



Inception Report

MAYORS FOR ECONOMIC GROWTH FACILITY – PHASE II

ABBREVIATIONS

CfP	Call for Proposals
DoA	Description of Action (i.e. the approved project description)
EaP	Eastern Partnership countries
IPSA	International Personnel Service Agreement
IRH	Istanbul Regional Hub (of UNDP Regional Bureau for Europe and the CIS)
LEDP	Local Economic Development Plans
MEL	Monitoring, Evaluation and Learning
M4EG	Mayors for Economic Growth Facility
SB	Service Bands
ToR	Terms of Reference
UNDP	United Nations Development Programme

Note on definitions: depending on the country context and/or wording previously used in endorsed documents, the inception report uses local authorities, municipalities, and cities interchangeably.

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BASIC DATA

Title of project	Mayors for Economic Growth Facility (Phase II)
Contract Number:	ENI2020/416-147
Duration of project	48 months/4 years: 1 Jan 2021- 31 Dec 2024
Target Countries	Eastern Partnership Countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
Reporting period	1 January-9 April 2021
Type of report	Inception Report
Date of submission	16 April 2021
Implementing Partner	UNDP
Purpose of Inception Report	The Report summarized the achievements so far, identifies challenges, and outlines any mitigation strategies put in place by the project management. The Report provides a brief update on the context of the project, if relevant, and puts forward a workplan for the rest of the year.
Total project cost	€10,294,364
European Union	€10,000,000
UNDP	€294,364
SDG contribution (main)	SDG8: Decent work and economic growth, SDG11: Sustainable cities
Regional Programme Europe and CIS (2018-2021)	Outcome 1: Accelerating structural transformations through more effective governance systems

EXECUTIVE SUMMARY

The overall objective of the action is to enhance economic inclusive growth and job creation by supporting local authorities in the Eastern Partnership (EaP) countries to design and implement Local Economic Development Plans (LEDP). This is sought through 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.

This Inception Report covers the first three months of the project. A key undertaking was to operationalize the project (Output 3), including recruitment of regional and country level project staff and annual planning. A coordination mechanism was set up within UNDP at the regional and country level for efficiency and constructive engagement. A network of focal points has been established at the country level. Where needed, as is the case in Azerbaijan and Belarus, preparations are ongoing for the national registration process. Initial work began under Output 1 on support to the 2021 M4EG call for proposals by recruiting two independent assessors and ensuring outreach to potential applicants; initiating the review and adapting the Phase 1 Local Economic Development Plan (LEDP) methodology; and criteria and guideline setting for the selection of local authorities for portfolio development.

The report lays forth a few considerations for the Project Steering Committee on the way forward. The detailed plans for 2021 is laid out in the annexed work plan and its endorsement will be sought in the forthcoming Project Board meeting and Internal launch on 30 April 2021.

BACKGROUND AND STRATEGY

Countries of the EaP (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine) are emerging economies with uneven prosperity which 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 Mayors for Economic Growth (M4EG) initiative was launched by the European Union (EU) in 2017 to support Mayors and municipalities of the EaP countries in becoming active facilitators for sustainable economic growth and job creation. The first phase of the initiative recorded unprecedented popularity: over 400 municipalities across the region had committed to the initiative's objectives, and over 250 LEDPs was designed. The M4EG Phase II will build on and integrate lessons learned from the first phase of M4EG while seeking to build synergies and avoid duplication with other LED programs already under way in the region. The first phase introduced an integrated approach to local economic development planning. However, these plans have not generated the desired 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.

During project implementation the M4EG network will increase to 350 local authorities, and 12 local authorities will go through a process of portfolio development. Three funding facilities will be available to the local authorities in the network: the EU Project Fund (2021), Annual Portfolio Call (2021-2023) and M4EG Innovation Project Call (2021-2023).

INCEPTION RESULTS

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

The specific outputs are:

1. EaP municipalities are supported in their participation to the M4EG initiative.
2. Municipal pilot projects building on existing LEDPs are successfully implemented.

Under Output 1, Activity 1.1.1. on **support to the EU Call for Proposals** ([EuropeAid/170157/DH/ACT/Multi](#)) of a total of €10M, two international assessors with solid expertise on local economic and urban development were recruited. The two consultants will assess both the concept note and, for the shortlisted ones, the full project proposals submitted by the local authorities. The deadline for submission of Concept Notes was 6th April 2021. Relatedly, UNDP helped disseminate information about the CfP as well as the new phase of the M4EG to local authorities through its existing country channels and networks. UNDP was subsequently approached by a number of local authorities in EaP countries for additional information. UNDP staff intends to provide technical support to the local authorities for the next stage of project proposal development (May-June 2021).

