



ANNEX 3

of the Commission Implementing Decision on the ENI East Regional Action Programme 2019 Part 3 (including one action on budget 2019 & 2020), to be financed from the general budget of the European Union

Action Document for Mayors for Economic Growth 2

MULTIANNUAL PROGRAMME

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Mayors for Economic Growth 2 CRIS number: ENI/2019/41966 and ENI/2020/42020 financed under the European Neighbourhood Instrument	
2. Zone benefiting from the action/location	Eastern Partnership countries (EaP): Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine. The action shall be carried out in the following location: EaP countries.	
3. Programming document	Programming of the European Neighbourhood Instrument (ENI) - 2014-2020- Regional East Strategy Paper (2014-2020) and Multiannual Indicative Programme (2017-2020).	
4. Sustainable Development Goals (SDGs)	Main SDG: 11 Make cities inclusive, safe, resilient and sustainable. Other significant SDGs: 9 Build resilient infrastructure, promote inclusive and sustainable industrialisation; SGD 5 Achieve gender equality and empower all women and girls.	
5. Sector of intervention/ thematic area	Urban development	DEV. Assistance: YES ¹

¹ Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective.

6. Amounts concerned	<p>Total estimated cost: EUR 20 526 316.</p> <p>The total amount of European Union (EU) contribution is EUR 20 000 000.</p> <p>The contribution is for an amount of EUR 10 000 000 from the general budget of the European Union for 2019 and for an amount of EUR 10 000 000 from the general budget of the European Union for 2020, subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget or as provided for in the system of provisional twelfths.</p> <p>This action is co-financed in joint co-financing for the amount of 526 316 with a chosen entrusted entity.</p>			
7. Aid modality(ies) and implementation modality(ies)	<p>Project Modality</p> <p>Direct management through Grants</p> <p>Indirect management with the entrusted entity to be selected in accordance with the criteria set out in section 5.3.2</p>			
8 a) DAC code(s)	43030 Urban Development and Management			
b) Main Delivery Channel	50000 - OTHER			
9. Markers (from CRIS DAC form)²	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment ³	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC)	Human development			

² When a marker is flagged as significant/principal objective, the action description should reflect an explicit intent to address the particular theme in the definition of objectives, results, activities and/or indicators (or of the performance / disbursement criteria, in the case of budget support).

³ Please check the Minimum Recommended Criteria for the Gender Marker and the Handbook on the OECD-DAC Gender Equality Policy Marker. If gender equality is not targeted, please provide explanation in section 4.5.Mainstreaming.

SUMMARY

This action constitutes a follow up of the Mayors for Economic Growth (M4EG) initiative, launched by the European Union (EU) in 2017 to support Mayors and municipalities of the Eastern Partnership (EaP) countries to become active facilitators for sustainable economic growth and job creation.

The M4EG initiative is based on the principle that, by working in partnership with the private sector, public organisations and the civil society, local authorities can help improving the local business environment and create the conditions for private sector-led economic growth and employment generation. Municipalities are supported in the process of designing Local Economic Development Plans (LEDPs) aiming to stimulate economic activity and support local businesses, which also addresses shortcoming in local services which has an impact on employment creation and inclusion of women in the job market. LEDPs shall be based on the fundamental principles of good governance, public-private sector dialogue, transparency, and inclusive development for all, both women and men and marginalised communities.

The first phase of the initiative has recorded unprecedented popularity: over 250 municipalities in the region have committed to the initiative's objectives, 130 plans have been designed in line with the M4EG guidelines, and 16 pilot projects are being implemented in the region.

Participating cities are strongly committed to move towards the implementation of their LEDPs, however they face insufficient access to finance. This is due to multiple factors: scarcity of local government financed programmes, lack of capacity and expertise within the municipalities, difficulty for local authorities and SME to borrow in local currency (lack of collateral, lack of credible bankable projects, and lack of financial knowledge).

The second phase of M4EG will aim at tackling these issues. By stepping up the assistance provided under phase 1, phase 2 will focus mainly on the implementation of LEDPs developed under phase 2 in order to bring real benefits to the citizens. Moreover, phase 2 will have a new focus on the preparation of investment projects (both public and private) and support the implementation of additional pilot projects building on the existing LEDPs. It is aimed at supporting indicatively 15 additional large municipal projects and 50+ smaller-scale projects to tackle particular issues, which require targeted support such (such as sustainable urban planning, innovation, gender, etc.). Geographic balance among countries and within the countries (i.e. capital cities vs regions) will be ensured.

1. CONTEXT ANALYSIS

1.1 Context Description

In recent years, efforts for decentralisation and modernising public administration have pushed central governments in the Eastern Partnership countries to attributing increased responsibilities to local authorities⁴ involving for example management/maintenance of water supply, sanitation and wastewater management, roads, public light, waste (circular economy), schools and kindergartens, social housing, green and disaster proof infrastructure, social integration and shelter as well as other communal services. However, decentralisation initiatives have not always been accompanied by i) an adequate level of autonomy (governance, legislation, accountability), ii) capacity development of local authorities and iii) financial resources to cover their responsibilities, based on the needs of its population (both women and men), leaving their empowerment incomplete.

Indeed, the process of policy formulation on cohesion and territorial development is still highly centralised and vertically organised in all EaP countries while overall capacities of local authorities (LAs) to participate in policy dialogue, to define policies based on the economic, social and environmental considerations and needs of its population and their ability to deliver services are still often weak. Nevertheless, LAs are increasingly taking own initiatives when defining their future development and in influencing central governments on issues that are particularly important at local level.

Insufficient financial viability of local authorities and lack of fiscal decentralisation are a bottleneck in the implementation of local projects: municipalities are often lacking infrastructure projects as investments mainly depend on transfers from the state budget. Often these cannot be allocated or re-allocated without approval from the central government and as a result these transfers of funds are not always timely and predictable. All in all, the state budget for support to municipalities might be adequate to cover operational costs, but are insufficient to undertake investments (6-7% of overall budget). The lack of know-how in the LAs for preparing, tendering, monitoring infrastructural investments, represents a major obstacle for their development and maintenance. Therefore, it needs to be addressed as a priority in order to prevent and tackle regional imbalances and contribute to a successful decentralisation.

It is with the purpose of overcoming a number of obstacles in order to unlock the development potential of local authorities that the EU reaffirms the importance of local and regional authorities in partner countries in achieving their development objectives, based on the best interest of its population (both women and men). It therefore proposes a more strategic engagement for their empowerment⁵.

