

Mayors for Economic Growth, Phase II

Description of Action prepared by UNDP

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1. Description of the action

1.1 Relevance of the action

The proposed 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 Plans (LEDP) 12. The action complies with the overall strategy and outcomes outlined in the Action Document - by strengthening capacities of local governments, creating inclusive innovation processes for design of investable projects that correspond to the developed LEDPs, and investing in portfolios of projects, in a way that bring tangible benefits to citizens.

The proposed action, over a period of 4 years, will build on and integrate lessons learned from the first phase of M4EG and its forthcoming evaluation while also seeking to build synergies and avoid duplication with other LED programs already under way in the region. In particular, this will entail strengthening assistance to implement LEDPs developed during the first phase - including through development, seeding of dynamic and bankable portfolios, de-risking early investment into transformative projects & assisting local governments to tap into public and private finance. The action will cover secondary cities in the Eastern Partnership countries. Over a **period of 4 years**, around 350 local authorities will benefit from training, capacity development and knowledge exchange activities, at least 50 local authorities will be supported to develop LEDPs building on the Mayors for Economic Growth methodology, and a selected group of **12 local authorities will benefit from design, development of capabilities and seeding a portfolio of 50 projects or more addressing issues related to green recovery after the crisis - but integrating urban planning, gender responsiveness & innovation at the local level**. 14 projects will be supported across at least 10 or more local authorities. This will enable local authorities with developed LEDPs to move into the implementation phase, which has been identified as an area to be strengthened in the first phase of the program. The methodology (described below in this document) will be based on the one already defined by the first phase of the M4EG¹. The network of local authorities that has committed during the first phase of the programme (almost 400 that have committed to the programme's objectives & 130 with active LEDPs) will participate in a learning platform (online & offline) & have access to a range of tools that will aim to **build capacities on system transformation & complexity, foresight, innovative finance models, utilize inclusive innovation processes for green recovery and development of local authorities**. The network will serve as a forum of exchange on emerging practice & lessons among local governments & other stakeholders, as well.

The Mayors for Economic Growth in its first phase has introduced an integrated approach to local economic development planning. However, these plans have not generated the desired

¹ Introduction to MAYORS FOR ECONOMIC GROWTH (M4EG) General Principles and Approaches

investments for transformation. To achieve this result, the second phase of the program can serve as a platform to enable and learn on transformation – applying a strategic innovation framework – its tools and methods, engaging in deep listening (hearing narratives that exist in society), co-creation with diverse groups of innovators, investors and public servants of bankable projects, activation of portfolios and their dynamic management, actively designing bankable projects to attract private sector and other forms of financing, while simultaneously developing capabilities in local authorities. The program will focus on the medium and long-term needs of local authorities & building their capacities to withstand shocks, as well as diversifying financing to support economic development results in Eastern Partnership countries. In practice, this will mean supporting a green and inclusive recovery of secondary towns, curbing out-migration, while tapping into a diverse set of resources to finance the transformation.

The objectives of the Action Document will be met through the interconnected outcomes, outputs and activities to deliver on enhanced capacities of local authorities & implementation of portfolios contributing to improved environmental & socio-economic outcomes at the local level in the EaP region. This will entail supporting local authorities in the **collaborative preparation of investment ready portfolios** - bringing into the process with local authorities, civil society, innovators, local change-makers & private sector, enabling **active learning and knowledge sharing** within the entire network of M4EG, and **seeding and dynamic management of interconnected investments** with the purpose of renewal of secondary cities and making them more livable for the residents there. The action will seek to develop portfolios that enable better distribution of resources to meet needs, and cut across **governance** (i.e. creating spaces for enhanced participation of citizens, improving transparency & accountability, transitioning to digital, open & inclusive governance models), **economy** (i.e. strengthening local economies, entrepreneurs & innovators, testing new & green business models) & **environment** (i.e. green retrofitting, renewal of public spaces, transition to more sustainable services, and climate-resilient infrastructure). Portfolios will be built upon the LEDP, existing narratives of transformation and dynamics (recognizing where there is energy), and they will be **co-created and fully contextualized to the needs of the beneficiary secondary cities (local authorities, residents, civic groups and private sector)**.

The proposed action contributes to the implementation of **Global Agenda on Sustainable Development Goals 2030** (including Goal 11 of making cities and human settlements inclusive, safe, resilient and sustainable), **The New Urban Agenda** adopted in Quito, Ecuador & endorsed by the UNGA in 2016 (*Sustainable and inclusive urban prosperity and opportunities for all & Environmentally sustainable and resilient urban development*). Also, this project could contribute to the implementation of the Association Agreement with the EU and facilitate economic recovery activities with the provisions of the EU Green Deal.

The proposed action is relevant to the European Commission Communication Agenda for Change which recognizes local authorities and civil society as key players in its two pillars. In addition, the 2014 European Commission Communication "The urban dimension of EU policies – key features of an EU Urban Agenda⁷ " underlines the essential role that local authorities can play in delivering

on policy objectives set at other levels of governance. The importance of local authorities has been reconfirmed in the conclusions of the Brussels Eastern Partnership Summit in 2017 “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.” 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".

The duration of the proposed action is 48 months.

1.1.1 Relevance to the particular needs and constraints of the region

Countries of the Eastern Partnerships are emerging economies. Large segments of the populations and many provinces and regions have remained stagnant, while others have prospered. The uneven prosperity makes vulnerability of parts of the population a key challenge. Difficult geographical characteristics, relatively small size of the economies, lack of diversification, and demographic challenges associated with emigration and low fertility rates combined with exposure to macroeconomic risks in the external environment, create a complex development picture.

The transformation of overall growth into welfare improvements is not occurring in a balanced manner across households and regions. The region is characterized by high informality and uneven access to good jobs. Inequality in access to good jobs is often a function of gender or political affiliation, despite educational attainments. Poverty rates measured by the US\$5.50-a-day poverty line remain high, at 43.5 percent, 28.0 percent, and 45.5 percent in Armenia, Azerbaijan, and Georgia, respectively. Inequality of opportunities in the South Caucasus prevents the efficient and fair allocation of resources in labor markets and influences the dissatisfaction and out-migration.

In the pre-COVID era, the rapid urbanization trend of primary cities was matched with a rapid depopulation trend of mono-towns. Small and mid-towns were challenged to meet the needs of an aging population, unprofitable enterprises and industries, failure to attract skilled labor or have a dynamic business environment. These divergent trends, increased concentration of a few urban centers and depopulation in other parts, place similar pressures on the local authorities - having to adapt and become more resilient, make urban areas more livable, accessible, sustainable and engage in longer term planning. The COVID era is challenging these trends: exposure to pollution, high density and limited access to green spaces, all primary features of growing primary cities, have surfaced as distinct vulnerabilities during the pandemic and are ushering a new era for smaller towns/secondary cities.

Eastern Partnership countries exemplify the migratory and “smart” trends: In Ukraine, Moldova and Belarus, the World Bank estimates that between 70 and 80 percent of rural cities are facing population decline, while concentrated urban centers are experiencing unprecedented growth that often outpaces the rate at which municipal infrastructure and services can keep up. Armenia, Georgia & Ukraine have been at the forefront of open government efforts and digitization of public

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service delivery, creating conditions for a more enabling environment for the private sector – often in collaboration between UNDP and EU. Unresolved conflicts, issues related to high informality, low fertility rates and high levels of household inequality shape the urban sphere. The EaP countries are in a transitional period of decentralisation and approximation to the standards of the social market economy.

In recent years, efforts for decentralization and modernizing public administration have pushed central governments in Eastern Partnership countries to increasingly devolve responsibilities to local authorities 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, decentralization 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. Decentralization policies and approaches differ markedly according to context, and the program will need to be flexible in response—seizing opportunities to “leapfrog” to investments where the legal framework, capacity and development plans are already in place.

The process of policy formulation on cohesion and territorial development is still highly centralized and vertically organized in many EaP countries while overall capacities of local authorities 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, local authorities are increasingly taking their own initiatives when defining 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 decentralization are a bottleneck in the implementation of local projects: local authorities 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, adaptive and predictable. All in all, the state budget for support to local authorities 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 local authorities for preparing and funding necessary technical documentation, tendering, monitoring infrastructural investments, represents a major obstacle for their development and maintenance. Therefore, these needs have to be addressed as a priority in order to prevent and tackle regional imbalances and contribute to a successful decentralization.

There is also a notable positive development in the regions with regard to sustainable financing mechanisms and growing interest among cities and communities to utilize new (for the region) financing mechanisms that are built on environmental, social and governance principles. For instance, in the Parliament of Ukraine recently adopted comprehensive legislation on green financing mechanisms (green bonds, etc.) and in the coming years, it is expected to see a significant increase in the number of applications of such mechanisms. Hence, the suggested project, in particular concerning its plan to prepare investment ready projects for cities is highly relevant for the agenda in Ukraine. Going forward, the ability to create new formats of economic cooperation between local authorities, SMEs and NGOs is key. At the same time, secondary and tertiary cities, have not seen major urban infrastructure investments for decades, suffer from

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fraught service delivery and limited capabilities to deliver on citizen demands. The tension between citizen needs for public services and opportunities, and ability of governments to provide has in the past led to civil unrest in Armenia, Azerbaijan, Moldova and, to some dissatisfaction in Georgia. The complexity of development challenges, the high velocity of change as a result of the crisis and rapid digitalization of the region, mean that traditional development methods do not suffice.

To ease these tensions, there is interest amongst local authorities to explore a new generation of “smart,” diverse, responsive, and inclusive approaches that address common challenges faced from these demands. The interconnected nature of urban development issues requires catalyzing systemic change through innovation and moving beyond single point solutions, into a set of interconnected options. In this process, innovation - doing things more effectively and efficiently - is no longer a purpose in itself but a way of unpacking complexity (open inquiry) and implementation. This becomes essential in the age of COVID – where the capability to deal with uncertainty and shock is thin at the local government level, and there is a distinct need to support local authorities to vision and develop strategies for a better, greener and smarter recovery in line with the SDGs.