Lesson/Action: UNDP received feedback from local authorities that the CfP deadline was perceived as brief and that additional details on the M4EG phase 2 and its offer would be of interest. Hence there is a need to enhance the dissemination of the new phase to existing and potential new members, and additional information materials on the new phase and its offer for local authorities, in relevant languages, will be devised in the next quarter, in line with the Contribution Agreement Annex 6, Visibility and Communication Plan.

Activity 1.1.2 on **review of the LEDP process and adapting the methodology and review of plans**, was initiated with internal discussions within UNDP on scope and process. As any adaption and proposed new methodology, including LEDP templates and online platform to host the LEDPs are linked to the forthcoming **Urban Competence/Learning Centre and Programme** (Activity 1.2.2), a combined procurement process is under drafting and an international request for proposals will soon be launched. The Urban Learning Center is envisioned as the learning and exchange platform between stakeholders, as well as offer visibility to the local authorities. The Center is expected to provide an evolving training programme or packages, including guidance on LEDP development, hands-on training on innovative methods (deep listening, leadership, sensemaking, strategic planning and foresight), gender and diversity inclusion, publication of knowledge products and similar.

Activity 1.1.3 on **Portfolio development** was initiated with the **criteria and guideline development for selection of municipalities** (Activity 1.1.3.1) within the cohort of the M4EG network to activate their LEDPs into a portfolio approach (Activity 2.1.2) to solve complex problems and generate development results. The selected municipalities will have access to funds under the Annual Portfolio Call (Activity 2.1.3). 12 local authorities will roll out portfolio approaches and implement a total of 50 pilots over the next four years of the project. An international consultant, Mr Sean Dillon Lockie, the current Director and Head of the Urban Transitions and Cities Programme at the Climate KIC Foundation, was recruited to lead this work. The desk study on existing innovation funds criteria and process is underway and an initial workshop with UNDP offices on criteria setting was conducted. UNDP aims to have a light but focused criteria that is expected to entail inter

alia a clear demonstration of systems thinking as part of previous plans and initiatives; a commitment to test new approaches and an open mindset to do innovation; appropriate capacity to do innovation; demonstration of collaborative and inclusive work, including with civil society and residents; consideration and commitment to gender equality aspects; and evidence of positive impact in a previous urban development project or initiative. The draft criteria and suggested process of selection will be presented at the forthcoming internal project launch on 30 April 2021.

Activities under Output 2 on municipal pilot projects and the activation of portfolios will be initiated in the next quarter of the project.

The main objective of the inception phase was to **operationally set-up the project**, including the recruitment of relevant **project team personnel** (Output 3). The below provides the status of recruitment:

- (Regional) Project Manager (P4): Applications will close on 21 April 2021. The Project Manager is expected to be on board by end May or beginning of June, depending on selected candidate's availability.
- Project Associate (SB3): Interviews of shortlisted candidates will be conducted on 19 April 2021.
- Strategic Designer and Learning Analyst (50%, IPSA¹): Shortlisting complete, interviews in week of 19th of April 2021.
- Communication Expert: currently exploring contract modalities, recruitment process to be launched in end-April.
- Country level Project Coordinators (SB4): under recruitment in Armenia and Moldova, and already on board in Ukraine and Georgia. Recruitment in Belarus and Azerbaijan is forthcoming after finalization of in-country project registration.
- Country level Project Associates (SB3, 50%): have or in the process of being assigned within existing Country Office structures.

A list of project personnel and contact details will be made available once all recruitment processes are completed.

The Innovation Specialist/Adviser (40% dedicated to project; funded by UNDP) continues to provide technical leadership to the project.

While awaiting the Project Manager and Project Associate, Istanbul Regional Hub (IRH) assigned existing staff (Management Specialist and Programme Associate, respectively) to carry these functions and to support the IRH Innovation Specialist/Innovation Team Leader during the inception phase.

UNDP has finalized the **project set-up and planning**, including its budget, in its relevant monitoring and quality assurance systems. In-country **registration** of projects, as needed, is ongoing. It is expected that this administrative process may be delayed in the case of Belarus and Azerbaijan.

As per the planned budget, a considerable amount (approx. €1.75m) is expected for complex and/or technical **procurement** of system thinking and related expertise during the projects' lifetime. Due to the complexity and volume, the project team is in the process of bringing on board procurement assistance to fast track this

¹ International Personnel Service Agreement; a new human resources contract modality launched by UNDP on 15 February 2021.

