



**ANNEX I**

of the Commission Implementing Decision on the Special Measures in favour of the  
Republic of Belarus for 2019

**Action Document for Belarus Regional Investment and Competitiveness Programme  
(BRIC)**

**ANNUAL PROGRAMME/MEASURE**

This document constitutes the annual 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.

<b>1. Title/basic act/ CRIS number</b>	<b>Belarus Regional Investment and Competitiveness Programme (BRIC)</b> CRIS number: ENI/2019/042-030 financed under the European Neighbourhood Instrument	
<b>2. Zone benefiting from the action/location</b>	Belarus The action shall be carried out at the following location: whole country	
<b>3. Programming document</b>	Not available (Special Measure)	
<b>4. Sustainable Development Goals (SDGs)</b>	Main SDGs: SDG 5 – Gender Equality SDG 8 – Decent Work and Economic Growth SDG 9 – Industry, Innovation and Infrastructure SDG 11 – Sustainable Cities and Communities	
<b>5. Sector of intervention/ thematic area</b>	Economic development and market opportunities	DEV. Assistance: YES
<b>6. Amounts concerned</b>	Total estimated cost: EUR 18 600 000 Total amount of European Union (EU) contribution EUR 18 600 000	
<b>7. Aid modality(ies) and implementation</b>	Project Modality <b>Direct management</b> through: - Grants	

<b>modality(ies)</b>	<b>Indirect management with [an] entrusted entity[ies]</b>			
<b>8 a) DAC code(s)</b>	43040 – Rural development – 40% 43030 – Urban development and management – 40% 25030 – Business development services – 20%			
<b>b) Main Delivery Channel</b>	<Channel 1><Channel code> <i>example: World Bank - 44001</i> <sup>1</sup>			
<b>9. Markers (from CRIS DAC form)<sup>2</sup></b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment <sup>3</sup>	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	X	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	<When relevant, specify the title of the GPGC thematic flagship programme to which this action contributes>			

<sup>1</sup> <http://www.oecd.org/dac/stats/annex2.htm>.

<sup>2</sup> 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).

<sup>3</sup> 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

The action seeks to support the introduction and operationalization of new concepts for regional development in Belarus using European experiences (Smart Specialization, public-private partnership, etc.). The aim is to contribute to more effective public policies to improve economic growth and employment in the regions and districts and reduce geographical and social disparity. The action will focus on Homiel, Mahilioŭ and Viciebsk regions. Identification of potential centres of economic growth will take into account the rational and effective economic clusters that logically serve a certain territory to enhance economic activities and employment therein. Grants for local authorities in partnership with local stakeholders will be made available to support priority economic and social actions in these centres of economic growth. Along with the implementation of the programme, a strong emphasis will be given to improve national institutional capacities for regional economic analysis, policy formulation and training for public servants and other stakeholders in local development.

### 1. CONTEXT ANALYSIS

#### 1.1 Context Description

Prompted by the 2015-16 recession, authorities have pursued structural reforms aiming to put the economy on a more stable footing and have made progress in unwinding macroeconomic imbalances: inflation is at its lowest levels in more than two decades and new directed lending is being phased out. Belarus' growth model still relies on concentration of resources in the state sector, administrative measures, directed lending, financial assistance and energy subsidies from the Russian Federation. Longer-term growth prospects continue to depend on the extent of structural adjustment and on scaling-back state interference in the economy. The central role of state-owned enterprises (SOEs) in the economy is under strain and exposure to poor SOEs is a threat to financial and economic stability and a curb on private investment. The quality of management across the state sector is relatively weak, but first steps towards reforms and privatisation may encourage FDI going forward<sup>4</sup>.

In this context a number of strategic policy orientations constitute a strong base for economic modernisation. The main commitments of the Belarusian authorities with regards to the development of the country are outlined in the National Sustainable Development Strategy (NSDS) for the period to 2030, which aims, inter alia, at a strategic modernisation of the Belarusian economy based on the development of the private sector, more efficient indicative planning of the economy, reinforcing innovation and green economy policies. Belarus pursues active liberalisation of the private initiative, stimulating entrepreneurship and SMEs, macro-economic stabilisation, strengthening of the financial sector, streamlined investments and increased governance. Finally, the National Programme for SME Support 2016-2020 further details policies and instruments for enhanced SME development.

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<sup>4</sup> EBRD Investment climate review of Belarus, 2018

Progress in inclusive economic development and modernisation can be ensured through diversification as well as an enhanced role of private economic actors.

