

Digitalisation of the built environment and construction

KIRA-digi programme, part 3 Experiments and pilot projects

KIRA-digi is a way of implementing one of the key projects within the Government Programme, *Digitalisation of public services*.

KIRA-digi aid scheme

Decisions:

- Strategic management group, 23 June 2016, decision on the themes/perspectives of experimental projects.
- Strategic management group, 14 September 2016, decision on including a life cycle approach to the themes/perspectives and on starting the application period on 14 October 2016

1. Objectives

The Digitalisation of the built environment and construction (KIRA-digi) programme is part of the digitalisation of public services, which is one of the key projects within the Government Programme. The project is implemented through wide-scale cooperation between the public and private sectors. Experimental projects and pilots are an integral part of the KIRA-digi programme. The aim of the pilots is to test the interoperability of processes within the industry and public administration, between the public and private sectors and in the private sector.

The objective of the KIRA-digi aid scheme is to 1) facilitate change in regard to the sector's operating methods, 2) enable the testing of and experimentation related to various models and development paths, and 3) apply standard solutions in practice. The KIRA-digi aid scheme supports experimental projects with government transfers.

The aid scheme covers two types of experimental projects: Experimental projects with fixed application periods and the one-off experimental grant with an open application. Because one of the objectives of KIRA-digi is to facilitate changes in operating methods, it is important to support both economic and non-economic experimentation. In general, the pilot projects are expected to be economic experiments, and this aid scheme follows the terms and procedures of the supposed majority of the projects, i.e. economic projects.

Exceptions regarding non-economic activity are in section 12.

Terms and procedures related to the one-off experimental grant are in section 13.

The scope of application of the KIRA-digi aid scheme comprises the built environment and construction, including planning, zoning, permit processes, construction, built heritage, building engineering, real estate management, real estate business and property management, links to infrastructure and energy efficiency, service providers. The operators behind the projects need not operate in these industries, but the results of the projects must be related to the digitalisation of the built environment and construction.

The aid scheme is closely linked with the first two objectives of the KIRA-digi programme; harmonisation of information management and reforming regulations so that they enable digitalisation, testing and putting the decisions into practice.

2. Basis of the aid scheme and applicable legislation

Government transfers are allocated within this aid scheme to projects which are implemented by legal persons and which meet the following criteria:

- according to assessments, they could be granted funding within the KIRA-digi programme;
 - they need funding from KIRA-digi in order to be implemented;
 - their implementation is particularly vital for the objectives of KIRA-digi and the project at large;
- and
- they meet the other funding criteria.

The authority responsible for the government transfers is the Ministry of the Environment. The granting and use of discretionary government transfers are governed by the Act on Discretionary Government Transfers (688/2001) and the provisions on bases, grounds, procedures and supervision set in it.

KIRA-digi allocates government transfers to experimental and pilot projects by companies and communities which promote the digitalisation of the built environment. By principle, transfers to economic activities are regarded as State aid within the meaning of the EU State aid rules, and they can only be granted when the conditions laid down in the rules are fulfilled. The aid granted to experimental and pilot projects within KIRA-digi is aid for research, development and innovation. The admissibility of the aid is based on Article 25 of the Block Exemption Regulation (Commission Regulation (EU) No 651/2014), which lays down provisions on aid for research and development projects, and, in particular, on the provisions on aid for research and development projects and experimental development. Aid can be funded within the programme to experimental development (as defined in Article 2, definitions 86 and 87 of the Block Exemption regulation) so that it evolves into concrete pilot projects that integrate different interoperability solutions with existing systems or seek new solutions and ways of operating in an agile way.

In addition to the content of Article 25, the aid must fulfil the common conditions for application, as laid down in Chapter 1 of the Block Exemption Regulation.