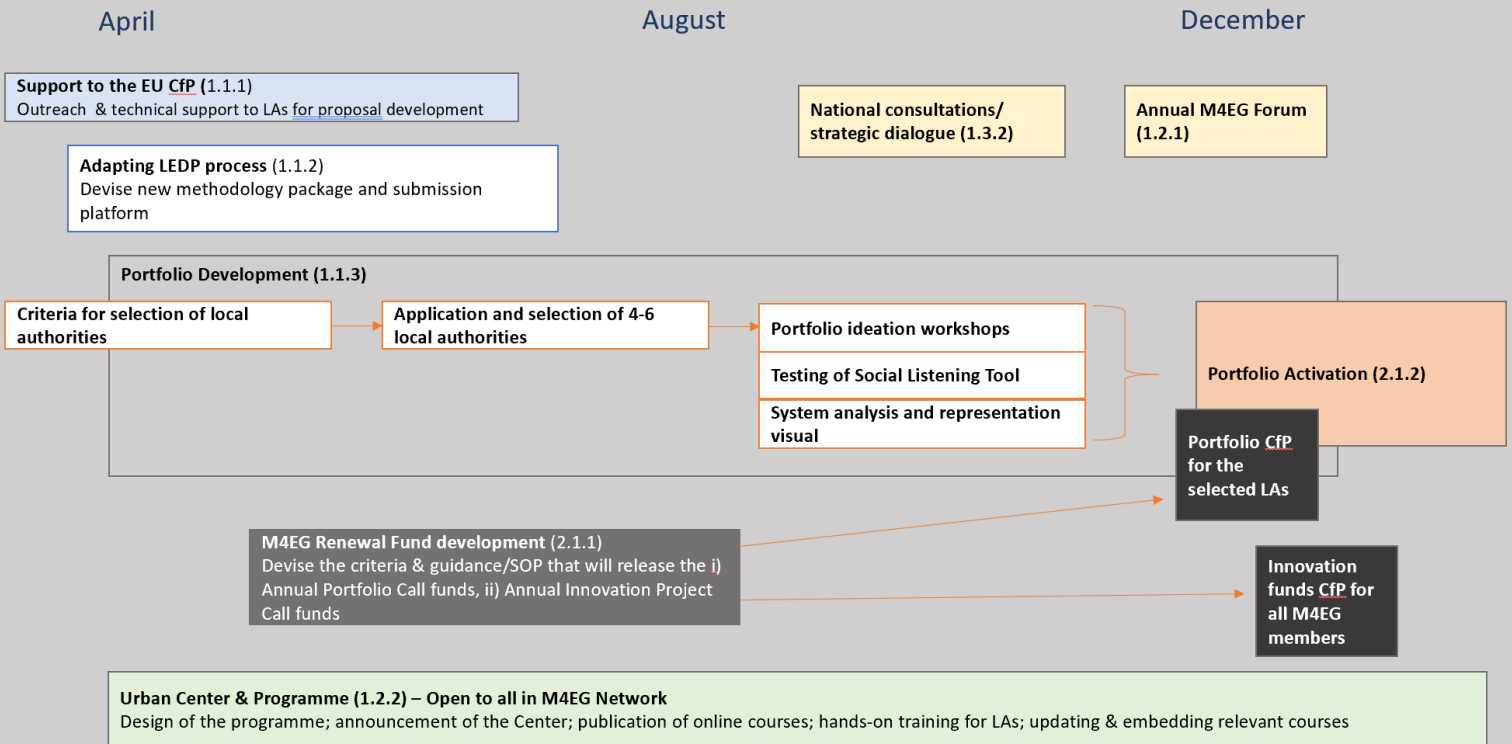
process within existing UNDP policies and procedures. Please see the annexed Procurement Planning Overview for more details.

To enhance workflow between the eight UNDP offices actively engaged (physically located in Istanbul, Brussel, Kyiv, Minsk, Chisinau, Tbilisi, Yerevan, Baku) an **internal coordination and collaboration mechanism** was set up through Microsoft Teams, with a linked [M4EG Workspace Canvas](#) on Miro². These internal spaces will also be used to capture collective intelligence and identify lessons during implementation. Additionally, bi-weekly calls between the regional project team in Istanbul and the European Commission, DG NEAR, is in place.

² https://miro.com/app/board/o9J_lKiMPlw=/

SYNOPSIS OF THE 2021 WORK PLAN

An annual work plan based on the Indicative Activity Plan of the approved Annex 1 Description of Action (DoA) was devised. The below provides a brief overview of the 2021 activities and timeline. Please see work plan in annex for more details.



As the project is rolled out and the selection of local authorities and the results of the calls for proposals are known, the concurrent draft country level plans will be solidified and will feed into the broader regional work plan. The regional project team envisions an iterative process with quick feedback loops for planning, rather than a top-down or bottom-up approach.

2021 is a foundation year for the project where key building blocks will be shaped. This includes adapting the current LEDP methodology and hence the existing M4EG network and learning offers; selection of the local authorities that will take on and test the portfolio approach over the next 3 years; and the operational and conceptual set-up of two funds: the Portfolio Call (annually for the selected local authorities), and the Annual Innovation Call for all M4EG members. These two funds constitute approximately EUR 4million, to fund 50-70 pilots. Through the project implementation, 2021 will also constitute a year of deep learning for UNDP teams to enhance knowledge and capacities on systems thinking and moving portfolio approaches from the edge to the mainstream of our work.