UNDP is well placed to deliver on local development for Eastern Partnership, having supported local governments across the region to provide mechanisms for accountable governance (including corruption risks’ assessments, municipal integrity plans, open budgets, civic engagement and improved service delivery at the local level²), economic development, environmental sustainability, confidence building in places with frozen conflicts, health and livelihood development. UNDP’s work at the local level is key in supporting governments in the region to meet the goals of the 2030 Agenda and advance SDGs by localizing them within the complex organism of cities, as well as leverage UNDP’s existing resources on smart cities and urban transformation. In EaP countries, UNDP’s European Union (EU) portfolio is around EUR100 million, whereas in Moldova alone, a regional transformation program funded by the EU is EUR27 million. In Armenia and Georgia, EU and UNDP partner in applying the EU LEADER approach in a range of contexts, including small urban settlements and conflict-affected communities. UNDP also has strong experience in engaging with grassroots in urban development, for instance UNDP Ukraine Accelerator Lab has developed and piloted a Community Safari methodology through which local teams identify practical small scale nature based solutions aimed to mitigate climate change challenges and support socio-economic development of communities. In addition, with funding from the Global Environmental Facility (GEF) and Global Climate Fund (GCF), UNDP is implementing projects in all EaP countries aimed at making cities greener, more resilient to disasters, supporting environmentally friendly urban planning, and sustainable energy solutions.

At the regional level, within the framework of the Transformative Governance and Finance Facility, funded by the Slovak Ministry of Finance, and the Global Innovation Facility - UNDP has been testing new approaches - including utilizing new data, applying innovative financing methods, and engaging in service design - in addressing development challenges at the local level. Building on these experiences, in 2019, UNDP established the City Experiment Fund - which engaged with

² UNDP’s Ukraine Integrity City project, as well as UNDP Georgia’s Fostering Regional and Local Development and Good Governance at the Local Level

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local government leadership, developed capacities of local governments to use system thinking in addressing urban issues, generated partnerships with the private sector & infused small-scale financing to drive experimentation at the local level to create shifts in mobility, air pollution & public spaces (e.g. in Armenia); as well as developed the Solar Cities network - bringing together EU and countries in the Europe and Central Asia region in using innovative finance to spearhead transition to solar.

UNDP's past experience and achievements of community-based work at regional level, including a network of presences in different regions, provide a solid base and a steppingstone for a large-scale programming initiative across the country. In Ukraine, UNDP/EU "Community-based approach to local development" programme achieved a significant impact, reaching out to thousands of rural and urban communities with over 4,000 micro-projects and to over 7 million beneficiaries, applying effective community mobilization methods. However, even with the impressive achievements, the needs continue to be much greater and the SDG agenda and the ongoing decentralization process offer an opportunity to revamp and expand the previous work with novel additionalities. The continued presence of UNDP with 24 regional centers and experienced staff represents a significant asset to be capitalized. The established country-wide partnership network with local authorities, academia, civil society and the secondary and treaties cities (urban component) make UNDP the best positioned to implement the proposed activities.

In the framework of the SIDA project "Empowered partnership for sustainable development" UNDP Ukraine has piloted the innovative approaches to the local sustainable issues such as the challenge-driven partnership and co-investing from the private sector and government financing. With the support from the Swiss, Austrian³ and Danish⁴ Governments UNDP Georgia is applying systemic approach to local development and promoting decentralization and good governance committed to the notion of leaving no one behind. With the UNDP Georgia support two important national strategies have been adopted by the Government of Georgia in 2019: Strategy for Development of High Mountain Settlements of Georgia 2019-23 and Decentralization Strategy 2020-25, which created policy framework for further empowerment and development of municipalities, cities, towns and rural settlements. In addition, UNDP builds capacities of local authorities through providing needs-based trainings aimed at improvement of delivery of municipal services and creating enabling for LED environment, piloting Local Economic Development (LED) Capacity Building Model for Local Self-Governments, capacity building of LED focal points to develop municipal investment profiles and attract investments. Through partnership with local civil society organizations UNDP Georgia is activating citizen engagement mechanisms defined by the Local Self-Governance Code are effectively put in place. To contribute to creation of the policy planning framework at the local level UNDP Georgia developed manual for Municipal mid-term Development Documents (MDD) in cooperation with the Ministry of Regional Development and Infrastructure (MRDI) and Administration of Government and helped 38 municipalities to update the MDDs with focus on Local Economic Development. To reinforce implementation of the MDDs and set forth development priorities, UNDP launched two funding schemes – for LAs and CSOs. Through both schemes 18 LED initiatives have been

³ [Fostering Regional and Local Development in Georgia – phase 2](#)

⁴ [Fostering Decentralization and Good Governance at the Local Level](#)

supported by October 2020 creating various cases of supporting entrepreneurs, tourism, traditional crafts bringing together and empowering local public-civil-private actors for the benefit of people.

1.1.2 Synergy with other Development Initiatives

In addition to the EU led initiatives identified in the Action Document, synergies can be built with a diverse set of actors who have stakes in the region. A regular and periodic process of portfolio sensemaking (portfolio acceleration) will engage partners to strengthen coherence of actions, build upon activities and interventions that already exist in the local authorities and avoid duplication of efforts.

GIZ is supporting development of frameworks and mechanisms to strengthen public service delivery, decentralization & local development, where the proposed action could build on. This is possible in regional projects on [public administration reform](#), [public finance management](#) & [good governance & local development](#) (Georgia⁵, Armenia, Azerbaijan), as well as at country level on [local public service delivery \(Moldova, Ukraine\)](#), [urban development \(Ukraine\)](#), [rehabilitation of Lviv](#) (Ukraine), [support to decentralization](#) (Ukraine). Similarly, The proposed action is designed to leverage IFI investment opportunities: a collaboration with EBRD would provide support to local private sectors & connecting to new markets. The Asian Development Bank has a strengthened interest in supporting the urban agenda in the region, where a well designed portfolio would enable it to distribute risk.

UNDP has a strong relationship with a network of partners that are committed to strategic innovation & transformation, including but not limited to: [Future of Cities SEE initiative & Clean, Healthy Cities ran by Climate KIC](#), CHORA Foundation, Dark Matter Lab, ALC, UCL Bartlett School of Architecture, Vinnova - Swedish Innovation Agency, Finnish Innovation Fund - SITRA, European Space Agency, German Aerospace Center, among others. In addition, through the years of experimentation - UNDP has grown a network of partners that work on applying innovative processes, innovative finance and innovative technologies to development challenges. UNDP's team in Istanbul has strong capabilities on innovative finance, strategic innovation, innovative data usage and engagement with ecosystems of diverse actors, areas that are key to the successful implementation of the M4EG programme. UNDP COs in the EaP countries have strong local programming, which would enable efficient and effective cooperation with local authorities and local government associations.

1.2 Target groups and final beneficiaries, their needs and constraints, and state how the action will address these needs and improve their situation

The key target groups and stakeholders of the action include the regional and local authorities, local authority associations, local NGOs and private sector at the local level.

⁵ Along with GIZ other bilateral partners are supporting Georgia on those topics (Austria, Switzerland, Denmark, Czech Republic)

The objectives of the proposed action coincide with the needs and goals expressed in the European Neighbourhood Policy, the Eastern Partnership 20 deliverables by 2020, and the March 2020 Joint Communication on Eastern Partnership Policy Beyond 2020.

In the majority of the countries in Eastern Partnership, **regional and local authorities** are responsible for the support of local economic and social development, and implementation of regional development programmes.

Regional and local authorities have limited human resources to contribute to the local development. There is a need to enhance capacities of local authorities to contribute to economic transformation, with heightened pressures as a result of the pandemic. Regional and local authorities have limited experience, technical and managerial capacities to deal with the long term impact of the crisis, as well as engage in policy and political dialogue, and tap into investment opportunities (both public and private). This action will hone in at the local level and ensure the strengthening of technical and management capacities of local authorities for quality strategic planning, management & fostering economic development.

The action will address the needs of local authorities and improve situation through development of targeted action frameworks for their leadership and participation in development of portfolios, capacity building of respective managers and specialists and creating partnership models with the private sector, IFIs, NGOs and others locally and nationwide.

Local civil society sectors— civil society in the region is very much dependent on the funds of donor organisations and therefore their activities are concentrated on donor priorities. They have no or limited financial support from local authorities or private sector, with some support provided in Azerbaijan and Belarus by national governments. UNDP's research on civil society in Western Balkans and Eastern Partnership, demonstrates that most countries are witnessing the rise of what scholars are calling a "second generation of civil society". Unlike the previous generation of donor-funded NGO-s, these new actors are not structured around formal organizations and operate more along the lines of decentralized issue-based social movements, therefore their needs also differ substantively from traditional NGOs. Majority of civil society actors face challenges with a shrinking civic space, limited managerial and technical capacities and a shrinking donor base. The pandemic has exacerbated these risks.

The action will address the needs of local civic actors and improve situation through increasing their participation in design of action and in implementing some of the options designed in portfolios, in particular with regards to youth engagement, innovation & new approaches to urban planning. The action will support their capacity building and strengthening and supporting their participation in network schemes.

Local private sector - the private sector in the region is heavily dependent on informal work & SMEs. The ongoing pandemic has had a severe impact on the viability of the sector: UNDP's socio-economic impact analysis in Ukraine, for example, found that over 70% of businesses have enough liquidity only for 1 month. The ADB has already halved its growth projections for the

region. Beyond liquidity and recovery, the needs of the private sector are to also transform their business models into greener models & have stronger technical capacities to access diverse sources of finance.

The action will address the needs of the private sector by creating joint spaces for new actions in the city (i.e. [City MindLab in Sarajevo](#) brings together a multistakeholder group to design local interventions), as well as through regular interaction and learning. Private sector capacities will be built to take advantage of different investment opportunities (public sector, IFIs). On the other hand, this initiative seeks to also mobilize private sector funding for transformation - the portfolio approach will provide opportunities for private sector companies that are interested in generating a social impact, to do so. UNDP also supports social entrepreneurship through Social Impact Award in Georgia.