The KIRA-digi programme can also cooperate more closely with the pilot project when certain conditions are met. The need for closer cooperation is always determined by the overall objectives of the KIRA-digi programme, and it may cover a financial contribution. In addition to the general grounds, the more extensive cooperation must fulfil other specific criteria, and the decision-making process is longer. The KIRA-digi steering group discusses the different forms of cooperation and reviews the proposals. The decision to contribute financially is always based on the KIRA-digi aid scheme. The granting of any transfers requires a decision on the budget by the Parliament.

3. Duration of the aid scheme and maximum aid amount

The aid scheme period is from 1 October 2016 to 30 July 2019. Only costs that are generated between 15 November 2016 and 30 January 2019 are eligible for aid, but payments can be made until the end of February 2019. The costs associated with a project can only be approved after the project-specific aid decision has been made, and the project will end only after the Ministry of the Environment has approved the auditor's statement regarding it.

The maximum amount of government transfers granted by the Ministry of the Environment within the project is EUR 4.4 million. The actual amount will be determined by the annual state budgets and the policies defined by the KIRA-digi strategic management group.

4. Requirements on beneficiaries

State aid can be granted to companies, associations, municipalities and other legal entities which have a business ID, which have paid their taxes and other necessary contributions, and which implement a project that meets the criteria of the KIRA-digi aid scheme. The operator can be either Finnish or of international origin.

Aid cannot be granted within the KIRA-digi aid scheme to undertaking business in difficulty (as specified in Article 1(4) (c) and Article 2, definition 18 of the Block Exemption Regulation). Aid cannot be paid to a business which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market (Article 1(4) (a) of the Block Exemption Regulation).

More information on economic activities and the EU State aid rules

<http://tem.fi/en/eu-rules-on-state-aid>

5. Basic requirements for the projects

All the projects selected for the KIRA-digi aid scheme must meet the following basic requirements:

1. The project involves **special**, experimental development related to the digitalisation of the built environment or construction and innovation activity related to organisation and processes. Experimental development means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new and improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services.

Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set.

2. The project realises the objectives of KIRA-digi: 1) facilitate change in regard to the sector's operating methods, 2) enable the testing of and experimentation related to various models and development paths, and 3) apply standard solutions in practice.

3. The project implements one of the five **themes/perspectives**:

Information perspective:

Experimental projects that have to do with new life cycle opportunities and the removal of obstacles related to opening, providing access to, refining or utilising information through linking data or opening data, for example.

Service perspective:

Pilot projects that have to do with increasing customer value and streamlining processes in the sector's ecosystems with the help of new and existing digital services.

Standardisation perspective:

Experimental projects that have to do with the life cycle opportunities offered by compatible standards, information models, lexicons, nomenclatures or task lists in the development of processes, methods, services and products, for example.

Internet of Things (IoT) perspective:

Innovative experimental projects that combine life cycle stages, devices, movement, information sources, virtual reality and service solutions, for example, in new ways.

Operating model perspective:

Experimental projects that shake up life cycle operating models and seek new solutions and practices, using the means and principles of the digital age.

4. The project will mainly be **implemented** before the end of 2018.
5. The key content of the project is **not the sale of a product or service**.
6. The project complies with good practices and applicable legislation.

In addition to meeting the aforementioned basic requirements, the projects must apply for the funding primarily for a purpose other than their publicly-funded core operations or investments in buildings.

6. Handling the applications and criteria for project assessment

The strategic management group of KIRA-digi appoints an expert group or a steering group that will assess the applications. The appointed group may also back up its decisions by carrying out feasibility studies on the projects.

When selecting projects for the aid scheme, the assessors will pay particular attention to the following, in addition to the basic requirements listed in section 5:

- **Feasibility:** the project can be implemented as planned, within schedule and with the resources available.
- **Effectiveness:** the project tackles a key challenge related to the digitalisation of the built environment and construction or enables other effective solutions; the project supports the use of the national service channel.
- **Accessibility, openness:** where applicable, experimental activities utilise existing, accessible environments (such as Innokylä or Trello), open source solutions and data that are already public, and the key solutions of the project are available online, for example, on avoindata.fi or kokeilevasuomi.fi.
- **Originality, innovation and creativeness:** the project or a solution presented within the project is new and special or made in an original way, or it has novel, special elements in it.