The EU aims to support restructuring of the Belarusian economy and its transition to a competitive, modern and diversified market economy in view of achieving durable, inclusive and sustainable growth based on a strong private sector, competition, as well as on agile and economically engaging regions and territories, while involving all stakeholders in policy decisions.

## **1.2 Policy Framework (Global, EU)**

Belarus adopted and has been actively promoting the Sustainable Development Goals that constitute a global cooperation framework.

In the absence of a framework agreement between the EU and the Republic of Belarus and while negotiations on EU-Belarus Partnership Priorities have not been concluded, the EU's policy towards Belarus is carried out in line with the 2016 Council Conclusions as well as the wider Eastern Partnership (EaP) policy framework. This action will directly contribute to implementation of the "20 deliverables for 2020" under the "stronger economy" priority area for cooperation in the EaP by working together to improve the investment and business environment and unlock small and medium-sized enterprises' growth potential (deliverable 4) and create new job opportunities at the local and regional level (deliverable 6).

The EU has been continuously supporting Belarus to strengthen the conditions for private sector-led growth and promoting private investment by supporting SME capacities, access to finance, access to new markets and overall improving the business climate. Boosting investments is also a key objective of the cooperation that builds on a number of implemented and planned programmes in the area of regional development, green economy, vocational education and training and overall orientation of bringing the benefits of economic and social development to the citizen on the local and grassroots level.

## **1.3 Public Policy Analysis of the partner country/region**

Belarus National Sustainable Development Strategy 2030 promotes comprehensive and balanced development of each region of Belarus as a strategic goal. The regional policy will continue to focus on economic growth and reducing interregional differentiation. Questions of self-development and regional cooperation, increasing the responsibility of local communities for territorial development and active public participation in local planning underpin the new approaches to the regional policy-making.

The National Strategy emphasizes the need for decentralisation, stating that it is foreseen to widen the competencies and responsibilities of the local self-government and government bodies by transferring to them part of the functions of the regional and national levels in the area of public security, public services, transport and environment, support to SME and social sector issues. The strategy involves the division of responsibilities among levels of government based on the subsidiarity principle. The proposed programme is aimed at supporting and improving the

competitiveness of districts and cities of regional subordination of the Republic of Belarus through approaches to local development based on the effective use of potential, competitive advantages, and competencies of the territories.

The regional development policy in the period 2020-2030 will focus on regional growth centres, cluster development, creation of new productive jobs, innovative local economies based on local resources, export promotion, SME and entrepreneurship development.

Specifically, in 2021-2030 the state regional policy will be directed at strengthening local self-government in ensuring sustainable development and providing high level of life in all regions of Belarus.

The proposed intervention is meant to fully use the current policy opening to streamline modern local development through competitiveness based and participative approach.

#### **1.4 Stakeholder analysis**

Regional and local authorities and stakeholders, including business, local communities and citizens' interest groups in general are the main target groups and beneficiaries of the action. Strengthening capacities of these local stakeholders, empowering them with modern participative management techniques to effectively engage with their communities is a critical component of the action.

The Ministry of Economy plays a key role in the development and steering of a regional development policy in Belarus. It is also responsible for the private sector and SME support policies, that are at the core of the development of the regions. Having a direct mandate from the government to identify and implement balanced regional development, the Ministry requires technical assistance to establish new development instruments, such as a possible National Development Agency, but also to delegate necessary competencies to regional and local stakeholders.

Existing and planned associations of local councils are seen as emerging important counterparts for the action mobilising historically underpowered elected deputies, providing a possible executive arm to the councils, and diminishing their current dependency from the executive branch.

Considering the strong vertical power organisation, involvement of central authorities to provide clear signals to the regions is necessary, in particular, to operationalise the strategic orientations of the NSDS 2030 (and the Draft Strategy for the period up to 2035), i.e. by adopting a National concept of regional development and further decentralisation policy guidance. It is necessary to engage in this work the relevant commissions of the Belarusian National Assembly (Commission on state building, local self-government, Commission on economic policy).

The Academy of Public Administration is responsible for induction and periodic in-service training for regional and local administration staff. It is an important partner in the programme developing and disseminating the new development concepts and helping to sustain its medium and long-term impact.

National research capacity through the Committee for Science and Technology and private think tanks such as the Research Centre of the Institute for Privatisation and

Management (IPM) and the Belarusian Economic Research and Outreach Centre (BEROC) are involved to enhance analytical capacities and help in the adaptation of external innovations to the Belarus context.

## 1.5 Problem analysis/priority areas for support

The Belarusian authorities acknowledge the growing imbalances in the development of the Belarusian regions and territories.

