as well as indirect benefits that affect the public budget such as tax breaks, rate rebates, low interest loans, sale of public land below market value and the provision of services for free or at below-market rates.

Selectivity: Support that targets particular businesses, regions or types of firm e.g. SMEs or particular sectors and not others is selective.

Undertaking: An undertaking is defined as any entity, regardless of its legal status, which is engaged in economic activity and where there is a market in comparable goods or services. It does not have to be profit-making as long as the activity carried out is one which, in principle, has commercial competitors. It can include voluntary and non-profit-making public or public authorities when they are engaged in economic activity. Charities, universities, research institutions, voluntary entities, social enterprises and public sector bodies may therefore be deemed to be undertakings when they are engaged in economic activity. Support in favour of non-undertakings (i.e. entities which are not involved in economic activity) is not state aid.

Economic activity: Activity which consists of offering goods or services on a given market.

Incentive effect: The aid must change the behaviour of the company that receives it, not just subsidise activities it would have undertaken anyway. There is an incentive effect if they apply in writing before project starts.