2. Approach and methodology

2.1 Design approach

This programme assumes innovation to be at the heart of it, but deployed strategically and designed to infuse transformation in the secondary cities in Eastern Partnership countries. Through a process of engagement, it seeks to build stronger capacities of local governments in the region to deploy innovation for the purpose of strengthening resilience & renewal.

In line with the Action Document, this phase builds on the first phase of the Mayors for Economic Growth, its lessons learned and will reflect findings from the upcoming evaluation. The program will collaborate closely with the Covenant of Mayors, focus on secondary cities and enable implementation of LEDPs. The proposed action will do so by taking a two-pronged approach:

- **Broad:** Strengthening the capacities of local governments in designing for & financing regional development, and strengthening the learning network (exchange of best practices) through engaging the existing networks of the M4EG program of about 400 local authorities;
- **Deep:** Creating demonstration interventions in the EaP region in 12 secondary cities through the development of portfolio briefs (ready for activation) & supporting local authorities in attracting diverse investment for local development.

A more systemic approach to understanding and addressing sustainable recovery will make a **stronger investment case** for diverse sources of financing. The high uncertainty of the current crisis and its effects coupled with the pressures felt by local government, call for distribution of risk through the application of portfolio logic. UNDP is already applying portfolio investment logic and methodology in its work: addressing depopulation in Serbia, rethinking post-tourism economies in Thailand, accelerating governance portfolio in Malawi, and supporting seven

countries around the world in the development of portfolios to address issues as diverse as future of work and COVID-19 recovery.

All portfolios (Deep) will ensure that the options are by design systemic - affecting the way of working in the administration, enhancing collaboration, have a positive impact on public space & embrace technological implications. The program's primary focus is on secondary cities, with seed investments in 12 local authorities in connected portfolios of approximately 36 connected initiatives or more, depending on the local context, across EaP region, and at least 14 small projects supported across different local authorities in the region, supported through the Annual Innovation Projects. The proposed action will support local authorities in the region to design and implement portfolios of interventions (solutions options) which will be connected (i.e. making sure that they address multiple system levers and are coherent as a set of actions), cross-sectoral (i.e. cutting across governance, economy and environment) and dynamic (i.e. generating learning every three months, and using those insights to drive future investments, engage with broad ecosystems, & create new options). Applying this approach will enhance the capabilities of the local governments to design in a collaborative way bankable projects and understand more deeply the ecosystem, will improve the investability of local projects and leverage diverse sources of funding.

The proposed action will focus on three key aspects essential to designing transformative portfolios:

Listening: capturing the existing social perceptions on the most significant socio-economic challenges in order to inform the process of designing options/interventions in real time. This process is a necessary condition to link the portfolio with real time perceptions of different stakeholders and communities. For example, this can include tapping into overwhelming narratives that exist in society - like attitudes towards leaving small towns, pride in heritage, attitudes about existing governance systems & public services. This aspect captures in greater depth the complexity of the challenges to be addressed, and can provide insights for catalytic investments. The listening process will also entail diversifying the methodology to ensure that women's voices and narratives are heard, so that initiatives reflect these needs.

Systems Change & Diversity: green economic recovery will be achieved through applying a systems lens and strengthening capabilities for strategic management and planning, in local authorities. In particular, the action will by design approach issues from multiple relevant sectors (governance, environment & economy), support local ecosystems, and engage with a diversity of actors both in understanding emerging signals, and in leveraging other investments taking place in the same space (IFI investments, local private sector, etc).

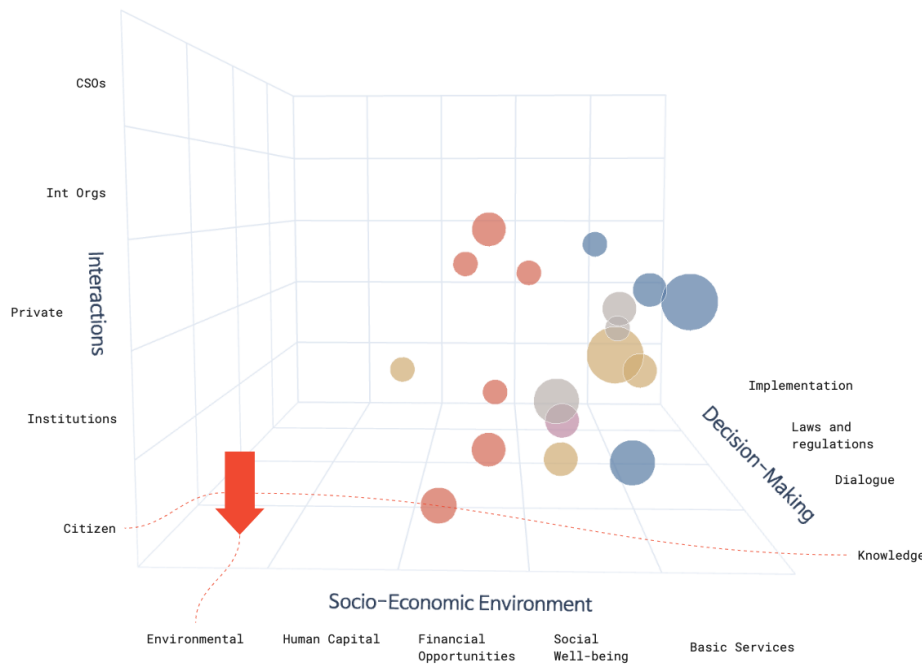


Figure 1: A visual representation of key aspects in addressing post COVID recovery. The bubbles in the center represent initiatives that already exist & their distribution across the portfolio.

Investments: a set of interventions connected to address systemic

nature of challenges in local authorities with distributed risk across the portfolios, building on existing initiatives & highly contextualized will attract other investments - in particular those of IFIs & development agencies, which will increase their support in the post-pandemic period. Planned activities will address two main bottlenecks in mobilizing green and climate finance on the local level: low creditworthiness and the lack of technical capacities.

These aspects are also in response to the joint communication through the PLATFORMA initiative, which states that the EU [“does not sufficiently and clearly refer to the role of local and regional governments and their associations in promoting good governance, local democracy and the rule of law through decentralisation processes”](#).

The proposed action responds to the key challenges identified in the Action Document, across all the stakeholders - building capabilities for strategic management and planning, building mechanisms for multi-stakeholder collaboration, enhanced use of existing resources to attract investments, development of financial literacy, unpacking of the legal constraints to borrow, supporting businesses in the development of capacities for business plans & deploying tools and building capabilities for the development of new ideas, and connecting to markets.

2.2. Methodology

The proposed methodology for the second phase is the one developed for the M4EG Phase I, with limited changes so as to support a transition to more systematic and integrated approaches to development and to build on the lessons learned of the first phase (table below).

Table 1. Lessons learned from Mayors for Economic Growth, Phase I

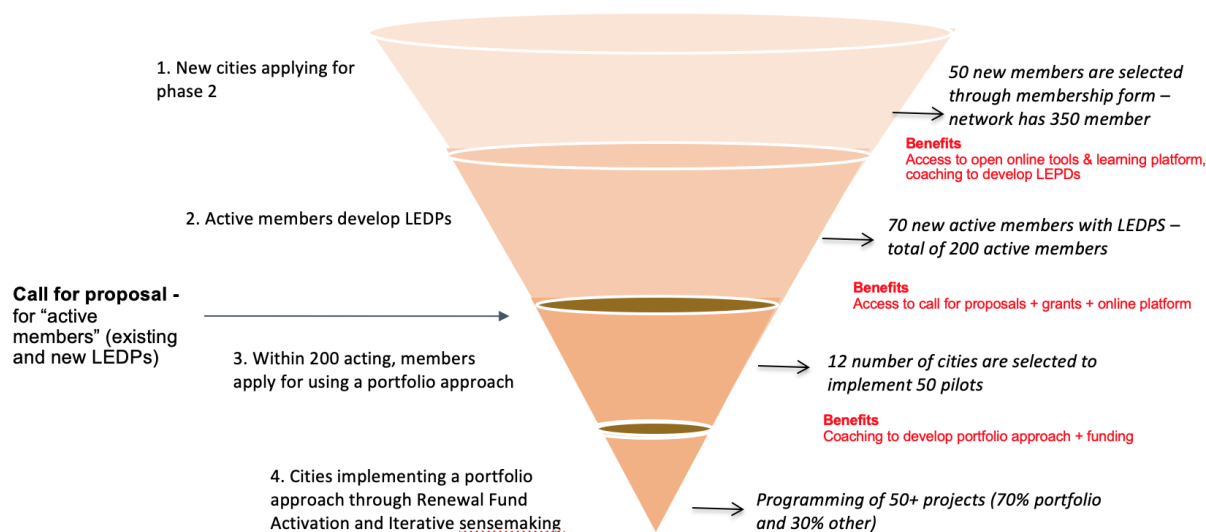
<p>Mayors for Economic Growth, Phase II will build on the lessons learned from phase1 – on the basis of the ongoing evaluation and the Result Oriented Monitoring report.</p> <p>Major lessons learned so far:</p> <ul style="list-style-type: none"> • The initiative is relevant as it empowers local authorities 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. • There is an interest in strengthening the financial support (only 16 pilot projects could be supported for the 250 local authorities). • The size of the grants was at times considered to be too large to respond to “quick fix” or allow the development of community-based initiatives. • It is very important yet difficult to build trust and cooperation within the government (between ministries) and between the government and the private sector – it is imperative to strengthen the support and coaching to the actors so that they can discuss and cooperate (building trust takes time). • The quality of LEDPs is of utmost importance as the actions could be implemented effectively – it is therefore important to make sure that the LEDP and action plan are of high quality and to assess their feasibility. Therefore, local authorities should be coached throughout the process of developing LEDPs and implementing them. • Knowledge exchange is very important for mayors within one region and between regions to be able to get inspired and adopt/adapt good practices.