The first phase of the initiative has recorded unprecedented popularity: over 250 municipalities in the region have committed to the initiative's objectives, 130 plans have been

⁴ In this context the term «Local Authorities» refers to public institutions with legal personality, component of the State structure, below the level of central government and accountable to citizens. Local Authorities are usually composed of a deliberative or policy-making body (council or assembly) and an executive body (the Mayor or other executive officer), directly or indirectly elected or selected at local level. The term encompasses different tiers of government, e.g. villages, municipalities, districts, counties, provinces, regions, etc.

⁵ In continuity and complementarity with the Commission Communication “*Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes*” (2013).

http://ec.europa.eu/europeaid/what/civil-society/documents/com_2013_280_local_authorities_in_partner_countries_en.pdf

designed in line with the M4EG guidelines (largely based on the World Bank methodology). Participating cities are strongly committed to move towards the implementation of their LEDPs, despite their limited access to finance.

Furthermore 16 cities from 5 out of the 6 countries have received grant funding following a first M4EG regional call for proposals to implement pilot projects based on their LEDPs⁶: in Armenia Sevan; in Belarus Bragin, Glubokoye, Slavgorod; in Georgia Bolnisi, Gori, Tbilisi; in Moldova Cimislia, Edinet, Gagauzia; in Ukraine Baranivka, Nove Misto, Severynivka, Slavutych, Dolyna, Hlyboka. It is to be noted that all pilot projects expect one (Tbilisi) are targeting non-capital cities in the regions.

In addition, throughout the first phase of M4EG, regional networking among EaP mayors has been highly promoted allowing a constant exchange of information and best practices and considerably reinforcing regional cooperation. As such, the first phase of M4EG supported the primary objective of the Eastern Partnership to build a common area of shared democracy, prosperity, stability, and increased cooperation, and can be considered a success.

1.2 Policy Framework (Global, EU)

On the basis of the outcomes of the “*Structured Dialogue on the involvement of Civil Society Organisations (CSOs) and Local Authorities (LAs) in EU Development Cooperation*”, the European Commission Communication *Agenda for Change* recognises both actors as key players in its two pillars. It calls for strengthened “*links with civil society organisations, social partners and local authorities, through regular dialogue and use of best practices*”, in particular to “*support the emergence of a local civil society which can effectively contribute to dialogue with public authorities and to oversee public authorities' work*”, and to “*consider ways of mobilising local authorities' expertise, e.g. through networks of excellence or twinning exercises*”. It also highlights the value of multi-actor partnerships including public actors, civil society, the private sector and local communities.

The 2014 European Commission Communication “*The urban dimension of EU policies – key features of an EU Urban Agenda*”⁷ underlines the essential role that local authorities can play in delivering on policy objectives set at other levels of governance. This is reiterated in 2016 Urban Agenda for the EU⁸ and is at the core of the United Nations New Urban Agenda, which reaffirms the “*commitment to sustainable urban development as a critical step for realizing sustainable development in an integrated and coordinated manner at the global, regional, national, subnational and local levels, with the participation of all relevant actors.*”⁹ The implementation of the New Urban Agenda aims also to contribute to the implementation and localisation of the 2030 Agenda for Sustainable Development, and to the achievement of the Sustainable Development Goals and targets, including Goal 11 of making cities and human settlements inclusive, safe, resilient and sustainable.

Moreover, the importance of LAs has been reconfirmed in the conclusions of the Brussels Eastern Partnership Summit in 2017. The final declaration at the EaP Summit welcomes in

⁶ The full list of projects can be found in Appendix III. More information on the pilot projects is also available at the following link: <http://m4eg.eu/en/funding/awarded/call-for-proposals-mayors-for-economic-growth-pioneer-projects-2017-europeaid155272dhactmultglobal/>

⁷ [COM(2014) 490 final]

⁸ <https://ec.europa.eu/futurium/en/urban-agenda>

⁹ <http://habitat3.org/wp-content/uploads/New-Urban-Agenda-GA-Adopted-68th-Plenary-N1646655-E.pdf>

particular *“the role played by local and regional authorities through the Conference of Regional and Local Authorities for the EaP (CORLEAP) in advancing the objectives of the Partnership at the level of governance that is closest to the people.”*

The Eastern Partnership municipal flagship and the ENI Multiannual Indicative Programme 2017-2020 Regional East put forward the objective of "deepening sustainable economic development and fostering sector cooperation, including on environment and climate change". This is to be done both at national and sub-national level. The Multiannual Programme aims at strengthening local authorities, communities and civil society and business organisations as well as representative social partners to help develop joint solutions to common social, environmental and economic development challenges in the EaP municipalities and to improve good governance at local level.

This objective is also fully in line with deliverable no.6 "Creation of new job opportunities at the local and regional level" under priority I "Economic Development and Market Opportunities" of the [Joint Staff Working Document "Eastern partnership – Focusing on key priorities and deliverables"](#)¹⁰. It also addresses the cross-cutting issues of increasing the engagement with civil society organisations and gender equality and non-discrimination.

1.3 Public Policy Analysis of the partner country/region

The review of the European Neighbourhood Policy (ENP) by the European Commission in 2015 outlined that an accountable public administration, both at central and local level, is key to democratic governance, as well as inclusive economic development. Public administration reform (PAR) to achieve this includes strengthening of democratic and independent institutions, developing local and regional authorities, depoliticising the civil service, developing e-government and increasing institutional transparency and accountability.

Together with appropriate legislation and an independent, well-functioning judiciary, an effective public administration constitutes also the basis for the operation of the market. Investors assess risk by the chief criterion of predictability of administrative decisions, which depends on the stability of the political and institutional environment. Maladministration, in the form of administrative deficiencies and lengthy and unnecessarily complex administrative processes, obstructs economic initiatives of potential domestic and foreign investors, with a negative impact on employment and political stability.

Due to their respective historical legacies, the public administrations of the EaP countries remain largely inefficient. To differing degrees, they face the task of developing urgently needed financial, technical and personnel resources and skills. In addition, institutional and legal frameworks must also be developed which will enable these public administrations to operate effectively. This has resulted in a lack of services to citizens (for instance child care services, which has a direct impact on women's employment and child development).

¹⁰ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/near-eeas_joint_swd_2016467_0.pdf.

Overall the EaP region is today in the process of significant challenges, expectations and reforms. Important steps have been taken in most of the countries to develop national strategies and to strengthen the legal framework for decentralisation.