7. Eligible costs of a project

The aid granted to projects must have an incentive effect, in accordance with the Block Exemption Regulation. Aid is considered to have an incentive effect if the beneficiary has submitted a written application for the aid before work on the project or activity starts. Because the objective is to support new solutions, operating models and practices, aid can only be granted beforehand and for new projects.

Aid is not granted:

- to projects that have already started;
- for works that have already been performed;
- for activities which the beneficiary would perform in any case or as routine tasks;
- for periodic changes, even if the changes were upgrades.

Aid is always paid in euros, and the amount of aid is based on the cost estimated included in the application, not, for example, on a share of the actual costs.

7.1 Eligible costs in economic experimental development activities

Costs which are necessary and reasonable in view of the development work and which can be allocated to the project in accounting are considered as eligible. Eligible costs include:

- personnel costs: researchers, technicians and other supporting staff to the extent employed on the project. In order to have salary costs approved as project costs, the applicant must provide a record of the personnel's working hours, unless the person works exclusively on the project in question;
- costs of instruments and equipment to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles, are considered as eligible;
- costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project;
- additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project.

This division must be used in the reports on the project.

Value added tax can be included in the costs paid with project funding only if it remains as a final cost for the recipient of the funding and as long as the recipient of the funding does not have the right to record the value added tax under the state's separate value added tax subsection and the value added tax is not compensated to the recipient in some other way.

Eligible costs do not include costs associated with the beneficiary's routine operations, basic investments and acquisition of standard machinery or equipment, profit, loss or other provision of the beneficiary, entertainment, scholarships, advertising and marketing, gifts or financial calculations.

8. Maximum aid amount (aid intensity)

The aid granted to an individual project within the KIRA-digi aid scheme is aid for experimental development, and its aid intensity is 25%. (Commission Regulation (EU) N:o 651/2014, Article 25)

The intensity of the aid for experimental development may be increased by 15% if the results of the project are widely disseminated through conferences, publication, open access repositories, or free or open source software¹, or if the project involves effective collaboration:

- between businesses among which at least one is an SME, or is carried out in at least two Member States, or in a Member State and in a Contracting Party of the EEA Agreement, and no single business bears more than 70% of the eligible costs; or

- between a business and one or more research and knowledge-dissemination organisations, where the latter bear at least 10% of the eligible costs and have the right to publish their own research results.

This KIRA-digi aid scheme requires that the organisation publishes the results not only using its own channels, but also on the channels of the KIRA-digi programme and on the kokeilevasuomi.fi or avoindata.fi websites. This fulfils the criteria for increasing the aid, as mentioned above.

For example, if the project involves product development or piloting for the purpose of creating a economic application, and the developer does not want to publish the results because of this, the criteria for the 15% increase are not met. In this case, the aid intensity can be increased by 10 percentage points for medium-sized enterprises and by 20 percentage points for small enterprises.

(See Commission Regulation (EU) N:o 651/2014, Article 25(6) (a)). The sizes of enterprises are defined in Annex 1 to the Regulation.

In this aid scheme, the maximum amount of aid granted to experimental projects is 40% of the project's eligible costs.

9. Cumulation of aid

If the aid is granted for economic activities and governed by the general Block Exemption Regulation, the transfer allocated to specific costs may only be cumulated with other public aid if such cumulation does not lead to exceeding the highest aid intensity applicable to that aid under the Regulation.

10. Application procedure

The scheme includes open application rounds that will be advertised on the websites of the project and the Ministry of the Environment (<http://www.kiradigi.fi/> and www.ym.fi/kiradigi). The application periods will be available on the project website from 1 December 2016 (until 2017).

The rounds of application will be determined by the grants approved by the Parliament, so that the last round of application within the scheme will take place in May 2018. Each application period will last for one month, and experimental projects related to any of the perspectives listed above may apply. Applications sent in outside the actual application periods will be included in the next round of application, if they are submitted before May 2018.