The project will take a two-pronged approach, enabling local authorities to benefit from a diversity of tools, networking and learning opportunities. Below is an outline of the type of support and access that local authorities will be able to access and benefit from the following:

- 1. Signing a membership form (displaying intent) (350+ local authorities):**
 - a. Access public content on the platform, learnings,
 - b. Access to the online module for the development of an LEDP & related resources.
- 2. Active members (having an active LEDP) (200+ local authorities):**
 - a. Invite to the Annual M4EG forum,
 - b. Access to the courses & materials on the Urban Learning Center,
 - c. Eligible to apply for the CFP for the portfolio approach;
 - d. Eligible for participating in twinning opportunities;
 - e. Eligible for the Renewal Fund General Call (30% of the total funding scheme).
- 3. LEDP implementation/Portfolio approach:**
 - a. Selection of local authorities based on a call for proposal (eligibility criteria below),
 - b. Access to coaching, online learning and other learning opportunities within the Urban Learning Center,
 - c. (learning by doing) Application of system thinking/portfolio approach & collaborative methods in design of interventions/projects/options,
 - d. Portfolio activation (launch of local level Annual Portfolio Call based on the options design) at the local authority level (70% of the total funding scheme),

- e. Quarterly sensemaking/learning workshops at the municipal level & semi-annual regional learning with all local authorities that are a part of the portfolio approach and benefiting from the funding scheme.

A visualization of the approach can be found below.



The process envisaged for phase 2 should include the 6 stages already identified in the M4EG concept note - from sign up to delivery and results.

DRAFT – Local Authority Selection
<p>Rationale for selection of local authorities</p> <p>Mayors for Economic Growth, Phase II, aims to support local authorities in the EaP region to become active facilitators for sustainable economic growth and job creation. The new phase also aims to develop and implement an innovative approach (the portfolio approach) for local authorities to unpack their needs and solve complex problems by collaborating with different stakeholders, experimenting and testing different solutions.</p> <p>Therefore, the objective to select a small number of local authorities within the cohort of the network is to be build on the LEDPs and implement the UNDP innovative approach (listening, sense-making etc) so as to develop +50 projects and achieve concrete results in terms of solving complex problems and generating development results.</p> <p>Eligibility Criteria</p> <ul style="list-style-type: none"> • Local authorities must be located in one of the countries participating in the M4EG initiatives; • Local authorities must have LEDPs (or, if appropriate, equivalent) already developed; • Demonstration of strategic and system thinking as measured by evidence of previous workplan and programs;

- Demonstration of clear commitment to test a new approach and an open mindset to do innovation as measured by the level of interest and time allocated for such a project;
- Appropriate capacity to do innovation as measured by evidence of technical capacity to implement previous projects and to achieve concrete results;
- Demonstration of collaborative work – i.e. proof of group-work, task force established with citizens and private sector, etc;
- Evidence of a positive impact in a previous urban development project is considered an asset;
- Some experience on innovation or design thinking could be considered an asset

Evaluation process and evaluation criteria

Local authorities participating in the call for proposal will be required to write a proposal, which will be assessed by a committee including EU and UNDP.

The evaluation process as well as the evaluation criteria will be further defined in the project inception document, in collaboration with EUD and UNDP COs.

The first 4 stages include the signing up of the membership form and the preparation and assessment of the LEDPs. In this sense, the major milestones are:

- The signature of the membership form;
- The development of the LEDPs.

On the basis of the lessons learned of the first phase, a proposed addition and added value would be to add another stage - 4.1 - where a selected number of local authorities would engage in a 3-step reflection (Listening - Sense-Making - Co-Creation⁶) to activate the LEDPs into Portfolios.

The major milestone will be:

- The development of a portfolio.

The stages 5 and 6 involve the implementation of the portfolio approach through testing, experimentation and implementation of +50 pilot projects.

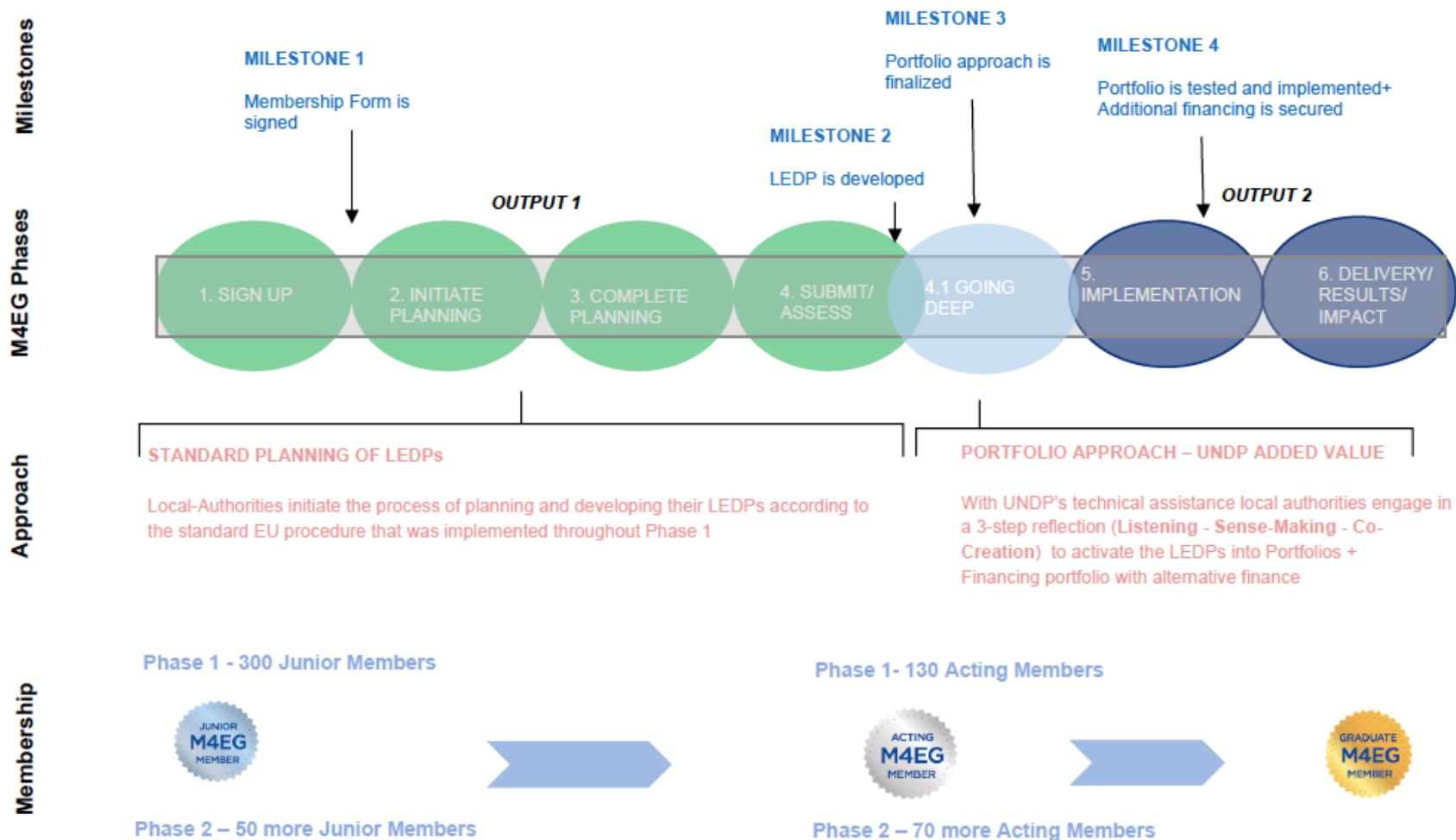
In this case the major milestone will be:

- The implementation of the portfolio.

This process is visualized in the figure below.

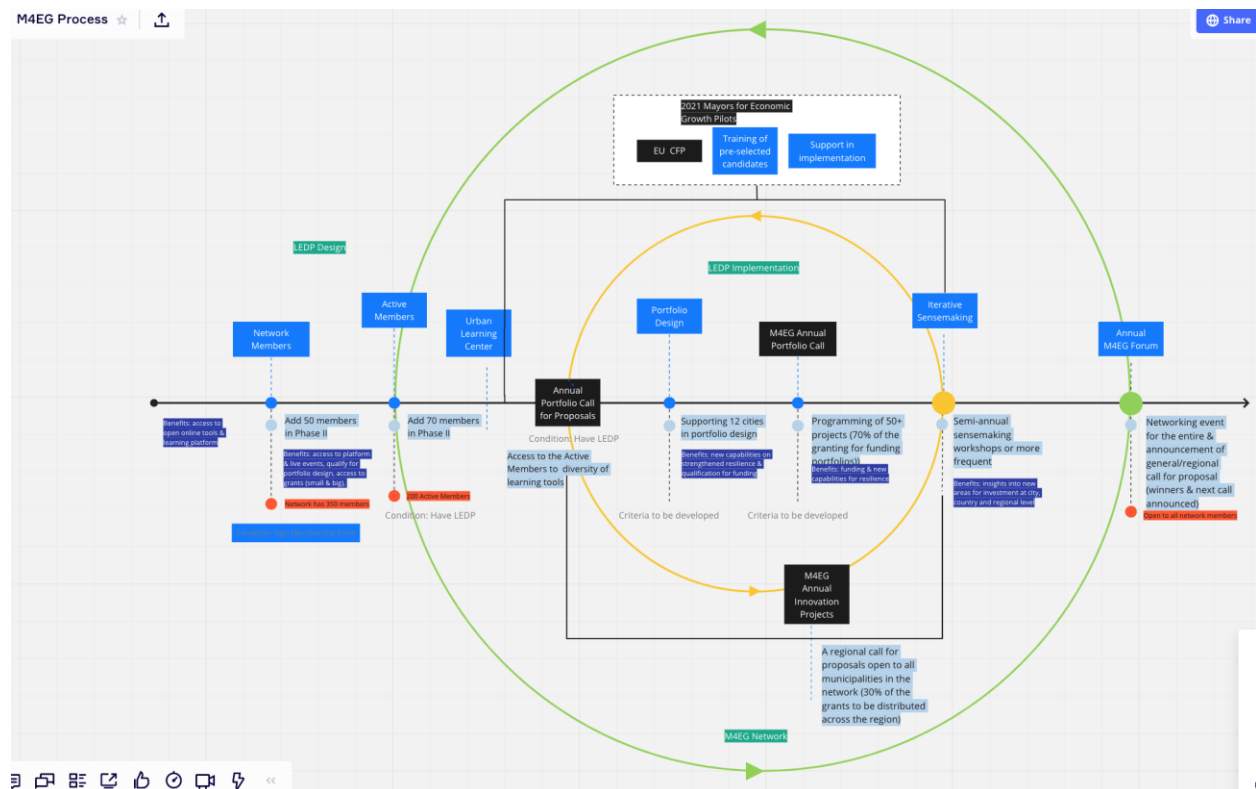
⁶ In this regard, the UNDP Accelerator Labs could provide some solid support

Table. Mayors for Economic Growth, Phase II, Process



As mentioned above, the process will also involve a selection of local authorities (at least 12) on the basis of a set of criteria so as to identify the ones that could be further coached through the implementation of the portfolio (figure below).