PAR and decentralisation processes and trends are closer in the three countries that have signed the Association Agreements with the EU (Georgia, Moldova and Ukraine) and are in the process of implementing its provisions. With EU budget support, regional development reforms have been widely promoted in Ukraine and in Georgia. Armenia, Azerbaijan and Belarus remain highly centralised countries. However, whereas in Armenia some progress towards decentralisation has been made since 2005, in Azerbaijan and Belarus autonomy and exclusivity of powers to the municipalities are not yet fully granted.

Fiscal decentralisation is the second necessary step that is required to bring about fully the transfer of competences. Progress here has been less obvious: the framework for fiscal decentralisation needs to be further specified (Armenia) and implemented (Moldova), while Azerbaijan needs to put fiscal decentralisation on the agenda in the first place.

Economic development is instead core to the policies of the six EaP Governments. With EU support, the three DCFTA countries have elaborated regional development strategies and smart specialisation strategies identifying key priorities for economic modernization are being developed. In addition, other EU programmes facilitating access to finance, in particular the DCFTA facility, support SMEs in the region having access to local currency financing.

Furthermore, the EU has recently agreed with EaP partners countries to select focal regions that will benefit of more targeted support. These are: Brest and Grodno in Belarus; Shirak, Lori and Tavush in Armenia; Lankaran in Azerbaijan; Kakheti, Imereti Racha-Lekhchumi and Kvemo Svaneti and Guria in Georgia; Ungheni and Cahul in Moldova.

1.4 Stakeholder analysis

The main beneficiaries of this Action are the local authorities of the Eastern Partnership countries. In continuity with phase 1, regional authorities will not directly be targeted by the programme, however they will be involved in the programme whenever relevant. The programme will also support civil society organisations and private sector players, as well as the citizens, both women and men, through their involvement in grant projects or as beneficiaries of the results.

National administrations in charge of municipalities will be indirect stakeholders, since their involvement in the programme in support of local authorities is crucial. Cities vary in their degree of administrative and financial independence vis-à-vis the national government. Hence, close cooperation with the national administrations involved in local matters will continue to be sought throughout the programme.

Chambers of commerce, business organisations and associations together with their members, in particular SMEs, will continue to be involved as active partners.

National associations of local authorities¹¹ will also continue to be involved. These play a key role in empowering local authorities to debate issues of common concern and formulate joint positions with the national government, European Union institutions and agencies, but also other relevant society stakeholders, such as civil society organisations, or international donors. They act as irreplaceable hubs for awareness-raising and for capacity-building of the entire local government sector, facilitate networking among local authorities, mediate horizontal know-how transfer, or are active in training of local elected representatives (mayors and councillors) as well as civil servants in local authorities. The associations to be involved under phase 2 may include but not be limited to the ones involved under phase 1:

- Union of Communities (Municipalities) of Armenia;
- National Association of Local Authorities of Georgia (NALAG);
- Congress of Local Authorities from Moldova (CALM);
- Association of Ukrainian Cities;
- Association of small cities of Ukraine.

1.5 Problem analysis/priority areas for support

The main issues in the EaP region and priority areas for support can be summarised as follows.

1. Local authorities:

- Budget / staff
 - Decentralisation process still under development
 - Difficulty to hire qualified staff and to retain them
- Capacities at local level
 - Lack of project management skills from planning to implementation and monitoring (including on infrastructure projects, urban planning, and environmental management)
 - Lack of strategic thinking/ smart specialisation approach (using the resource of the region/ city to attract investment)
 - Lack of skills to collaborate with civil society organisations to identify local needs of its population, both women and men.
 - Lack of knowledge about the role and function of a local authority to attract private investors and not to transform itself into a “private entity”
 - Lack of marketing capacities and access to market (tourism, agriculture, and others)
- Access to finance
 - Legal constraints (LAs cannot borrow) in many EaP countries
 - Lack of collateral
 - Lack of financial literacy
 - High costs of borrowing in local currency

¹¹ The term «Associations of Local Authorities» is to be understood as umbrella organisations based on membership and representativeness at sub-national, national, sub-continental, continental and international level. They may be organised as an autonomous entity in accordance with the legislation in force in the country of registration. Associations of Local Authorities may be composed of a representative body elected by its LA members and a permanent secretariat.

2. Business sector:

- Access finance
 - Lack of compliance (quality, social, environmental)
 - Lack of credible business plan
 - Lack of past track record
 - Lack of collateral accepted by the banks
- Lack of strategy
 - Lack of ideas: need of ideation to bench mark on best practices in other places, including taking into account specific gender needs for business development.
 - Lack of financial literacy that can attract investors or allow to take loans
 - Difficulty to connect to market –need to procuring advices consultancies.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Recent political developments in the region have brought new opportunities, but also uncertainties regarding future regional cooperation. This could have an impact on the implementation of the project. However, as the project targets local authorities and is of a technical nature, it is envisaged that the cooperation could continue even in a difficult political context.	M/H	Continuous policy dialogue and close monitoring of the political/security situation in the East.
Local authorities in the region do not have similar powers to those in the EU Member States. They have limited experience in implementing sustainable policy or related action plans; and in project design and implementation. They tend to have difficulties in accessing sources of finance in their country or in the international community (IFIs). In particular in Azerbaijan LA have no autonomy, little capacities and practically no budget, while no process of decentralisation is envisaged. The authorities active at local level are the Presidentially appointed 'executive powers' and sections/offices of central Ministries.	M	Continuous dialogue with national level authorities on issues like decentralisation and fiscal autonomy for local authorities. National authorities are to be actively involved in the programme. Continuous dialogue with the Ministry of Justice of Azerbaijan (and other relevant Ministries) and ad hoc assistance to local authorities interested in the initiative.
High turnover of civil servants staff of local authorities, low absorption capacity	M	Support local authorities by targeted trainings and capacity

and inadequate professional competences of civil servants.		building (through TA).
Lack of consistency between local and national development policies may constitute a risk for the success of the programme	L	Continuous dialogue with national authorities on (economic) development policies and objectives, ensuring maximum consistency of the project with national development policies.
There is a risk that LAs do not manage to implement investment projects due to limited access to funding sources.	L	The pilot projects selected shall demonstrate how bankable projects should be designed and how investors can be convinced to invest in local authorities. They will also demonstrate which technical solutions can be envisaged for the investment projects.
Risks related to the purchasing of equipment or procurement of public works.	L/M	In the case of procurement, special care should be given to (i) realistic estimates of prices in applications; (ii) transparent public procurement procedures that are in line with the national procurement rules; (iii) realistic estimates of possible delays in delivery.
Assumptions		
<ul style="list-style-type: none"> • Enabling environment: the autonomy of local authorities in the region is sufficient to allow them to develop and implement urban development projects and to work with foreign cities and organisations; • National authorities continue taking part in the discussions regarding the role of local authorities and support their initiatives. They make funds available for implementing LEDPs and they allow for co-financing of local projects. • The relevant technical ministries (the Ministry of Economy for most of the countries) and related stakeholders continue to actively support the programme. National non-technical ministries (Ministry of Interior Affairs and Ministry of External Affairs) also continue to support the actions of the cities. • National policies continue to evolve and create more favourable conditions for local authorities. Actions under the above projects will be supportive in this regards, and the project itself must also be seen as an opportunity to contribute to this change, to increase national authorities' awareness of local authorities' potential role in implementing national policies. 		

3. LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

A recent Result Oriented Monitoring report of the first phase of M4EG confirms the relevance of the initiative, which empowers LAs to address key issues linked with strengthening local economic conditions in line also with

EaP Governments' orientations about the role of LAs This will be part of a wider discussion involving HQ and the EUDs

for local development. The M4EG initiative has demonstrated to be highly respondent to LAs' needs, favouring a bottom-up approach that included also public-private dialogue; being capable of adapting well to the different contexts in which LAs operate across the EaP countries; and providing simple but effective tools that would also be useful for channelling external funding. However, continuing to expand the number of signatories/LEDPs could result in enhancing excessively LA/business sector's expectations.

Following the first regional Call for Proposal launched in 2017 for M4EG pioneer projects, EaP mayors complained about the insufficiency of financial support (only 16 pilot projects could be supported for the 250 municipalities) and the size of the grants (too large to respond to "quick fix" or allow the development of community based initiatives).

To address these issues, the second phase of the initiative will focus on consolidating the capacities developed, ensuring the implementation of existing LEDPs/pioneer projects, supporting the preparation of investment projects, and supporting both small scale project (through a re-granting scheme) and larger scale pilot programmes (through a second regional Call for Proposal).

In addition, the EU is exploring the opportunity to offer targeted support to SME in M4EG cities (those that have an approved LEDP) through the Neighbourhood Investment Platform. This could be developed with International Financial Institution, and channelled to SME through the banking sector, allowing easier access to local currency borrowing and building on lessons learnt from M4EG (phase 1) successful pilots.

3.2 Complementarity, synergy and donor co-ordination

At regional level, the main complementary initiatives in support to local authorities are:

Covenant of Mayors East

This is the **umbrella programme** aimed at introducing the EU Covenant of Mayors^[1] initiative to the **Eastern Partnership countries**. CoM East supports local authorities in implementing sustainable energy policies, reducing their dependency on fossil fuels, improving the security of energy supply, and facilitates their contribution to climate change mitigation and adaptation.

The EU has been supporting CoM in the EaP with various projects already **since 2011**:

- Support to the **Covenant of Mayors East Secretariat (CoMO East)** (2016/2020, TA for EUR 4.5 million).
- Implementation of **CoM Demonstration projects (CoM DeP)** through grant financing (2014/2017, EUR 12 million and 2017/2020, EUR 10 million).

^[1] Covenant of Mayors for Climate & Energy (CoM) is an urban climate and energy initiative of the European Union bringing together local, regional and national authorities voluntarily committed to implementing the EU climate and energy objectives. The CoM initiative was launched in 2008 by the European Commission after the adoption of the 2020 EU Climate and Energy Package (20% CO2 emissions reduction by 2020). Since 2015 CoM has adopted the EU 2030 objectives (40% CO2 emissions reduction by 2030) and an integrated approach to climate change mitigation and adaptation. With over 7000 signatories representing over 210 million citizens, it is one of the world's largest climate and energy initiatives.

- Financing of a **Sustainable Urban Development Projects' support mechanism** (SuDeP ST) (2014/2017, EUR 4 million in technical assistance and 2018/2021, EUR 2 million).
- Technical and scientific support for the development and assessment of **Sustainable Energy and Climate Action Plan (SECAP)** through the Joint Research Centre (2017-2020, EUR 0.5 million).
- Support to the **Municipal Project Support Facility (MPSF)** led by the European Investment Bank (2015/2022, EUR12.3 million in technical assistance).
- Support to the **E5P (Eastern Europe Energy Efficiency and Environment Partnership)** (2011/2020, EUR 89 million of EU support under the Multi-donor Trust Fund managed by the European Bank for Reconstruction and Development).

Territorial Cooperation Programmes

In addition, the European Commission has launched four **Territorial Cooperation Programmes** among the Eastern Partnership countries to be implemented from beginning 2014 until Mid-2019: (i) Armenia-Georgia; (ii) Azerbaijan-Georgia; (iii) Belarus-Ukraine and (iv) Moldova-Ukraine. The **objective** is to strengthen **cross-border relations between local authorities, communities and civil society organisations** to develop joint solutions to common social and economic development challenges in the participating border regions.

The overall financial envelope of the action amounts to EUR 12.5 million ENPI Regional East Programme funds, and includes EUR 3.2 million administrative costs for the implementing organisation, *Gesellschaft für Internationale Zusammenarbeit (GIZ)*. Germany's Federal Ministry for Economic Development and Cooperation (BMZ) currently co-finances the action with additional EUR 560,000 from its 'Local Governance Programme South Caucasus.'

The projects implemented focus on energy efficiency and renewable energy technologies; improvement of solid waste management; development of innovative cross-border tourist routes; natural resources conservation; civic education and youth employment, etc.

Participation of EaP countries in ENI Cross Border Cooperation Programmes

Cross-border cooperation on the Union's external borders is a key priority in the European Neighbourhood Policy (covering the countries of Eastern Europe, the Southern Caucasus and the Southern Mediterranean). CBC under the European Neighbourhood Instrument (ENI) builds on CBC under its predecessor, the European Neighbourhood and partnership Instrument (ENPI).

The 2014-2020 ENI CBC Programmes are designed around 3 overarching strategic objectives: (i) promote economic and social development; (ii) address common challenges in environment, public health, safety and security; and (iii) promote the mobility of persons, goods and capital. These programmes are implemented in shared management by Managing Authorities (MAs) located in the **EU Member States**. Projects are implemented in as diverse fields as environmental protection, tourism, education and culture. The main project beneficiaries for most of the projects are **local and regional authorities and civil society organisations**. The programmes include a number large infrastructure projects focusing mainly on border crossing point infrastructure, energy, transport and environmental protection. The total EU allocation for the 15 ENI CBC programmes amounts to around EUR 950 million.