As confirmed from recent high level missions to Belarus by the Congress of Local and Regional Authorities of the Council of Europe, Belarus is keenly interested in developing local self-governance and seeks to approximate the EU's experience and to expand cooperation with relevant regional development bodies of the EU<sup>5</sup>.

Confronted with strong urban migration (78% of the population live in the cities), rural and traditionally agricultural areas are struggling with depopulation, absence of economic opportunities and lower social standards. This situation is much more pronounced in the areas affected by the Chernobyl disaster (approximately a quarter of the territory on Belarus). The domination of the state sector with low efficiency, productivity and obsolete assets allow merely sustaining formal employment. Wide-spread mono-cities, that are virtually totally depending on a single public enterprise is a common challenge in rural Belarus.

Furthermore, according to the recent research of the Institute for Privatisation and Management (IPM), there are notable gender misbalances on the labour market, such as relatively lower wages of women and their relatively lower labour mobility, that in its turn may lead to the intensification of the gender-induced reasons of child poverty. Suggested solutions could focus better local employment services, support of entrepreneurship, family business and farming in the rural areas, development of connectivity on the local level.

Historically, the Belarusian authorities benefitted from below world market prices for energy. This enabled preserving a status quo by administratively assigning scarce state investments to arbitrary support selected regions, sectors and enterprises, fuelling massive and accumulating directed lending with an important share of it transforming to non-performing loans signed out by the government.

In the absence of comprehensive structural reforms, Belarus' growth outlook remains subdued. It is clouded by a weakening external environment and, in particular, uncertainty surrounding crude oil deliveries by the Russian Federation.

Without being able or ready to solve the structural economic issues, especially in the SOE sector, the government needs new policy approaches to allow the best possible allocation of rare investment in the key centres of economic growth that could constitute alternative and territorially deconcentrated growth poles on the local level.

Based on similar problems of regionally unbalanced economic growth, especially in the Central Europe and the Western Balkans, the EU has been developing and promoting the concept of Smart specialisation. Smart specialisation is an innovative

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<sup>5</sup> <https://eng.belta.by/president/view/belarus-hopes-to-develop-contacts-with-council-of-europe-in-local-government-120692-2019/>

approach that aims to boost growth and jobs in Europe, by enabling each region to identify and develop its own competitive advantages.

Through its partnership and bottom-up approach, Smart specialisation brings together local authorities, academia, business spheres and the civil society, working for the implementation of long-term growth strategies supported by regional development funds.

Smart specialisation is a place-based approach, meaning that it builds on the assets and resources available to regions and on their specific socio-economic challenges in order to identify unique opportunities for development and growth. In line with this approach regions ought to support only a limited number of well-identified priorities for knowledge-based investments and/or clusters. Specialisation means focusing on competitive strengths and realistic growth potentials supported by a critical mass of activity and entrepreneurial resources.

Setting priorities should not be a top-down, picking-the-winner process. It should be an inclusive process of stakeholders' involvement centred on "entrepreneurial discovery" that is an interactive process in which market forces and the private sector are discovering and producing information about new activities, and the government assesses the outcomes and empowers those actors most capable of realizing this potential.

A Smart Specialisation Strategy should embrace a broad view of innovation, supporting technological as well as practice-based and social innovation, taking into account employment opportunities for both men and women. This would allow each region to shape policy choices according to their unique socio-economic conditions.

Belarus<sup>6</sup> is currently among a few countries outside the EU already associated to the EU's Smart specialisation process that is led by the Joint Research Centre of the European Commission. This unique opportunity could allow Belarus benefitting from modern strategic planning technologies to implement sustainable territorial development.

The approach also fully synergises with the Belarus National Sustainable Development Strategy and the cooperation priorities of the EU.

It is also expected, that a valuable input for development and implementation of Belarusian pilot Smart Specialisation Strategies would be provided by an OECD Territorial Review that is planned to be implemented in 2019-2020. The OECD Territorial Reviews focus on national-level regional policies and provide evidence-based, in-depth analyses of regional policies leading to concrete recommendations for policy-makers.

In the case of Belarus, a territorial review could focus on strengthening Belarus' regional development policies and explore ways to further develop local economies, particularly in places that are struggling with demographic and economic change leading to unemployment and poverty. The analysis and recommendations will be complemented by capacity building activities for local authorities, SOE managers and other relevant stakeholders to support the implementation of reforms.