Figure. Selection of local authorities during the M4EG II process (available also on [this link](#))



2.1 Detailed description of the action

Project objective

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 Plans (LEDPs) in line with the principles of good governance and sound financial management.

The **specific objectives** are to:

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

The main objective of the initiative is therefore achieved through 2 components/outputs:

Output 1: EaP local authorities are supported in their participation to the M4EG initiative;

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

Output 1: EaP local authorities are adequately supported in their participation to the Mayors for Economic Growth, Phase II, initiative.

The first output serves to support local authorities to effectively participate in the Mayors for Economic Growth, Phase II, through technical assistance, knowledge exchange as well as to provide support to prepare LEDPs (and implement them under Output 2).⁷

This output is comprised of the following activities:

1.1 *Technical assistance to local authorities*: Provide quality assurance, support and training to “Members” as in local authorities, associations and networks and other potential stakeholders for the preparation (and implementation⁸ 1.3) of LEDPs or other similar economic development actions at city level, taking into account a gender perspective and the overall inclusivity agenda, environmental dimensions, the role of new technology, as well as the changing behavior patterns post-COVID, ensuring ownership and sustainability after the end of the project (i.e. train the trainers).

More specifically, UNDP will:

- Support the EU in the development of guidelines for the direct management of large scale grants & in the engagement of external bodies for evaluation of the grant proposals;
 - Provision of training to the pre-selected local authorities for the preparation of the full application;
 - Support implementation of the projects through ad-hoc technical assistance.
- Select a minimum of 50 other local authorities that will become “members” by signing the membership form and going through an online process for developing LEDPs;
- Based on the evaluation and lessons learned, review and if needed, adapt the methodology for LEDPs;
- Building on existing LEDPs, support a subset of local authorities who have active LEDPs in their implementation, through the application of the portfolio approach. This will entail developing portfolios of interventions that are interconnected, cross-sectoral, inclusive, designed in a collaborative way, with the intention to attracting diverse investments. This will be done by:
 - Establishing partnerships with the local governments, designing the program of work with the local government & training the teams on how to implement systemic approaches (deep listening, sensemaking, co-creation and prototyping).

⁷ LEDPs will be rooted in national legislation and policies to support relevant ministries and other partners in defining a standardized local development plan.

⁸ Support through portfolio development in Activity 1.1. and with seeding investments in Activity 1.3 in the action document

- Design a brief on how to implement a participatory, inclusive design process that explores the narratives and experiences of different groups of people, paying particular attention to specific vulnerabilities and to the needs of minorities.
- Developing new tools to capture social perceptions in real time to connect this information to the process of designing options/interventions. Deploying the tool in 12 local authorities. Creating an understanding of underlying narratives in society, including those in the private sector, verbal and non-verbal that are affecting the impact of current interventions.
- Preparing a visual representation of the system, seeking to affect (i.e. well-being, and its dimensions, key stakeholders and their relationships & their activities in those spaces). Applying UNDP's portfolio acceleration protocol to generate intelligence and insights from the activities already taking place in the city, relevant to the prioritized issue area & identification of spaces for designing new options. Periodical joint sensemaking bringing together all local authorities engaged in portfolio development to exchange lessons learned & strengthen coherence across the regional portfolio

1.2 Generation of portfolios, created collaboratively – bringing together local authorities, unusual suspects (grassroots organizations, youth-led groups, civic entrepreneurs/activists), relevant private sector (small businesses, relevant investors, entrepreneurs, diaspora investors) and civil society organizations to identify system levers and the strategic positions where options can be designed, engage in a process of reconnaissance to actively scan the horizon for actions taking place in the city, and design options/interventions which over time will enable transformation. The portfolios for local transformation will need to support community innovation, economy & entrepreneurship, development of public private partnerships or utilization of other types of finance, rethinking how services are provided and influencing regulation (anticipatory governance). The outcome of this process will be investable options, which can also serve to engage other partners.

1.2 Support the members to exchange knowledge and good practices: Building on the existing website and network, develop a knowledge and resource sharing platform (online and offline), that enables exchange of experiences & learning between the different stakeholders, which will reinforce the communities and ties of the Mayors for Economic Growth network. In the proposed action this will be done through the following activities:

- An annual gathering of the network focused on emerging practices and inspiring action, co-hosted by EU & UNDP,
- Develop the Urban Learning Center and an associated offering:
 - Provision of hands-on training on innovative methods (deep listening, leadership, sensemaking, strategic planning and foresight,)
 - Design learning programmes on mainstreaming the gender dimension in urban planning & gender-responsive budgeting,
 - Incubation of ideas & sharing experiences from successful cases of transformation (Basque region, Scotland, etc.),
 - Regular online exchanges between local authorities - facilitating one-to-one conversations, creating fluid groups at the local level for online engagement to support change,
 - Promote the equal participation and representation of women in the conversations taking place on the platform.

- Publication of knowledge products and codification of experience (workbooks, protocols, guidebooks) generated to enable replication of processes, while ensuring a gender perspective in the process.

1.3 *Provide strategic communication within the network:* In line with activity 1.2, strategically communicate on the initiative, its process, and results. A detailed visibility and outreach plan will be developed, reflecting the following principles:

- Visibility of the initiative & local authorities internally to the regional level governments (where applicable) and line ministries,
- Visibility of the initiative in European networks & relevant spaces (i.e. international conferences),
- Creating and communicating the connection between similar initiatives in the EU (Basque Transformation, VINNOVA – Swedish Innovation Agency, Finnish SITRA),
- Updating and upgrading the existing website into a fully functional platform that houses online learning, enables communication and knowledge exchange between the local authorities and other constituencies, and actively shares lessons learned.

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

This output will ensure that local authorities have active and dynamically managed portfolios. The portfolios will be designed as an implementing arm of the LEDPs. Output 2 will build on the technical assistance provided under Output 1 for the implementation of LEDPs in complex systems and enabling transformation at the local level in line with the green agenda. This output will support investment, dynamic management and generation of insights from the projects. The portfolio approach will be implemented through the funding schemes and through the iterative Listening - Sense-Making - Co-Creation process: 70% of the funds will be channeled to a subset of local authorities to ensure scale and demonstrate impact of the approach, while the remaining 30% will be available for small scale investments across the region.

This output is comprised of the following activities:

2.1.1 *Fund Criteria Development:* a regionally managed fund will be generated to support seeding the portfolio, linking its disbursement to performance rather than delivery, designing in this process the learning mechanism, strategy for disbursement and the criteria for disbursement. The fund will be used to de-risk investments in the short run and enable attracting other financing. These guidelines will be created during the inception phase, including initial priority areas & setting up the process for application (in line with UNDP rules and procedures). UNDP will:

- Define the process to select local authorities, including detailed guidelines for financing of portfolios and selection criteria, and including NEAR c1 in the process;

- In consultation with NEAR C1, design a disbursement mechanism that is based on learning and performance of the portfolio.
- Run an annual Mayors for Economic Growth Innovation Projects call open to all local authorities that are a part of the Mayors for Economic Growth, Phase II network.

2.1.2 *Activating the Portfolio*: in connection to the portfolio design activity and the fund development, design and test (under a research-action logic) innovative solutions identified and prioritized in the co-creation stage. In this sense, it requires iterative processes of adjustment and adaptation of the initiatives to the realities of the local context almost "in real time". The result of this process will be a portfolio description, a management tool to invest in key leverage points, selected ideas will be designed jointly with experts and multi-stakeholder groups. Considering that the initiatives are implemented in specific territorial contexts, once their viability has been checked through monitoring and evaluation processes, the initiatives can be extended at the level of the territory, or to a certain sector, or they can be replicated or scaled up in other contexts and realities, through other opportunities. Decisions on which initiatives/options to scale up or out will be made through iterative sensemaking and performance measurement at the country level, and engagement with other partners. To deliver on this, UNDP will:

- Develop a portfolio description and identify key leverage points in the system (areas of interest) where initiatives (solution options) will be designed;
- Launch **unique calls for proposals for 12** (4 per year) (called: Mayors for Economic Growth Annual Portfolio Call) at the local authorities level to implement options/initiatives in the design of portfolio corresponding to areas of interests:
 - Address gender dimensions in the calls for proposals – a) include gender equality data and gender analysis in the description of the project proposals; b) request participating organizations to provide a gender analysis & provide a briefing on gender; c) monitoring the work.
- Finalize selection of initiatives at the local authorities' level in response to the call for proposals, ensuring portfolio coherence and requiring funding initiatives to participate in regular sensemaking;
- Conduct quarterly sensemaking (learning workshops) with the beneficiary organizations & other relevant stakeholders at the local level.
- Conduct semi-annual regional sensemaking (learning workshops) with local authorities and other stakeholders
- Feed the findings/learning stemming from the sensemaking workshops into the calls of each year.