EaP countries have benefited from their participation in Neighbourhood CBC programmes since 2007-2013 (ENPI). There are six 2014-2020 ENI CBC Programmes involving EaP countries: Latvia-Lithuania-Belarus, Poland-Belarus-Ukraine, Romania-Ukraine, Romania-Moldova, Hungary-Slovakia-Romania-Ukraine and Black Sea Basin (Armenia, Georgia, Moldova, Ukraine). The only EaP country that does not take part in any programme is Azerbaijan (it is an eligible country for the Black Sea Basin programme, but it decided not to participate). The total EU allocation for these 6 programmes amounts to around EUR 521 million.

Thematic Programme “Civil Society and Local Authorities”

Coordination with the **Thematic Programme “Civil Society and Local Authorities” 2014-2020** will be particularly important. This supports LAs contributions to governance and accountability through inclusive policy-making - hence empowering its populations, to benefit from qualitative social and childcare services and to profit from wealth and job creation for both women and men. The programme also supports actions aimed at a sustainable territorial development, including in urban contexts, to foster local inclusive development and social cohesion.

At **bilateral** level, a number of similar initiatives are also on-going (an overview of the **bilateral actions** is provided in Appendix II). The M4EG 2 programme will therefore build on the existing initiatives, differentiate by partner country where needed, and identify a much synergies as possible with complementary actions in order to avoid overlapping.

4. DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The **overall objective** of this action is to enhance economic inclusive growth and job creation in the region by supporting local authorities in the EaP countries to design and implement Local Economic Development Plans¹² (LEDPs) in line with the principles of good governance and sound financial management.

The **specific objectives** are:

1. Support municipalities in their participation to the M4EG initiative.
2. Support the preparation and implementation of municipal projects building on approved LEDPs.

The **expected outputs** and **main activities** are:

Output 1: EaP municipalities are supported in their participation to the M4EG initiative.

➤ **Activity 1: Technical Assistance via the M4EG Secretariat**

- 1.1. Provide direct **assistance and training to cities**, city associations and networks and other potential stakeholders for the preparation and implementation of LEDPs or other similar economic development actions at city level, taking into account a gender

¹² LEDPs shall be based on the [M4EG concept](#) developed under phase 1.

perspective, ensuring ownership and sustainability after the end of the project (i.e. train the trainers);

- 1.2. Support to intra EaP and EU/EaP **exchange of best practices and networking**;
- 1.3. Support municipalities in the implementation of the **grant projects** selected under the different M4EG Call for Proposals (Output 2), including monitoring and disseminating their results;
- 1.4. **Strategic communication** to ensure the transparency, visibility, and impact of the action (including facilitating the exchange of good practices as well as the reporting of impacts indicators and results, ensuring action presence on social networks, maintaining the [M4EG website](#), ensuring presence and visibility under Platforms and Panels functioning as part of the EaP architecture, communicating with relevant EU institutions and presence during relevant international fora, etc.).

Output 2: Municipal pilot projects building on existing LEDPs are successfully implemented.

2.1. Small-scale municipal pilot projects building on approved LEDPs and tackling specific issues (i.e. innovation, sustainable urban planning, or challenges that hinder women and men to fully take part in gainful employment, for instance support to child care services) requiring for targeted and intensive support are implemented.

➤ **Activity 2.1: Re-granting scheme via the M4EG Secretariat**

Run an EaP-wide **re-granting scheme** to support the implementation of small-scale municipal projects building on approved LEDPs and tackling specific issues and local needs (i.e. innovation or challenges that hinder women and men to fully take part in gainful employment, for instance support to child care services) requiring for targeted and intensive support.

2.2. Larger municipal pilot projects building on approved LEDPs are implemented.

➤ **Activity 2.2: Centralised Call for Proposal**

Roll out an EaP-wide **centralised Call for Proposal** to support the implementation of larger municipal projects building on approved LEDPs, including support to strengthen local service delivery. Gender equality will be mainstreamed within the CfP.

Under both activities it will be taken into consideration the geographic balance among countries and within the countries (i.e. capital cities vs regions). The guidelines for the Call for Proposals will be defined at a later stage in close cooperation with the 6 EU Delegations.

4.2 Intervention Logic

This action constitutes a follow up of the Mayors for Economic Growth (M4EG) initiative, launched by the European Union in 2017 to support Mayors and municipalities to identify and address local needs, of the Eastern Partnership countries to become active facilitators for sustainable economic growth and job creation.

The interest received from municipalities across the region during the first phase of the initiative has been outstanding and shows a clear demand for further support. In particular regarding access to financial means. This is due multiple factors: scarcity of government financed programmes, lack of capacity and expertise within the municipalities, the fact that local banks often do not lend to municipalities or that local authorities often struggle to design bankable projects.

The second phase of M4EG aims in particular at tackling these issues and will build on 3 pillars (1 and 2 to be financed under this Action and 3 to be financed under the NIP):

1. Technical Assistance to municipalities (M4EG Secretariat):

- a. To support their participation to the M4EG initiative;
- b. To ensure Local Economic Development Plans are designed, implemented and monitored, taking into account a gender and inclusive development approach to employment creation;
- c. To support intra EaP and EU/EaP exchange of best practices and networking;
- d. To support the implementation of municipal pilot projects building on existing LEDPs, while acknowledging that some LEDPs may need to strengthen their projects from a gender perspective.

2. Grant support to municipalities:

- a. For small-scale municipal projects building on approved LEDPs and tackling specific issues (i.e. innovation, gender equality) requiring for targeted and intensive support.
- b. For larger municipal pilot projects building on approved LEDPs as well as taking into account the particular needs in local services delivery.

3. Support to private sector in cities with approved LEDPs via a banking scheme (not financed through this action but potentially through the NIP) to support private sector projects from approved LEDPs based on the mechanism (cash back) developed through the DCFTA facility.

4.3 Mainstreaming

The activities under the action will benefit social and environmental sustainability, giving preference to projects that on one side promote social and economic growth and on the other side pay attention to air quality and municipal and other waste management, provide for universal access to safe, inclusive and accessible, green and public spaces, and support positive economic, social and environmental links between urban, per-urban and rural areas by strengthening national and regional development planning. In relation to an increase in the number of cities and human settlements in the urban area, the action will also focus on adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at municipal levels.

The activities under the action will also be gender mainstreamed. Gender mainstreaming will be addressed in all municipal projects and through targeted actions that require specific attention from a gender perspective (i.e. provision of childcare services, urban mobility, etc.). An inclusive and comprehensive approach to gender equality and women's empowerment will be promoted by attaching a Rights Based Approach adviser to the secretariat for the MEG2 initiative and by mainstreaming gender equality throughout the activities and grants.