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<sup>6</sup> State Committee for Science and Technology of the Republic of Belarus

## 2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Formalistic approach to decentralisation policies declared in the national strategic documents (strengthening local self-government, improved the fiscal independence etc).	M	Strengthening of associations of local councils, direct support to community initiatives to promote bottom-up participative governance and put pressure on the administrative directive planning.
Imitation of bottom-up and participative approach by limiting it to only selected groups.	H	Capacity-building of local stakeholders and promotion of competent sectorial and, council associations, that are able to provide qualified input and advice to local administrations, thus substantively contributing to development policies.
Low authority and weak capacity of a possible central Regional development coordination agency.	H	Promotion of best EU practices in the area of regional development management, capacity-building and engagement of key central decision-makers, including from the National assembly.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>- The government stays committed to strategic policy orientation of the National Sustainable Development Strategy 2030 (2035) i.e.:</li> <li>- launching initial decentralisation, widening the competencies and responsibilities of the local self-government and government bodies by transferring certain competences from the regional and national levels in the area of public security, public services, transport and environment, support to SME and social sector issues;</li> <li>- division of responsibilities among the levels of authority shall follow the principle of subsidiarity;</li> <li>- strengthening of the local budgets by decreasing subsidisation and improving local tax autonomy, improving public-private partnerships and delegation of functions of local self-government and government to the private sector and non-state non-profit institutions, fostering socially responsible business;</li> <li>- pursuing strategic modernisation of the Belarusian economy based on the development of the private sector, more efficient indicative planning of the economy, reinforcing innovation and green economy policies, active liberalisation of the private initiative, stimulating entrepreneurship and SMEs, macro-economic stabilisation, strengthening of the financial sector, streamlined investments and increased governance.</li> </ul>		



### **3. LESSONS LEARNT AND COMPLEMENTARITY**

#### **3.1 Lessons learnt**

Evaluation of previous EU programme "Support to regional and local development" as well as the experience of the current "Local economic development" programme suggests more emphasis to be given on a structural shift of regional development planning in Belarus, including focus on productivity growth and efficient investment with the aim on enhancing inclusive employment. The current regional development policies are more of an arbitrary top-down nature and often lack evidence-based analyses. As an alternative there is need for approaches that aim at delivering policies for enhancing regional competitiveness, attractiveness and sustainable development (e.g. human capital; physical infrastructure; business environment; social cohesion) and relevant governance mechanisms (institutional and financial relations across and among levels of government; partnerships with the private sector and civil society). These should create a solid basis to demonstrate their efficiency and implement the needed shift to modern strategic planning tools for local development and increased employment.

Previous cooperation on the public-private partnership issues also imply the need to promote a comprehensive national approach to plan the national and local infrastructure needs (in form of a living national infrastructure plan), in order to develop a viable bankable pipeline of key priority and most efficient both economically and socially investments.

There is a good potential to further enhance a much wider participation of the IFIs in financing of local investments, including using EU's blending and guarantee instruments.

The EaP regional initiative Mayors for Economic Growth (M4EG) in Belarus (23 active signatories and 3 ongoing demonstration projects in Brahın, Hlybokaje and Slaūharad) have demonstrated the insufficiency of the direct financial support to the local authorities.

#### **3.2 Complementarity, synergy and donor co-ordination**

Complementarity will be sought with the IFI programmes, in particular large-scale WB programmes (Roadmap for Structural Reforms, transport infrastructure, water supply, forestry, energy efficiency, private sector development, public finance management, education, and health care), EIB and EBRD (private sector support, local and national infrastructure investment).

The second phase of the M4EG under planning will focus on the implementation of existing Local Economic Development Plans of the Belarusian signatories, 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). Possibly, the M4EG identified pipeline of the local projects should feed the proposed below investment activities.

#### **4. DESCRIPTION OF THE ACTION**

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

###### **Overall objective (expected impact):**

Contribute to comprehensive development of regions, territorial cohesion and reduction of regional disparities in living standards and quality of life of the population at large by leveraging local competitive advantages and territorial competencies.

###### **Specific objectives (expected outcomes):**

- i. To increase the capacity and competence of local self-government and government bodies through participative planning and implementation of territorial development strategies by involving all interested stakeholders (local authorities and representative councils, civic, business, educational and scientific organisations etc.) as well as promoting inter-regional cooperation to solve socio-economic and ecological issues and to raise the quality of life in regional Belarus.
- ii. Identify, assess and prioritise concrete high potential and socially significant regional and local actions based on inclusive and participatory approach to boost regional productivity, competitiveness and employment opportunities.
- iii. Provide active support and technical advice for the implementation of the top-priority selected regional economic and social actions in the centres of economic growth.

###### **Main indicative activities**

###### ***Component 1. Capacity-building, formulation and implementation of modern participative territorial development methodologies***

In line with the Belarus National Sustainable Development Strategy for the period up to 2030 (and the Draft Strategy for the period up to 2035) support the activities of local government and self-government bodies in the development and implementation of strategic documents for employment and territorial development carried out with the participation of local communities to ensure a balanced and sustainable development of the country's regions and building strong local economies.