Government transfers can be applied for from the Ministry of the Environment by filling in an electronic application form. The applicant must provide at least the following information on the form:

Applicant's information:

- Name and contact information and contact persons
- Business ID
- An affirmation by the applicant and/or the enterprise confirming that it is not in financial difficulty, as specified in Article 2(18) of the Block Exemption Regulation. The Ministry of the Environment has the right to verify this based on the enterprise's financial statements.
- An affirmation by the applicant and/or the enterprise confirming that it is not subject to an outstanding recovery order following a previous Commission decision declaring an aid which is illegal and incompatible with the internal market.
- VAT liability of the applicant.

Information on the project:

- Name
- Target result or link with the objectives of the KIRA-digi programme
- Perspectives/themes relevant for the experimental project
- Implementation plan and technical specification
- Cost estimate
- Itemisation of overheads and a description of their allocation to the project
- Funding plan, the funding shares of participants and the amount of aid applied for
- Monitoring and assessment plan for the project
- Results publication and utilisation plan
- Implementation schedule with milestones.

The applicant must approve the terms and conditions of the KIRA-digi agreement when submitting the form. Due to the tight schedule of the KIRA-digi programme, incomplete applications will not be handled.

The KIRA-digi programme notifies successful candidates via e-mail and provides them with the KIRA-digi logo, key project logo and graphic guidelines.

11. Other terms

State aid may only be used to cover reasonable costs that are necessary for implementing the project, as specified in the application or by the Ministry of the Environment in granting the aid. The party responsible for the project must operate and manage its finances in an appropriately economic manner.

Direct administrative costs incurred from the project and the share of the applicant's general administrative costs which can be allocated to the project in accounting can be approved as administrative costs.

Aid can be granted to the beneficiary for its own operations or the project, or to support the operations of a project of another operator, if such an operator promotes the cause specified in the award decision. If the aid is granted for supporting the operations or a project of another operator that promotes the cause specified in the award decision, the operator must also fulfil the grounds laid down in the Block Exemption Regulation, and the beneficiary must make an agreement on the use of the aid, supervision of its use and the terms and conditions of these with the operator that implements the project.

In collaborative projects, each party to the cooperation must be specified in the appropriate section. The aid is granted to the primary applicant, which will be accountable for the entire aid amount to the Ministry of the Environment. Each beneficiary must meet the terms and conditions of the aid.

If the project plan or budget is changed and the applicant wishes to use the aid within the KIRA-digi project for a purpose other than the original purpose for which it was granted, the applicant must apply for the change from the Ministry. The change application must be submitted before starting the operations subject to the change. Sending e-mails is regarded as a written procedure, and the applicant must save relevant e-mails and append them to the report on the use of the aid, if the change is effective at the level of using the aid.

Changes that require an application include all changes that affect the key objectives, operations or number of personnel within the project, or which change the budget of the project by at least 15%.

The beneficiary must follow the Act on Public Contracts (348/2007) in subcontracting, if it covers at least 50% of the procurement costs with the aid. This could happen if the majority of the project's own funding is allocated to in-house work and overheads.

Projects selected for the KIRA-digi programme must use the KIRA-digi logo in their communication, following the graphic guidelines.

12. Aid for non-economic activities

The KIRA-digi aid scheme can also support non-economic activities. Non-economic experiments are not covered by the EU State aid rules. The terms and conditions given in this aid scheme document shall apply to non-economic activities, with the exception of the rules on eligible costs, maximum aid and aid cumulation.

12.1 Eligible costs in non-economic activities

In general, all the costs associated with operations that are necessary in view of the objectives specified in the award decision are considered eligible. Non-necessary and, therefore, non-eligible costs include voluntary insurance arrangements by the beneficiary, funding costs, gift and scholarship expenses and financial calculations.

12.2 Maximum aid and cumulation of aid in non-economic activities

The public support awarded to non-economic activities within the KIRA-digi programme cannot exceed 100% of the eligible costs.