4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 11 - Make cities and human settlements, while also contributing to SDG 9 - Build resilient infrastructure, promote inclusive and sustainable industrialisation and SDG 5 - Achieve gender equality and empower all women and girls.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country/regional organisation/territory.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹³.

5.3.1 Grants: (direct management)

(a) Purpose of the grants

The aim of grants is to support the implementation of municipal pilot projects building on approved LEDPs (output 2.2).

(b) Type of applicants targeted

The Call for Proposals will be open to all local authorities from the six EaP countries having signed up to M4EG and having developed a LEDP.

5.3.2 Indirect management with an entrusted entity

This action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: proven knowledge and expertise in the given areas of intervention, as well as a track record and the capacity to develop good working relations with government partners and demonstrated capacity to deliver work in a conflict sensitive manner across the region identified in this action. In addition, demonstrated operational and technical capacities required to run the M4EG Secretariat thus to support EaP municipalities in their participation to the M4EG initiative

¹³ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

(output 1) and manage a re-granting scheme for the implementation of small-scale municipal projects building on approved LEDPs (output 2.1). The implementation by this entity entails implementing activities and reaching results as listed under the expected results related to Outputs 1 and 2.1 as indicated under 4.1. For this purpose, the entity needs to be able to sub-grant and to ensure that envelopes dealing with works and supplies can be flexibly and efficiently handled. In an ideal case, the entity should be pillar assessed.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.1.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

The overall budget allocated for this action is EUR 20 million (EUR 10 million from budget 2019 and EUR 10 million from budget 2020 subject to its adoption), to be allocated as follows:

Action Outputs	EU contribution (amount in EUR) 2019	EU contribution (amount in EUR) 2020	Indicative third party contribution, in currency identified
Indirect management with an entrusted entity (2019 budget)	10 000 000		
Output 1 EaP municipalities supported in their participation to the M4EG initiative Output 2.1 Small-scale municipal projects building on approved LEDPs are implemented (re-granting component)	10 000 000		526 316
Grants (direct management) (2020 budget)		10 000 000	
Output 2.2 Larger municipal pilot projects building on approved LEDPs implemented		10 000 000	N.A.

Communication and visibility (cf. section 5.11)	NA - included under output 1		N.A.
Total	10 000 000	10 000 000	526 316

5.6 Organisational set-up and responsibilities

The responsibility of the project lies with the Commission. The steering of the project will be led by DG NEAR.

An annual steering committee will be led by the Commission services (DG NEAR) for reviewing the results of the project and guide the way forward with main stakeholders. These will include but may not be limited to: the national associations of local authorities (see list provided under paragraph 1.4), representatives of the relevant Ministries (for most of the countries the Ministry of Economy), the project management team, EU Delegations and other Commission services (such as DG GROW, DG REGIO).

Regular project management meetings (at least twice per year) will be hold with DG NEAR.

A permanent office is envisaged in each EaP partner country to directly support the implementation of the programme.

5.7 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix.

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term evaluation(s) will be carried out for this action or its components via independent consultants.

It will be carried out for problem solving and learning purposes, in particular with respect to the intention to launch a third phase of the action.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing Decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. Communication and visibility will be given high importance during the implementation of the Action.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. Additional Visibility Guidelines developed by the Directorate-General for Neighbourhood and Enlargement Negotiations shall be followed where relevant.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

It shall be the responsibility of the implementing partners to keep the EU Delegations fully informed of the planning and implementation of the specific visibility and communication activities. The action shall use the common branding regarding EU support, in particular the name "EU for [Country]" (i.e. "EU4Georgia") shall be used for all activities implemented in the Country both in English and in the local official language.

The implementing partners shall report on visibility and communication activities in the report submitted to the ENI monitoring committee and the sectoral monitoring committees.

APPENDIX - INDICATIVE LOGFRAME MATRIX

	Results chain	Indicators (max. 15)	Baseline (2019 ¹⁴)	Target (2024)	Sources of data	Assumptions
Impact (Overall Objective)	The project will contribute to enhancing economic growth and job creation in the EaP region.	GDP growth rate in the EaP countries	7.5 % (AM); 0.1% (AZ); 2.4 % (BY); 4.8 % (GE); 4.5 % (MD); 2.5 % (UA) in 2017	Increase in GDP growth	World Bank/ International Labour Organization/ countries' national statistics	<i>Not applicable</i>
		15+ employment rate in the EaP countries	48 % (AM); 63 % (AZ); 60 % (BY); 58 % (GE); 41 % (MD); 49 % (UA) in 2017	Increase in 15+ employment rate and women participation in the labour market		
		15+ women employment rate in the EaP countries	41 % (AM); 60 % (AZ); 45 % (BY); 50 % (GE); 38 % (MD); 43 % (UA) in 2017	Increase in 15+ women employment rate		
Outcome(s) (Specific Objective(s))	Local Authorities in the EaP countries become active facilitators for economic growth and job creation in the region.	Number of cities actively participating in the M4EG initiative	250	300 min.	Project reports, government reports, regional administration reports.	- Sufficient autonomy of local authorities from central governments (including

¹⁴ Where a full year is to be considered, 2018 is taken as baseline. Where 2018 data is not available, the most recent available baseline is indicated in the table.

Outputs	1. EaP municipalities are adequately supported in their participation to the M4EG initiative	Number of cities having signed up to the initiative	300	350 min.	Project reports/website	financial) - Continuous commitment by cities to sustainable local economic policies and planning - Continuous support from relevant ministries and stakeholders - Increased awareness from national authorities of the potential role of local authorities in implementing national policies
		Number of municipal staff trained on economic development and business related issues	521 participants (of which 50% women)	650 (of which at least 50% women)		
		Number of LEDPs designed following the M4EG guidelines ¹⁵	130	200 min.		
		Number of events organised per year aimed at exchanging best practices and networking (such as local business days, thematic workshops, regional conferences, etc.)	10 in 2018	15/year		
		Number of accesses to the M4EG website/social media per year	5136 visitors to the website/ 750 permanent FB groups audience in 2018	10000 visitors to the website/ 900 permanent FB groups audience		
	2. Pilot projects building on existing LEDPs are successfully implemented	Number of small scale municipal pilot municipal projects on specific issues (i.e. innovation, gender equality) selected	0	50 min.		
		Number of larger municipal pilot projects selected building on approved LEDPs (or similar plans)	16	30 min.		