2.1.3 *Investment insights*: the active management of the portfolio (making sense of what is happening, generation of learning, investments & engagement with the ecosystem) – will produce insights on the strategic direction for the local authorities how to recover smarter and greener, and renew. Practically, this will enable private sector and IFIs to invest more securely, while also building the capabilities of local governments to engage with private finance.

- Creation of quarterly briefings on city, national and regional insights & providing strategic direction for future investments.

3. The organizational structure and the team proposed for the implementation of the action

Regional Project Steering Committee and National Steering Mechanism. The action will be implemented under the Direct Implementation Modality (DIM) from the regional level with full UNDP Country Office support. The Action activities will be steered by the Regional Project Steering Committee per UNDP procedures and requirements:

- UNDP IRH & COs and the European Union, DG NEAR and EU Delegations, will assume the role of the Senior Supplier and provide resources, skills and guidance to produce the project outputs.
- The Regional Project Steering Committee will be the decision-making body of the project, The Regional Project Steering Committee will be co-chaired by UNDP & EU DG NEAR.

Recognizing the emergent nature of the portfolio practice in development, it is important that the programme has a strong governance and learning mechanism. The programme will combine bottom up with a top down approach to learning. A non-binding, advisory **National Steering Mechanism** at the national level comprised of relevant local authorities, national associations of local authorities, external partners with expertise on system transformation, relevant line ministries will be set up.

This National Steering Mechanism will enable learning on transformation, and the process of designing and implementing portfolios, to be shared across the different partners at the country level continuously at least once a year.

This mechanism will seek to do two things:

- Engage in multistakeholder dialogue on the implementation of the project and provide advice on activities;
- Ensure that different levels of government and members of civil society are regularly informed and contribute to project implementation.

This steering mechanism will be supported by the country level teams and the regional project team. The role of the steering mechanism is to provide (non-binding) guidance and advice to the project, ensuring that its activities adhere to the highest standards, deploy cutting edge approaches, and are in line with the principles and practices, and that there is continuous consistency with country level activities.

Project Office

Staff. UNDP will establish a team of professional staff, capable in strategic innovation & portfolio design and management, who will be directly involved in the implementation, monitoring and evaluation of the Action. The staff time allocated to the implementation of the project will be fully recorded. The team will consist of the regional project unit based in the UNDP Istanbul Regional Hub and the staff supporting the project from UNDP Country Offices in the six partner countries. UNDP staff will provide insight generation, maintain relationships & ensure smooth delivery of the program. CSOs, international and national consultants will be recruited as required to provide expertise in the fields of strategic design, innovation and portfolios, and other areas of technical knowledge. The unit will create intelligence based on the insights from the portfolio, which will drive

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future investment & facilitate the work of the learning mechanism. UNDP staff members will perform the following functions for implementation of the Action:

Portfolio/Innovation Advisor (40%): provide technical advice on the overall direction of the program, with a particular focus on capability development in strategic innovation, portfolio activation & partnerships.

Project Manager (100%): provide administrative oversight and internal controls, coordination and supervision of institutional relations with concerned government institutions. The role of the project manager will be to coordinate the team, ensure that activities are taking place according to the activity plan and apply results based management, coordinate reporting from the country level and overall activities, as well as deliver on the regional activities – including knowledge exchange and learning, capability development, and portfolio design and activation.

Communication Expert (100%): lead the communication work for the project, manage the information on the platforms & ensure that visibility guidelines are respected. The Communication Expert will be responsible for implementing the Communication and Visibility Plan – ensuring proper visibility for project activities, updating online and offline communication mediums in a regular manner, and adapting the Communication and Visibility Plan to meet the needs of the countries.

Project Admin/Financial Assistant (100%): responsible for technical support in financial, contractual and organizational matters. The Project Admin/Financial Assistant will keep track of the overall budget and liaise with the country level support, support implementation of the project and support the project manager on a day to day basis, provide administrative support and liaise with the quality assurance at IRH, and facilitate knowledge sharing with the project related to policies and procedures.

Portfolio Design and Learning Team: contribute to the implementation of the project, in particular in connection to portfolio design, activation – launching of unique calls for proposals for at least 12 municipalities (called: Mayors for Economic Growth Annual Portfolio Call), and dynamic management, including generating periodical learning, as follows:

- **Strategic Designer (50%):** work on design of portfolios, managing relationships and preparing bankable projects for the local governments. The Strategic Designer will support local authorities and country level teams in designing the portfolios, support capability development on complexity and system thinking for local authorities and country level teams, support development of visual representations of systems, identifying strategic positions where options/initiatives will be placed, activating the portfolio, and iteratively reviewing the process behind portfolio development to reflect the latest learning.
- **Learning Analyst (50%):** be responsible for generating insights & learnings, and feed into the dynamic management of the portfolio. The Learning Analyst will work closely with the Strategic Designer and support the overall portfolio design, in addition he/she will be responsible for sensemaking sessions at the country and regional level, generation of investment insights and learnings at the country and regional level,
- **Monitoring and Evaluation Expert (30%):** be responsible to monitor the project by assessing progress against the qualitative and quantitative indicators outlined in the Project Results and Resources Framework, update the Results and Resources Framework,

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support the development of the project report and consolidating progress from the country level to the regional level.

CO Teams: project teams will be placed in each country office in the EaP countries. The role of the country level teams will be to engage on day to day with the local governments, support technical assistance, knowledge exchange, capacity development, national level consultations and dialogues, support the implementation of the portfolio approach, launch and provide support in the implementation of the country level CFPs (Mayors for Economic Growth Annual Portfolio Call) & country-level sensemaking. Overall, the role of the country teams will be to support the implementation of the project, related administrative tasks and ensure consistency and complementarity with other programming.

To support all project activities, this proposed action includes expenses related to office equipment, ICT, furniture, costs for vehicles and travel.

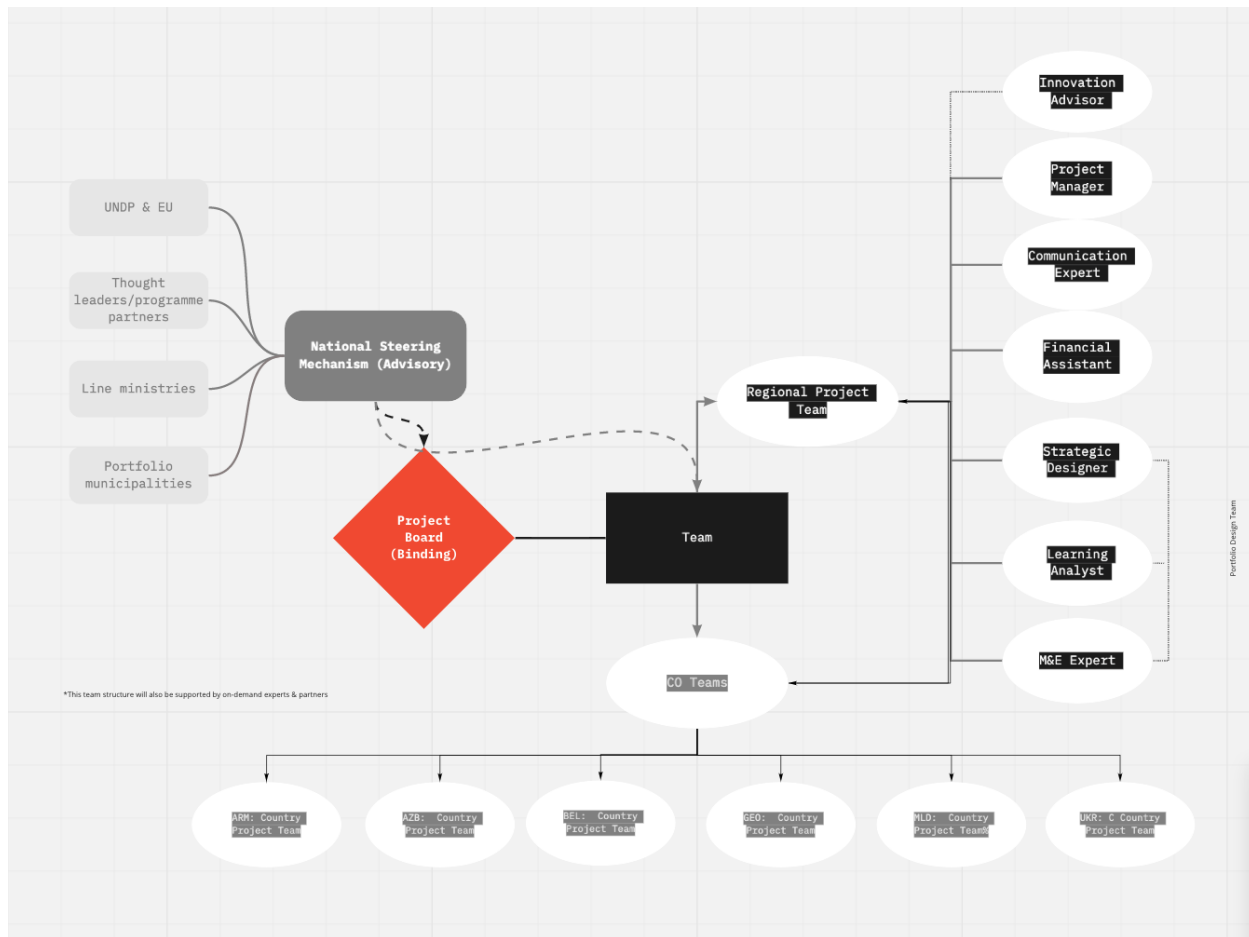
As the implementation of the Project requires the use of several project offices (the Istanbul-based Regional Project Coordination Office plus offices for teams based in Tbilisi, Chisinau, Minsk, Kiev, Yerevan and Baku) and equipment as relevant, the rental fees and capitalised and operating costs of these structures will accordingly be supported directly by the Project.