Component 1 will provide practical tools for strategic development of potential centres of economic growth. The growth centres are not limited or guided by administrative division factors, but rather constitute a rational and effective economic cluster that logically serves a certain territory and/or community to enhance employment.

Such new tools will explore the Smart specialisation approach adapted to the Belarusian situation and provide efficient, scientific and participatory evidence of strategic development priorities and the most rational specialisation for each of the growth centres, taking into account its employment potential, its position in the national and international supply chain and market prospects. Smart specialisation strategies will become the basis for attracting internal and external investments into

the identified growth centres and guide the elaboration of national infrastructure and institution development programmes for regional development.

Standing and flexible capacity-building facility will be central to this component. Hands-on training and coaching by local and international experts will deliver the necessary advice and expertise to facilitate the participative and inclusive decision-making over local development challenges.

Key involvement of the regional educational and research institutions need to be secured to allow boosting innovation and competitiveness in the local planning, help build innovation capabilities by strengthening the role of higher education institutions in regional partnerships.

*Indicative activities:*

1. Formulation of strategic development documents (Smart Specialisation Strategies) for at least three economic growth centres in Homiel, Mahilioŭ and Viciebsk regions, including a set of measures for their implementation based on mutually beneficial cooperation of local government and self-government bodies, consolidating the efforts of all groups of the local community. This is expected to take into account also the acquis of the previous EU support programmes, and in particular of the available district Area Based Development passports (Support to local development programme), District job-generation strategies and action plans (Local Economic Development programme);
2. Using the example of the identified territorial and economic growth centres, assisting in developing proposals for creating experimental models for managing regional development based on the interaction of local government and self-government, the participation of key groups of the local community;
3. Preparation of guidelines for the formulation of strategic documents for the development of economic growth centres, taking into account the best international experience on enhancing regional development adapted to the conditions of the Republic of Belarus (Guidelines for Smart Specialisation Strategies);
4. Improving management practices at the regional and local levels in order to provide citizens with better services, giving priority to result orientation, training of local government and self-government, as well as other stakeholders on regional development, business relations, involvement of all segments of the local population. ;
5. Assisting the activities of/strengthening regional/local development associations, strengthening inter-regional (including inter-district) cooperation, associations of local councils to increase employment.
6. Enhancing cooperation between regions of Belarus and the EU to contribute to experience exchange, capacity development, partnership building, and implementation of the ideas based on obtained experience (study visits, internships, peer to peer cooperation and expert follow-up support).
7. Assisting the districts and regions to pilot a new financial development instrument – the Budget of Public Participation (promotion of local

initiatives organised and co-financed by the district and regional authorities to support implementation development priorities leading to increased employment);

### ***Component 2. Competitive identification of the regional economic growth centres***

This component will contribute to the development of an investment project pipeline at the regional and local levels, which are aimed at the implementation of the Smart Specialisation Strategies in the identified economic growth centres in the three pilot regions. Economic and social viability, competitiveness and expected development impact will be at the core of the intervention, ensuring that priority actions provide high contributions to economic growth and job creation or otherwise significantly solving a major social/environmental issue.

Component 2 will contribute to sustainable distribution of economic resources among territories, facilitating the reduction of the gap in citizens' incomes and quality of life, as well as direct the concentration of resources in the key areas of regional development and at centres of economic growth.

#### *Indicative activities:*

1. Based on a participatory approach and taking into account the Smart Specialisation Strategies for selected economic growth centres, identify in a competitive manner priority local development actions at district and regional level;
2. Initial appraisal and building consensus: scientific and evidence-based needs analysis, analysis of territorial strengths and weaknesses, involving high-level technical expertise with further scrutiny of a participative inclusive community dialogue and entrepreneurial discovery process to map a long-list of proposed regional actions, in full respect of existing development strategies, priorities, giving due attention to spatial dimension of balanced development, importance of sector in national economy etc.;
3. Support to the establishment of a modern and transparent national system of project prioritisation and appraisal;
4. Development of Regional economic and social investment plans for increased sustainable living conditions: thorough audit, funding and affordability analysis, environmental and social impact analysis, feasibility study with concrete proposals for solutions and evaluation of feasibility of investments. This action will result in a final list of specific fully costed and evaluated actions. Priority economic actions will be selected for further implementation support under Component 3;
5. Publication, promotion, and review mechanism for keeping the Regional economic and social investment plans up to date in line with the national development priorities.