¹⁵ Whereas a gender perspective was not systematically included in the M4EG guidelines under phase 1, it shall be included under phase 2.

Appendix II – EU bilateral support to local authorities in the EaP countries

Armenia

The Government of Armenia has been committed to **Regional Development policy** since early 2000's. The first national Concept on Regional Development (2011) included recognised and prioritised regional development, formulating approaches to sustainable economic development, requesting regional development plans from all Marzes (administrative regions) and action plans of activities. In 2014, the Armenian Social Investment Fund was transformed into the Armenian Territorial Development Fund, and expanded its portfolio to socio-economic development projects, beyond the basic public infrastructure.

In 2015-2017, the strategic and operational frameworks for RD were developed, with the following documents adopted by the Government, and coordinated by the Ministry of Territorial Administration and Development (MTAD):

- The **Armenian Regional Development Strategy 2016-2025** (adopted in 2016), with the following strategic objectives:
 - **Increasing competitiveness** of all regions on the basis of their endogenous potentials, allowing better integration with the national and international economies;
 - **Ensuring high level of regional cohesion**, with special attention given to the least developed territories and border areas as well as sustainable use of resources;
 - **Improving regional development policy and practices** by greater participation of regional and local actors in development planning and execution;
- **Ten marz-based Regional Development Strategies 2017-2025**, aligned with the ARDS and regional resources and opportunities (adopted in 2017);
- The **Regional Development Operational Programme 2018-2020** (adopted in 2017), with the objective to gradually introduce new instruments (such as competitive grants) and adjust existing relevant programmes to the strategic RD directions.

In 2018, further actions were taken, including:

- Publication of regional GDP per capita first time ever by the National Statistical Service (strategic RD indicator).
- Changes to the composition of the Supervisory Board of the Armenian Territorial Development Fund with the Minister of MTAD becoming the chairperson.
- Initiation of competitive grants distribution from the central budget for regional and local projects (153 small projects with the total value of approx. 3 million EUR).

Since 2015 the Government of Armenia continued **Territorial Administration Reform (TAR)**, and **consolidated** small and financially weak communities into larger units, from 915 self-government units down to 502 by 2018. Functional and fiscal decentralisation is expected to follow, as these larger Local Self-Governments are able to take on more responsibilities. From the RD policy perspective, activation of local actors as project proposers and implementers, and co-financers, is especially valuable and should be further promoted.

Following the ‘velvet revolution’ of April/May 2018, and the eventual change of parliamentary balances and of the Government by the end of 2018, there are increased expectations with relation to devolution of powers, more democratisation and more bottom-up development initiatives. Commitment to RD reforms and sustainable development of regions as well as decentralisation, was confirmed by the Armenia-EU Comprehensive and Enhanced Partnership Agreement (CEPA, 2018) and the 2019 5-year Government Programme.

The RD reforms and TAR, have been continuously supported by the EU through policy dialogue and dedicated programmes, encompassing technical assistance and grant scheme mechanisms:

- **CSO-LA in development programme:** the last CfP was launched in 2015 with the aim to facilitate the territorial-administrative reform in Armenia (consolidation of communities) through creating economic incentives for the pilot communities to cooperate for better public services and sustainable growth.
- **Support to Regional Development in Armenia** technical assistance was launched in 2013 with the aim to assist the RA Ministry of Territorial Administration and Development and build its capacity in responding to the challenges of regional development, in order to contribute to reducing the economic and social disparities amongst the regions of Armenia in relation to the capital city of Yerevan. Another TA project ‘**EU4Regions: Support to Regional Development Policy in Armenia**’ 2018-2019 is ongoing.
- EU assistance also covers institutional and individual capacities on strategic planning, programming and project initiation and management of the ministries, central agencies, regional administrations, LGUs and NGOs involved in Regional Development, with over 180 participants in trainings in 2013-2017 and over 70 participants in 2018.
- The RD policy and practises are also promoted by the **Pilot Regional Development Programme Grant Scheme (PRDP GS) 2016-2020**. The PRDP GS finances 8 projects to achieve a more balanced social and economic development among the regions of Armenia through creating jobs and increasing competitiveness. It is expected that the PRDP GS will result in the creation of 544 new jobs and the increase of competitiveness of 336 enterprises/SMEs by 2020. Until the end of March 2019, already 316 new jobs were created and 233 enterprises strengthened. The budget of the PRDP GS is 9.9 million euro, co-financed by European Union in the proportion of 67%, by the Government of Armenia - 17%, and by the beneficiaries – 16%.

Azerbaijan

- Under Single Support Framework (SSF) 2014-2017 for EU-Azerbaijan cooperation, in the framework of the **regional development agenda** one of the objectives is to "support participatory and democratic approach to local development enhanced by fostering partnership, participation and bottom-up initiatives at local (and regional) level". The EU Delegation plans to draft some activities to achieve this goal under Annual Action Plan (AAP) 2017.
- GiZ has an ongoing **Local Governance South Caucasus Programme**, which is funded 2016 onwards by the EU under AAP2013. The EU Delegation is planning to sign a direct award contract with GiZ in the area of participatory territorial planning, capacity development of

LAs and more in general, in the reform of the local-self-governance system. The budget of this grant project is EUR 2 M.

Belarus

- Support to **local and regional development** (AAP 2011 and AAP 2013, EUR 16.5 M – RELOAD I and II programmes)
- A continuation of the RELOAD programme is expected in 2016 under the Multi-Annual Indicative Programme (MIP) 2014-2017's third focal sector "Local/regional development": Strengthening Private Initiative Growth in Belarus (SPRING) with the indicative budget of EUR 14 M.
- "Promotion of small and medium enterprises as core engine of local and regional growth" (EUR 6 M)
- "Support of economic initiative, competitiveness and innovation for local inclusive development" (EUR 7.7 M)
- The 2015 AAP (EUR 14.5 M) under the MIP focal area "Environment" focusing on air quality monitoring, management and civil society/LAs component.