There will be no additional costs incurred for the office of the UNDP Innovation Advisor/Specialist for Europe and Central Asia (RBEC) in Istanbul. UNDP will also provide office space (and related operating costs) for the Innovation Advisor/Specialist, as well as meeting spaces and use of the conference room. However, the Project will be expected to cover costs for the organisation of any meetings of the Advisory Group and the Steering Committee that are organized in Brussels.

Specific categories of costs are envisaged for the functioning of the project offices, including inter alia:

- General expenses: To support all Project activities office rent and security costs, office furniture, equipment, software, maintenance, repair, utilities, IT support, heating, maintenance communication and internet services..
- Expenses for furniture and IT equipment: To implement the Project, costs will be incurred for setting up the offices, purchasing IT equipment, and purchasing of office supplies.

The proposed team structure can be found below or on this [link](#):



Progress review. Regional Project Steering Committee is the formal governance body of the project, which approves the activities in the project, reviews and clears annual workplans (AWP) and annual progress achieved by the project through Annual Project Reviews based on the approved AWP. The Regional Project Steering Committee will meet on a bi-annual basis (more often if required) and its decisions are binding. Prior to the meetings UNDP will duly submit brief mid-year actions updates on the previous period and the plan for the next one. The Regional Project Steering Committee will evaluate submitted documents and be in charge of approving plans and budgets. In addition, the Project Manager will report regularly on an informal basis to the EU to ensure that there is full transparency and effective liaison between the project team and Regional Project Steering Committee members and stakeholders.

Communication and Visibility

The information about the action activities will be permanently disseminated by the following activities: update of the dedicated project website, interviews for TV and radio channels, social media coverage, distributing press releases, meetings, workshops etc. The EU logos will be used throughout the project materials and publications that will acknowledge the EU support. The project will provide active inputs into the media visibility for specific events and campaigns. UNDP will apply the Joint Visibility Guidelines for EC-UN actions in the field to communicate on the project goals, objectives, outputs and results to the relevant partners and stakeholders seeking to facilitate the project implementation and encourage synergies, increase awareness about the benefits and advantages of the action, promote the EU and UN values, such as rule of law, transparency, openness, human rights, gender equality, inclusiveness, engagement, antidiscrimination, personal development and entrepreneurship. The Communication and Visibility Plan will provide detailed information on the visibility arrangements.

4. Appendices: Risks and Assumptions, Monitoring and Evaluation & Results Framework

The main risk associated with the project is eventual shifted interest of central and local authorities, caused by the COVID health, social and economic crisis, and thus inability to participate with full operational capacity and financial commitment in the implementation. Linking the reintegration with the broader social protection reform agenda, the leverage of international organisations and the enlargement negotiations should mitigate the risk. The involvement of civil society will be instrumental for keeping the political discourse on the issue.

Government turnover can help or hinder reintegration efforts, depending on the attitude of those in power, as well as the growing civil tensions and the emergence of conflict in the Nagorno Karabakh. The risk can only be mitigated by the non-partisan nature of the programme: the team of the programme attempts to engage constructively with the officials in power in the municipalities which are part of the programme and will maintain contacts with the relevant public institutions. In case local government turnover in some of the localities happen, the programme will need to put additional efforts in order to continue its implementation and build upon the achieved progress.

Matrix of project risks

Description of the risk	Likelihood	Possible impact	Prevention/ and or mitigation measures
Political risk			
Shifted interest by central and local towards addressing the post COVID recovery agenda.	medium	high	The nature of the interventions is also intended to address some of the cascading effects of the COVID crisis. Regular learning and following up with the local authorities will ensure that the projects lessons are integrated in the recovery.
The cascading effect of COVID induced lockdown of the economy on central and local level public revenues, fiscal space and capacities of private sector to retain and create new jobs.	high	high	Project is designed to work closely with the private sector, and support portfolio development in collaboration with the private sector. High frequency & quality data coming from the monitoring and sensemaking will provide a sense in real time on how the cascading effects of the crisis are felt in local authorities.
Increased civic tensions and re-emergence of conflict in the EaP region, may cause delays in project implementation and decreased interest in project activities.	high	high	Ensuring political neutrality of project, and responding to the context as it emerges will be key. To do so, using the intelligence generated by project teams and local UNDP and EUD as the situation changes.

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Changes in the policy priorities due to turnover or reshuffling may hamper the implementation.	medium	medium	Ensure political neutrality of project deliverables i.e. Local Economic Development Plans developed will be done in consultation with stakeholders and portfolio process will be done in an inclusive ways.
Inconsistency between the processes for LEDPs and existing country level initiatives for municipal development plans.	medium	medium	The review of the LEDP process, UNDP and EUD knowledge of the context and the national steering mechanisms will ensure that duplication is avoided and complementarities identified.
Different degrees of decentralization in the countries in the EaP region will have an impact on the agency and willingness of local authorities to engage with the project.	medium	medium	Increased attention will be provided to have equal access for local authorities from all the countries to participate in the process – including through adapting the process of portfolio development to the local contexts and regular communication session to share the benefits and incentives for the local authorities.
While the ultimate impact of COVID-pandemic on public revenues is yet to be assessed, it is very likely that central and local authorities will be operated under strained fiscal space.	medium	high	Project will work with local authorities and position the project as part of the broader COVID-19 response programme.

4.1 Monitoring and Evaluation

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the Action will be monitored on a regular basis and will provide to the Regional Project Steering Committee annual progress reports.

Progress will be monitored and assessed against the qualitative and quantitative indicators outlined in the Results and Resources Framework.

Within the annual cycle, the following monitoring actions shall be carried out:

- A monitoring plan shall be activated in the Corporate information management system - ATLAS and updated at regular intervals to track the key management actions/event.
- Based on the initial risk analysis, a risk log will be activated and regularly updated by reviewing the external environment that may affect the implementation. Major risks and obstacles, which might affect the theory of change will be escalated for review and approval by the Regional Project Steering Committee.
- From the onset, a lessons-learned log shall be activated and updated regularly to ensure continuous organizational learning and adaptation of methodological approach in implementing similar actions in the future. This log will also facilitate the preparation of the Lessons-learned Report at the end of the implementation.
- Regular sensemaking at the country level and the regional level, will create a real-time learning on the assets, resources and capabilities generated within the project, expand the partnerships and build adaptiveness in the project to changing contexts.

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- Insights will be generated in a six-month basis from the activities at the country level and the regional level, to ensure overall cohesion with the project results.
- To assess the progress, periodic monitoring shall be conducted through site visits. Upon expressed interest, members of the Regional Steering Committee shall be informed on the timing and invited to join the field visits.
- The monitoring framework will be periodically updated to record the progress towards the achievement of the key results.

Reporting will be provided in accordance to the provisions of Article 3 of the General Conditions (Annex II to the Contribution Agreement) and will also consist of:

Annual Progress Report shall be prepared by the Project Manager and shared with the Regional Project Steering Committee members, two months after completion of 12-month implementation period. The annual report will provide, among others, an in-depth context and stakeholders analysis, describe the achievements against the annual targets and pinpoint the eventual adaptation required in the project strategy and work plan.

At the latest within five months after the implementation period, the final narrative and financial report will be submitted to the Regional Project Steering Committee and, upon approval, to the European Commission, within 6 months after the end of the implementation period.

In the reporting process, a strong emphasis will be placed on soliciting feedback from end users. Where feasible monitoring frameworks will ensure that reports and collected data capture the tangible impact of the action on men and women and on different categories of vulnerable groups etc.

External evaluation will be commissioned at the end of the Action in accordance with the UNDP evaluation policies.

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners	Cost
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly	The project will be monitored by assessing progress against the qualitative and quantitative indicators outlined in the Project Results and Resources Framework. The indicators will be further refined during the inception phase of the project. Slower than expected progress will be addressed by project management.	UNDP IRH and UNDP Offices	Project Manager Learning and Design Team Country Office Teams
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards.	Annually	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.	UNDP IRH and UNDP Offices	Project Coordinator Learning and Design Team Country Office Teams
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least biannually	Relevant lessons are captured by the project team and used to inform management decisions. Use of sensemaking, at the country and regional levels, quarterly at the country level and every six months at the regional level.	UNDP IRH and UNDP Offices	Project Manager Learning and Design Team Country Office Teams EUR 127,680
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.	UNDP IRH and UNDP Offices	Project Manager Learning and Design Team Country Office Teams

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	inform management decision making to improve the project.				
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	UNDP IRH and UNDP Offices	Project Manager Learning and Design Team Country Office Teams
Project Report	A progress report will be presented to the Regional Project Steering Committee and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk log with mitigation measures, and any evaluation or review reports prepared over the period.	Mid-year updates/briefs and annual reports. At the end of the project (final report)	Brief mid-year actions updates, and Annual Progress Report shall be prepared by the Project Coordinators and shared with the Regional Project Steering Committee and submitted to EU. The mid-year updates shall be submitted at latest one month after the end of the reporting period. It will include narrative description of the progress of project activities. Annual progress reports will form a basis for refinement of the approaches and activities envisaged for the next phase of project implementation. Within six months after project completion, the final report shall be submitted to EU.	UNDP IRH and UNDP Offices	Project Manager Learning and Design Team Country Office Teams
Project Review (Regional Project Steering Committee & National Steering Mechanism)	The Regional Project Steering Committee will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. Project Steering Committees reviews will take place twice a year, upon submission of the report. In the	Biannually and annually at the country level	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.	UNDP IRH and UNDP Offices	EUR90,720

	project's final year, the Regional Project Steering Committee shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences. National Steering Mechanisms and Strategic Dialogues will take place at least once a year with the relevant bodies at the country level to ensure complementarities and review progress.				
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4.2 Evaluation Plan

A final external project evaluation will be commissioned at the end of the project in accordance with UNDP's evaluation policies⁹. This is without prejudice to European Union's prerogative set out in Art. 10 of the General Conditions. Parties will agree on the purpose, use, timing, financing mechanisms and Terms of reference for the external independent evaluator(s), in consultation with the project stakeholders. Before commissioning the external consultants, TORs will be shared with DG NEAR for comment.