### ***Component 3. Support to the implementation of the priority economic and social actions in the regional growth centres***

This component will seek to link the consensual set of local development priority actions to the specific implementation and financing modalities as available from the State budget as well as national and international donor and credit resources

*Indicative activities:*

1. Support (re-)development of priority economic and social actions into sustainable and financially viable projects, business models and plans.
2. Assist in identification of possible financing sources and accompany the preparation and implementation of such financing plans.
3. Support start-up of priority economic and social actions (grants for local authorities in partnership with local stakeholders to support priority economic and social actions).

#### **4.2 Intervention Logic**

The programme has a clear economic character with key regional focus. In line with immediate priorities of the Government of Belarus this action will enable national and local authorities and economic actors to learn and objectively assess the merits of modern European approaches in regional and local economic development methodologies such as Smart specialisation and public-private partnership in delivery of public goods. Its central capacity-building core is to be able to swiftly respond to any needs of the local stakeholders in terms of expertise or training. It envisages re-enforcing the contact between citizens and the State by further enhancing the degree of responsiveness of local authorities through better public participation and effective self-government. The programme is linking strategic development and capacity building to identify and address priority economic and social action in the region; including through identification of financing sources for local authorities and local stakeholders to jointly implement priority economic and social actions. This not only ensures an immediate application of the theory, but most importantly also provides examples of practical issues encountered.

#### **4.3 Mainstreaming**

Gender equality will be a specific focus of the project. The 2016 WB Belarus Country Gender Profile<sup>7</sup> suggests that being the main gender gap, women's economic participation should be given priority.

Environment and climate change, human rights based approach are relevant cross-cutting issues that will be integrated in the design of the action. Elaboration of Smart Specialisation Strategies and subsequent choice of investment projects will be based on sustainable considerations for environmentally friendly and socially responsible criteria. Evaluation and monitoring framework of the action will consider gender-disaggregated indicators.

Human rights based approach will place the individual in the centre of decision making regarding local development priorities.

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<sup>7</sup> <http://documents.worldbank.org/curated/en/517311540825877515/pdf/131461-Belarus-CGA-Update-2016-final-post-editor.pdf>

#### **4.4 Contribution to SDGs**

This intervention is fully relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) as well as to SDG 5 (Gender Equality).

### **5. IMPLEMENTATION**

#### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

#### **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 84 months from the date of entry into force of the financing agreement.

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 measures<sup>8</sup>.

##### **5.3.1 Grants: (direct management)**

###### **5.3.1.1 Grants for local authorities in partnership with local stakeholders to support priority economic and social actions**

###### **(a) Purpose of the grant(s)**

Under Component 3, Activity 3 grants will be made available to local authorities to support development in economic growth centres. The grants provide for support of detailed design and feasibility studies, pilot interventions to finance public infrastructure and arrangements to promote and facilitate economic development or support administrative and public oversight of such investments.

###### **(b) Type of applicants targeted**

Target applicants are local authorities in partnership with economic and other development stakeholders of the target regions (Homiel', Mahilioŭ and Viciebsk). Joint actions of local authorities and civil society actors will be strongly promoted.

###### **5.3.1.2 Direct grant**

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[www.sanctionsmap.eu](http://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.

(a) Purpose of the grant(s)

The main purpose of the grant is to mobilise local expertise to provide evidence-based support to all activities of the action. This local analytical input will be auxiliary and accompany as necessary all the activities under Component 1 and 2, as well as Component 3 (Activity 1 and 2), that will be implemented by an entrusted entity as described below in section 5.3.2.

In particular, this local analytical support will be crucial for the scientific analysis and delivery of the Smart Specialisation Strategies, development of experimental models for managing regional development, drafting guidelines for the formulation of strategic documents for the development of economic growth centres, improving management practices at the regional and local levels, strengthening inter-regional cooperation (including with EU regions), piloting the Budget of Public Participation (Component 1). Local analytical support will also target identification priority local development actions, their appraisal, development of regional economic and social investment plans (Component 2), as well as possible business analysis of projects under Component 3.