13. One-off grant

Small-scale experimental projects that have a small budget can apply for a one-off grant for testing the feasibility of a specific idea. The one-off grant is EUR 1,500, and it can be applied for at any time in 2017–2018 without separate application periods. The one-off grant has its own application form.

The grant amount is determined by the Block Exemption Regulation, and it may not exceed 80%. In other respects, the rules on economic experimental projects apply to the one-off grant.

14. Reporting, monitoring and payment of the aid

14.1 Reporting and monitoring

The beneficiary agrees to report on the project, at least at the end of the project, using the electronic end report template of the awarding authority. The costs must be presented in clear, itemised and up-to-date documents, including taxes and other payments. If the payment is made in several instalments, the beneficiary may be required to file several interim reports.

The project supervisor, who is appointed by the Ministry of the Environment, has the right to inspect the progress of the project and issue implementation instructions. The Ministry of the Environment or a party appointed by the Ministry has the right to audit the records and other material of the project, insofar as deemed appropriate.

The beneficiary must record its costs, so that the costs associated with the operations covered by the aid can clearly be identified from the costs of the beneficiary's other operations. The record shall be kept in accordance with the Accounting Act (1336/1997). The beneficiary must preserve all the receipts related to the operations covered by the aid so that they can be easily examined. The records and any related material must be stored in accordance with Chapter 2, sections 9 and 10 of

the Accounting Act (1336/1997). The terms on recordkeeping apply to all beneficiaries. The beneficiary must present all the account and other documents that indicate how the aid was used free of charge. The beneficiary must provide the Ministry of the Environment with all the information relevant for the project and the use of the aid upon request.

If the aid award exceeds EUR 10,000, one of the auditors or auditing enterprises must be an authorised public accountant, a certified HTM auditor or a JHTT auditor.

14.2 Payment

The aid is awarded and paid primarily in two instalments, and the second instalment is paid after the awarding authority has received and approved the final report. If the aid is paid in more than two instalments, the applicant must file interim reports, indicating that the operations and financial matters of the project are progressing as planned.

Ending the project requires submitting an auditor's statement to the Ministry of the Environment, specifying the following:

- The expenses itemised on the cost statement have been paid, and they are based on acceptable receipts that are stored in the records of the beneficiary;
- The payment application follows the terms and conditions of award decisions, as issued by the Ministry of the Environment, and the operations covered by the aid have not received funding from other sources;
- The cost statement only includes eligible expense items that comply with the project plan and are allocated to the project in question;
- The income from the project and other funding to the beneficiary are recorded in the accounts of the beneficiary and referred to in the payment application.

The Ministry of the Environment may suspend the aid in the case of material changes to the project's objectives, progress, circumstances or personnel of the beneficiary, if such changes make the payment of the aid no longer appropriate. The Ministry of the Environment will suspend the aid with immediate effect, if the beneficiary violates the terms and conditions of the award (for example by not delivering the necessary reports), or if the applicant has based its application on erroneous information or kept some information that might have affected the award decision or terms secret. If the Ministry suspends the aid, the beneficiary must return the aid paid on the basis of the award decision either partly or in full upon the Ministry's request. If the aid has been awarded to several enterprises, all of them share the responsibility for returning the grant to the state. The Ministry of the Environment can recover the aid partly or in full if the auditor's statement of the inspection by the Ministry of the Environment reveals that the aid was not used according to the terms of the aid award decision. The provisions of the Act on Discretionary Government Transfers (688/2001) shall apply to the recovery of aid.

14.3 Access to information

Provisions on the access to information are laid down in the Act on the Openness of Government Activities (621/1999) and Article 9 of the general Block Exemption Regulation. KIRA-digi will publish all the experimental projects covered by the aid scheme online (at www.kiradigi.fi and www.ym.fi/kiradigi).

Each individual aid award exceeding EUR 500,000 will be published on a comprehensive State aid website, in accordance with Article 9 of the Block Exemption Regulation.