Evaluation Title	Partners (if joint)	Related Strategic Plan	Regional Programme document Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Final Evaluation		Outcome 2, Signature Solution 2	2.6	September 2025	Local authorities, regional bodies, associations of local authorities and line	EUR 20,000 project budget

⁹ UNDP Evaluation policy: http://www.UNDP.org/eval/Evaluationguidance/WCMS_168289/lang--en/index.htm

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					ministries, civil society, other partners and private sector.	
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4.3. Results Framework

Mayors for Economic Growth, Phase II										
RESULTS FRAMEWORK										
		Indicator values						Data collection		
IMPACT 1. Increased economic opportunities in the EaP region resulting from LEDPs and development plans	Description	Unit of Measure	Baseline	Year 1	Year 2	Year 3	End Target (Year 4)	Responsibility - Who will collect the information?	Frequency - When and how often?	Source/methodology - How it will be collected?
Impact Indicator 1.1: - Increased % employment rate in the EaP countries attributable in part to participation in the initiative (targeting all municipalities)	The indicator measures the final impact of the project by trying to quantify the increased % of employment rate that can be attributed to the project especially through the implementation of LEDPs and through the portfolio approach/LEDPs which are supposed to create economic opportunities	%	48 % (AM); 63 % (AZ); 60 % (BY); 58 % (GE); 41 % (MD); 49 % (UA) in 2017	0	Increase in 5+ employment rate and women participation in the labour	Increase in 10+ employment rate and women participation in the labour	Increase in 15+ employment rate and women participation in the labour	UNDP regional team	yearly	World Bank/ International Labour Organization/ countries' national statistics

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<p>Impact Indicator 1.2: 15+ women employment rate in the EaP countries (targeting all municipalities)</p>	<p>The indicator measures increased % of employment rate with a focus on women</p>	<p>%</p>	<p>41 % (AM); 60 % (AZ); 45 % (BY); 50 % (GE); 38 % (MD); 43 % (UA) in 2017</p>	<p>0</p>	<p>Increase in 5+ women employment rate</p>	<p>Increase in 10+ women employment rate</p>	<p>Increase in 15+ women employment rate</p>	<p>UNDP regional team</p>	<p>yearly</p>	<p>World Bank/ International Labour Organization/ countries' national statistics</p>
<p>OUTCOME 1: Improving the coherence of the portfolio and development plans</p>	<p>Description</p>	<p>Unit of Measure</p>	<p>Baseline</p>	<p>Year 1</p>	<p>Year 2</p>	<p>Year 3</p>	<p>End Target (Year 4)</p>	<p>Responsibility - Who will collect the information?</p>	<p>Frequency - When and how often?</p>	<p>Source/methodology - How it will be collected?</p>
<p>Outcome Indicator 1.1 Increased number of local authorities whose initiatives, building on systems approaches, are interconnected within each portfolio (targeting the 12 municipalities implementing the portfolio approach)</p>	<p>This indicator aims at better capturing one of the outcomes of the portfolio approach - strengthening of the coherence of the portfolio of projects that should be connected to each other so as to make sense of the initiatives and to achieve concrete results. Criteria for coherence will be further developed during the inception phase.</p>	<p>Number</p>	<p>0</p>	<p>0</p>	<p>6</p>	<p>8</p>	<p>12</p>	<p>UNDP regional team</p>	<p>yearly</p>	<p>Project report/Survey/questionnaire</p>
<p>OUTCOME 2: Building a learning system</p>	<p>Description</p>	<p>Unit of Measure</p>	<p>Baseline</p>	<p>Year 1</p>	<p>Year 2</p>	<p>Year 3</p>	<p>End Target (Year 4)</p>	<p>Responsibility - Who will collect the information?</p>	<p>Frequency - When and how often?</p>	<p>Source/methodology - How it will be collected?</p>

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<p>Outcome indicator 2.1 - Increased % of local authorities staff that have applied good practices from other municipalities (targeting all the local authorities who participate in the initiative)</p>	<p>This indicator aims at capturing whether and how knowledge exchange is happening because of the initiative (training, platform, communication efforts). Target should be all local authorities.</p>	<p>Percentage</p>	<p>0</p>	<p>0</p>	<p>10</p>	<p>20</p>	<p>30</p>	<p>UNDP regional team</p>	<p>yearly</p>	<p>Survey</p>
<p>Output 1: EaP municipalities are adequately supported in their participation to the M4EG initiative</p>	<p>Description</p>	<p>Unit of Measure</p>	<p>Baseline</p>	<p>Year 1</p>	<p>Year 2</p>	<p>Year 4</p>	<p>End Target (Year 5)</p>	<p>Responsibility - Who will collect the information?</p>	<p>Frequency - When and how often?</p>	<p>Source/methodology - How it will be collected?</p>
<p><i>Active participation in the initiative</i></p>										
<p>Output Indicator 1.1: Number of cities having signed up to the initiative</p>	<p>Indicator measures the number of local authorities signing up for the initiative.</p>	<p>Number</p>	<p>300</p>	<p>310</p>	<p>320</p>	<p>340</p>	<p>350</p>	<p>UNDP regional team</p>	<p>yearly</p>	<p>Project reports/website</p>
<p>Output Indicator 1.2: Number of LEDPs designed following the M4EG guidelines based on their added value</p>	<p>Indicator measures the number of LEDPs developed following the criteria established.</p>	<p>Number</p>	<p>130</p>	<p>140</p>	<p>160</p>	<p>180</p>	<p>200</p>	<p>UNDP regional team</p>	<p>yearly</p>	<p>Project reports/website</p>
<p><i>Developing capacity</i></p>										

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Output Indicator 1.3: Number of staff trained on innovative learning approaches (portfolio, system thinking)	Indicator aims to measure the number of staff that UNDP will train on innovation/strategic thinking.	Number	521 participants (of which 50% women)	550 (of which 50% women)	580 (of which 50% women)	610 (of which 50% women)	650 (of which at least 50% women)	UNDP regional team	yearly	Project reports/website
<i>Knowledge exchange/communication</i>										
Output Indicator 1.4 Number of events organised per year aimed at exchanging best practices and networking (such as local business days, thematic workshops, regional conferences, etc.)	Indicator measures whether knowledge exchange is happening at the output level in terms of number of events organised.	Number	10 in 2018	10	12	13	15/y	UNDP regional team	yearly	Project reports/website
Output indicator 1.5: Number of advocacy and outreach initiatives conducted to increase awareness of citizens about EU support to local authorities in selected countries	Indicator aims to measuring the external communication efforts by looking at how many advocacy events are delivered.	Number	100	25	25	25	25	UNDP regional team	yearly	Project reports/website
Output 2: Municipal pilot projects building on existing LEDPs are successfully implemented	Description	Unit of Measure	Baseline	Year 1	Year 2	Year 3	End Target (Year 4)	Responsibility - Who will collect the information?	Frequency - When and how often?	Source/methodology - How it will be collected?
Output Indicator 2.1 : Number of local authorities that have implemented portfolio methodology	Indicator measures the number of local authorities that have implemented	Number	0	0	4	8	12	UNDP regional team	yearly	Project report

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	portfolio methodology.									
Output Indicator 2.2: Number of small scale local level pilot projects on specific issues (i.e. innovation, gender equality) selected	Indicator measures the number of small scale local level pilot projects on specific issues.	Number	0	5	20	40	50	UNDP regional team	yearly	Project report

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Indicative Activity Plan

Project Title: Mayors for Economic Growth Phase II

Implementation period: 48 months

#	Description	Year 1				Year 2				Year 3				Year 4			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Output 1: EaP municipalities are supported in their participation to the M4EG initiative																
0.1	Inception Phase	x															
1.1.1	Support to the EU Fund (guidelines, programme design, evaluation)	X	X														
1.1.2	Review of the LEDP Process & adapting the methodology & review of the plans		X	X													
1.1.3	Portfolio Development																
1.1.3.1	Criteria and guidelines development for selection of municipalities	X															
1.1.3.0	Launch of a call for proposals for all municipalities		X		X			X				X					
	Selection of municipalities		X			X			X				X				
1.1.3.2	Tool for social listening (development, translation, roll-out, maintenance)		X	X	X	X	X	X	X	X	X	X	X	X	X	X	
1.1.3.2	System analysis and representation (visual) for municipalities			X			X				X						
1.1.3.	Portfolio Ideation (multi-stakeholder workshops, research)			X	X		X	X		X	X						
1.2.1	Annual Forum				X				X				X				X
1.2.2	Urban Competence Center																
	Design of the Program	X	X			X				X				X			

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	Announcement of the Center			X												
	Publication of the courses online			X												
	Updating the courses based on new demand				X				X				X			
	Capability development for the municipalities				X	X	X	X	X	X	X	X	X	X	X	X
1.3.1	Platform development, regular publication and maintenance	X	X	X	X	X		X	X	X	X	X	X	X	X	X
1.3.2	National Consultations (strategic dialogue in the country level)			X				X				X				X
	Output 2: Municipal pilot projects building on existing LEDPs are successfully implemented.															
2.1.1	Renewal Fund Development (Criteria & Guidance)	X	X													
2.1.2	Portfolio Activation				X											
	Preparation of portfolio brief				X			X					X			
	Announcement of the annual call for proposal regional and local (M4EG: Annual Portfolio Call & M4EG Annual Innovation Projects Call)				X			X					X			
	Announcement of the winners				X			X					X			
2.1.3	M4EG: Annual Portfolio Call & M4EG Annual Innovation Projects Call															
2.1.2.1	Dynamic management and seeding (sensemaking workshops, semi-annually in each city with a portfolio)															
	Sensemaking workshops CFP2020					X	X	X	X	X	X	X	X	X	X	X
	Sensemaking workshops CFP2021								X	X	X	X	X	X	X	X
	Sensemaking workshops CFP2020 + 2021 + 2022												X	X	X	
2.1.2.2	Sensemaking - regional intelligence generation						X		X		X		X		X	X