(b) Type of applicants targeted

Target applicants are competent Belarusian think-tanks and research institutions focusing on social-economic development and regional development research.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Research Centre of the Institute for Privatisation and Management (IPM Research Centre), working in cooperation with the relevant counterparts such as the Belarusian Economic Research and Outreach Centre (BEROC) and the Scientific-Research Institute of Economy under the Ministry of Economy.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the nature of the action requires a specific type of beneficiary for its technical competence and specialisation. IPM Research Centre is the key an independent Belarusian think tank, specialising in economic and social research. Apart from researching, monitoring and forecasting of the economic situation in Belarus, the Centre promotes professional and public dialogue on national economic development. The Mission of the IPM Research Centre is to enhance national competitiveness of Belarus and prosperity of the Belarusian society by elaborating the research-based economic policy recommendations and promoting professional dialogue on the urgent issues related to economic performance. The IPM Research Centre drives the Kastryčnicki Economic Forum – the central tool for seeking consensus and developing national agenda for social and economic policy by participation of national stakeholders using the best expertise from across the world. The nature of the action also requires that a known and well established mediator, recognized for specific economic competence and technical advice both by the international economic community and by the government of Belarus, facilitates the analytical part of the action.

Expected cooperation with other relevant stakeholders will ensure academic and applied research, arrange educational programs on modern economics and other outreach activities (Scientific-Research Institute of Economy under the Ministry of Economy, Belarusian Economic Research and Outreach Centre).

### ***Indirect management with [an] entrusted entity[ies]***

The action will be implemented in indirect management with (an) EU Member State(s) entity(ies) ensuring an optimal access to the available European experiences in regional economic development. The entity(ies) will be selected by the Commission's services using the following criteria: extensive experience on working in the sector of regional development and local self-governance, proven experience in public policy advice, managing technical assistance projects in the EU Eastern Neighbourhood countries, operational capacity, value added, transparency, absence of conflict of interest.

The implementation by thi(e)s(e) entity(ies) entails the fulfilment of Components 1 and 2 together, as well as Component 3 (Activity 1 and 2), including possible technical and administrative support of the grants under direct management (Component 3, Activity 3). In this way the objectives to be achieved by this implementation modality refer to increasing the capacity and competence of local self-government and government bodies, elaborating Smart specialisation strategies and piloting them through providing active support and technical advice for the implementation of the top-priority selected regional economic and social actions in the centres of economic growth.

The implementation encompasses the management of all sub-contracting of services and grants in collaboration with the different entities as identified as stakeholders, in particular the relevant Department(s) within local authorities at regional and district level, Academy of Public Administration and the IPM Research Centre.

In case the envisaged entity mentioned above would need to be replaced, the Commission's services may select another replacement entity using the same criteria.

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 5.3.3 below.

### ***5.3.2 Changes from indirect to direct management mode due to exceptional circumstances***

In case of circumstances outside of the Commission's control, the action identified under section 5.3.2 may be implemented under procurement (direct management).

The procurement will contribute to achieving the following objectives:

- i. To increase the capacity and competence of local self-government and government bodies through participative planning and implementation of territorial development strategies;
- ii. To identify, assess and prioritise concrete high potential and socially significant regional and local actions;



- iii. To provide active support and technical advice for the implementation of the top-priority selected regional economic and social actions in the centres of economic growth.

#### 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.

- a) 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

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
<b>Components 1, 2 and 3 (Activity 1 and 2)</b>	<b>8.300.000</b>	N.A.
- Indirect management with [an] entrusted entity[ies] – cf section 5.3.2	7.000.000	
- Direct grant award – cf section 5.3.1.2	1.300.000	
<b>Component 3 (Activity 3)</b>	<b>10.000.000</b>	1.000.000
- Grants (direct management) – cf section 5.3.1.1		
<b>Evaluation</b> (cf. section 5.8)	100.000	N.A.
<b>Audit/ Expenditure verification</b> (cf. section 5.9)	50.000	
<b>Communication and visibility</b> (cf. section 5.10)	150.000	N.A.
<b>Contingencies</b>	N.A.	N.A.
<b>Total</b>	<b>18.600.000</b>	<b>1.000.000</b>

#### 5.6 Organisational set-up and responsibilities

All contracts, as well as activities related to evaluation, audit, communication and visibility, will be awarded and implemented in accordance with the procedures and

standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

A Steering Committee shall be set up to oversee and validate the overall direction and policy of the project. The project Steering Committee shall meet at least twice a year. The project Steering Committee shall be made up of the relevant representative(s) of the Beneficiary country, of the implementing partner and of the Delegation of the European Union to Belarus.

The Steering Committee shall ensure coordination of the relevant project activities with the ongoing EU-financed projects, including regional initiatives, such as Covenant of Mayors and Mayors for Economic Growth.

## **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 (for project modality) or the list of result indicators (for budget support). 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 nature of the action, a mid-term and final evaluations may be carried out for this action or its components via independent consultants contracted by the Commission.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

## **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.

It is foreseen that audit services may be contracted under a framework contract.

#### **5.10 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

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.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, 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.

**APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) <sup>9</sup>**

	<b>Results chain: Main expected results (maximum 10)</b>	<b>Indicators (at least one indicator per expected result)</b>	<b>Sources of data</b>	<b>Assumptions</b>
<b>Impact (Overall Objective)</b>	Contribute to comprehensive development of regions, territorial cohesion and reduction of regional disparities in employment, living standards and quality of life of the population at large by leveraging local competitive advantages and territorial competencies	Contribute to decrease of regional gap in GDP/capita from 2.0 times in 2015 to 1.4 times in 2030  Contribute to decrease of the regional gap in nominal wage from 1.5 times in 2015 to 1.2 times in 2030	Data on Implementation of the National Strategy of Sustainable Development, Belarusian Statistical Committee data	
<b>Outcome(s) (Specific Objective(s))</b>	<p>1. To increase the capacity and competence of local self-government and government bodies through participative planning and implementation of territorial development strategies by involving all interested stakeholders (local communities and civil society representing both women and men, business, educational and scientific organisations etc.) as well as promoting inter-regional cooperation to solve socio-economic and ecological issues and to raise the quality of life in regional Belarus.</p> <p>2. Identify, assess and prioritise concrete high potential and socially significant regional and local actions based on inclusive and participatory approach to boost employment opportunities, regional productivity and competitiveness.</p>	<p>Number of new productive jobs created in the regions</p> <p>Number of entrepreneurs registered in the rural areas</p> <p>Better access to social services regardless of the place of living</p> <p>Increase of the local budget resources</p> <p>Formalisation of a policy dialogue and number of targeted public institutions that consult with CSOs and/or citizens</p> <p>Pipeline of financially viable projects established</p>	<p>Belarusian Statistical Committee data</p> <p>Surveys Meeting reports (by institutions and by CSOs)</p> <p>CSO reports and surveys</p>	<p>The government stays committed to strategic policy orientation of the NSDS 2030 (2035)</p> <p>Launching initial decentralisation, widening the competencies and responsibilities of the local self-government and government bodies</p>

<sup>9</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

	3. Provide active support and technical advice to the implementation of the top-priority and impact selected regional economic and social actions in the centres of economic growth.	Number of projects audited  Volume of local and regional investment attracted		
<b>Output 1</b>	1.1 Formulation of strategic development documents (Smart Specialisation Strategies) for the three pilot economic growth centres  1.2 Training of local government and self-government, as well as other stakeholders on regional development  1.3 Pilot a new financial development instrument – the Budget of Public Participation (regular calls for proposals for local initiatives)	Number of Smart Specialisation Strategies approved by the local authorities  Number of stakeholders trained (disaggregated by sex) Increased effective citizen participation in decision making  National planning and decision-making mechanisms address local development needs from both local and central perspectives taking into account a citizen perspective  Number of new calls launched by the local authorities Volume of local investment including co-financing	Opinion polls Reports on the results of and public consultations CSO reports and surveys	Division of responsibilities among the levels of authority shall follow the principle of subsidiarity;  Strengthening of the local budgets by decreasing subsidisation and improving local tax autonomy, improving public-private partnerships and delegation
<b>Outputs 2</b>	2.1 Call for proposals from the district and regional level on priority economic actions  2.2 Support to the establishment of modern and transparent system of project prioritisation and appraisal  2.3 Development of Regional economic and social investment plans for increased employment and sustainable living conditions	Establishment and update of the National Infrastructure Plan  Introduction of amended, improved regulatory acts and policies setting transparent and participative prioritisation of national and local investment  Number of plans developed	National economic, social and environmental statistics; Reporting on progress with SDGs implementation, Surveys Meeting reports (by institutions and by CSOs)	Pursuing strategic modernisation of the Belarusian economy based on the development of the private sector, more efficient indicative planning, liberalisation of the private initiative, stimulating entrepreneurship and SMEs, macro-economic

				stabilisation, strengthening of the financial sector, streamlined investments and increased governance.
<b>Outputs 3</b>	<p>3.1 National and international promotion campaign to attract internal and external public and private sector interest, including through public-private partnerships</p> <p>3.2 Development of applications to available EU/IFI financing facilities</p> <p>3.3 Grant facility to start-up top priority economic and social actions</p>	<p>Number of public awareness campaigns; Number of investment proposals received</p> <p>Number of bankable applications financed</p> <p>Volume of investment attracted Number of grants successfully implemented</p>	<p>Investment plans Applications</p> <p>Project reports Meetings with IFIs Studies and estimates</p>	<p>IFIs are willing to finance projects</p> <p>Government commitment Access to information and expertise High-quality services provided by experts Supportive administrative procedures</p>