Georgia

- Under the multi-annual EU-Georgia cooperation framework SSF 2014–2017 within its focal sector on PAR, one objective is to **strengthen the structures and processes of local governance** through the decentralisation of powers to achieve increased decision-making powers and budgetary resources devolved to LAs.
- The Support to Public Administration Reform (PAR) (AAP 2015) targets, *inter alia*, strengthening the structures and processes of local governance. As part of the complementary support, technical assistance and grants to CSOs are foreseen in order to strengthen the strategic policy framework and institutional capacities of local/regional structures, civil servants and other stakeholders.
- The Single Support Framework 2017-2020 includes under its first sector of intervention (Stronger economy) the contribution to reducing the trade deficit, promoting investment and innovation and fostering smart, sustainable and inclusive growth and resilience in Georgia and its regions, including market opportunities, business development, agriculture and territorial development. Under sector 2 (Stronger governance) there is a specific objective to consolidate public administration reform and to strengthen the structures and processes of local governance.
- The programme "Skills Development and Matching for Labour Market Needs" 2017-2022 (AAP 2017) will target lifelong learning opportunities, vocational education and training and employment support services in selected regions of Georgia. This Action is expected to contribute to the improvement of educational infrastructure, bespoke curricula in specific/strategic sectors of the focal regions etc., in line with objectives of the Unified Strategy for Education and Science for 2017-2021.
- The activities planned under the programme "Economic and Business Development" (AAP 2017), to support SMEs and the development of value chains, will also contain elements of territorial development, i.e. build on the endogenous potential in regions in the areas of tourism, organic agriculture and selected sectors of manufacturing.

- Under the AAP 2019 the EU 4 Integrated Territorial Development Programme aims to promote a more balanced territorial development and improve living standards and conditions of the population through an inclusive, smart and sustainable socio-economic means, aiming creating the new centres of gravity apart from Tbilisi and Batumi. The action will be mainly implemented in 4 focal regions of Georgia (Kakheti, Imereti, Guria, Racha-Lechkhumi and Kvemo Svaneti).
- Local governance is also addressed by the European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase III (**ENPARD III**), and the future phase IV (ENPARD IV) under AAP 2019, which will continue to promote a bottom-up model of rural development, based on EU best-practices, and will expand support to additional municipalities under the four focal regions.
- Municipalities are also supported under the Call for Proposals for Local Authorities announced under the 2014-2020 CSOs/LAs thematic programme for Georgia.

Moldova

- The **Public Administration Reform (PAR)** is one of the focal sectors of the EU Single Support Framework for support to the Republic of Moldova for 2014-17. The overall objective is to enhance the institutional and human resource capacity of the central and local public administrations to elaborate and implement policy and to ensure the efficient and effective delivery of high-quality public services.
- Ongoing **budget support programmes** support LAs in the economic development sector, agriculture and rural development as well in the realisation of energy efficiency investments (e.g. biomass). Specific assistance actions are also fostered in the framework of confidence building measures.
- Grant projects with LAs and CSOs

Ukraine

Decentralisation is a top priority in the extensive reform programme that the Government of Ukraine has been undertaking since spring 2014. The EU supports **the decentralisation reforms** through several programmes at bilateral level:

- U-LEAD with Europe: Ukraine Local Empowerment, Accountability and Development Programme (97 million, 2016-2020)
- Support to Ukraine's Regional Development Policy (31 million, 2014 – 2017)
- Budget Support to Ukraine's Regional Policy (EUR 55 million, 2016-2018)
- EU Community Based Approach (CBA) Phase III (EUR 23.8 million, 2014-2017)
- Grant projects with LAs

Appendix III – List of ongoing Mayors for Growth Pilot Projects

In Armenia:

1. **Sevan Municipality**

Project “Sustainable Platform to Promote Innovation (SPPI)”

Budget 539,000 EUR (Grant amount 90%) - Implementation period 2018 - 2020

In Belarus:

2. **Bragin District Executive Committee, Gomel Region**

Project “Agrobusiness – incubator”

Budget 561,996 EUR (Grant amount – 90%) - Implementation period 2018 - 2021

3. **Glubokoye District Executive Committee, Vitebsk Region**

Project “Creation of Centre for Entrepreneurship and Innovations Promotion and Support in Glubokoye District, Vitebsk Region, Belarus”

Budget 414,869 EUR (Grant amount – 90%) - Implementation period 2018 - 2021

4. **Slavgorod District Executive Committee, Mogilev Region**

Project “BRIDGE as the Pilot Eco-Business Model for Local and Regional Economic Growth”

Budget 589,907 EUR (Grant amount – 90%) - Implementation period 2018 - 2021

In Georgia:

5. **Bolnisi Municipality**

Project “Establishing a platform for efficient flow of business activities in Bolnisi”

380,000 EUR (Grant amount - 84%) - Implementation period 2018 - 2021

6. **Gori Municipality**

Project “Empowering Local Economic Opportunities for Sustainable Growth”

Budget 695.997 EUR (Grant amount 86%) - Implementation period 2018 - 2020

7. **Tbilisi City Municipality**

Project “Creating Business Accelerator for sustainable SME development”

Budget 1,013,268 EUR (Grant amount 50%) - Implementation period 2018 - 2022

In Moldova:

8. **Cimişlia District Council**

Project "South Open Gate of Moldova for Businesses and Investments Promotion"

Budget 336,121 EUR (Grant amount – 90%) - Implementation period 2018 - 2019

9. **Edinet municipality**

Project “Edinet – Economic Growth Pole in North region of Moldova”

Budget 643,545 EUR (Grant amount – 90%) - Implementation period 2018 - 2020

10. **Gagauzia Executive Committee**

Project “Establishing Regional Business Information and Support Centre for the Gagauzia Region of the Republic of Moldova”

Budget 516,172 EURO (Grant amount – 83%) - Implementation period 2018 – 2020

In Ukraine:

11. **Baranivka City Council**

Project "Youth-driven Organic Business Cluster in Baranivka amalgamated community"

Budget 795,754 EUR (Grant amount 80%) - Implementation period 2018 - 2020

12. **Nove Misto Amalgamated Territorial Community Council**

Project "COWBOYky. Ukrainian Wild West" (ENI/2017/ 392-853)

- Budget 900,000 EUR (grant amount 80%) - Implementation period 2018 - 2020
13. **Severynivka** City Council
Project "Yablunevyi Shlyakh" ("Apple Way")
Budget 560,000 EUR (Grant amount 80%) - Implementation period 2018 - 2019
14. **Slavutych** City Council
Project "Slavutych is a growth driver of open and free economy of the region"
Budget 850,050 EUR (Grant amount 77%) - Implementation period 2018 - 2020
15. **Dolyna** City Council
Project "Cooperation for increasing the competitiveness in agriculture sector and diversification the structure of local economic in Dolyna sub-region"
Budget 628,855 EUR (Grant amount 78%) - Implementation period 2018 - 2021
16. **Hlyboka** settlement council
Project "Different Communities – Joint Decisions for Economic Growth"
Budget 788,843 EUR (Grant amount 75%) - Implementation period 2018 – 2019