The proxy indicators, as stated in the DoA, to measure a successful implementation in 2021, are:

- 10 more cities have signed up to the M4EG Facility
- 10 additional LEDPs formulated
- 30 additional staff/partners been trained on innovative learning approaches, systems thinking, portfolio development (gender disaggregated as minimum)
- 10 knowledge exchange and networking events organized
- 25 advocacy and outreach initiatives to increase awareness of citizens about EU support to local authorities in selected countries
- 5 small scale local level pilot projects on specific issues (e.g. innovation, gender equality)

The project team intends to complement the quantitative indicators above with qualitative methods, including pulse checks and close to real-time feedback loops among stakeholders to monitor perceptions and knowledge, capabilities, and possible behavior change. In addition to bringing innovation and stronger systems thinking into development programming, the project also provides an opportunity to test new configurations of monitoring, evaluation and learning (MEL) functions. Here, the project aims to experiment with the MEL principles presented in a recent thought piece by the Chora Foundation for UNDP.³ See box to the side for more information on these principles. The designated person for MEL in the project will delve into these further and assess applicability.

Proposed Monitoring, Evaluation and Learning Principles (MEL) for portfolios (simplified)

1. Embed MEL functions in implementation to enable quicker feedback loops
2. A (meta-level) question driven MEL to drive learning (beyond compliance)
3. Supplement numbers with qualitative documentation (narratives, storytelling)
4. A utilization-focused approach to evaluation where intended users of evaluation is empowered to design the ‘how’
5. Visuospatial representation of portfolios for systemic observation of problem space
6. Starts small and not over-engineer the MEL system; be adaptive
7. Learn.

Additionally, the project team wishes to clearly report against SDG targets and indicators whenever feasible and will explore ways to measure such attribution.

The project team foresee at this point no immediate changes to the risks and assumptions, monitoring and evaluation, or results framework. Risks already identified; ‘shifted interest by central and local authorities toward addressing the post COVID recovery agenda’ and ‘changes in the policy priorities due to turnover or reshuffle may hamper the implementation’ are being closely monitored, especially in the case of upcoming local elections, such as is the case of Georgia and Armenia.

As noted above under project operationalization status, the project registration process as per respective national procedures may lead to delays in implementation in some of the countries, this is expected in the case of Belarus and possibly Azerbaijan.

On expected delivery by end 2021, the project team is cautiously optimistic. Considerable time and effort will be placed on designing the call for funds where the team intends to announce the CfPs in Q3 with a subsequent selection process, however the actual transfer of funds and implementation of pilots may roll over to 2022 due to administrative processes, including at the country level. Hence, the project team would like to flag this concern and will monitor and alert the Steering Committee of the project as needed.

³ Chora Foundation, Monitoring & Evaluation of Portfolios of Development Options, last revision date 13 February 2021.

NOTES ON THE GOVERNANCE STRUCTURE OF THE PROJECT

As noted in the DoA, the **Regional Project Steering Committee** provides strategic oversight and direction of the project, and acts as the decision-making body for changes to the project as per UNDP Programme and Operations Policies and Procedures ([POPP](#)).

To reiterate, the Steering Committee consists of UNDP IRH & COs and the European Union, DG NEAR and EU Delegations, and is co-chaired by UNDP & EU DG NEAR.

As the project seeks to roll out the emergent practice of portfolios in development programming, 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. The National Steering Mechanism is supported by the country level teams and the regional team, the mechanism will meet at least once a year and 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.

As per the UNDP POPP, all Project Steering Committees/Boards are to be guided by a Terms of Reference (ToR). To this end, the project team devised a standard ToR for endorsement of the Board in its next meeting and is annexed as draft to this report. A ToR for the National Steering Mechanism is not mandatory, however, depending on country context, UNDP and local partners may want to devise ToRs or similar guidance documents as relevant.

PROJECT KICK-OFF

The **Internal Launch** with the EU and UNDP is scheduled for 30 April 2021. The launch will be preceded by a Project Board session to inter alia endorse the Board ToR and the annual work plan. Professor and well-renowned British economist John Kay has confirmed as key speaker of the internal launch.

The **External Launch** with extended partners, including local authorities, will be organized once the onboarding of all project personnel is completed.

ANNEXES

- Annex 1:** Annex 1 of the Description of Action (DoA), including the Results Framework and Indicative List of Actions
- Annex 2:** 2021 Work Plan (living document)
- Annex 3:** 2021 Procurement Overview
- Annex 4:** Terms of Reference for the Project Steering Committee
- Annex 5:** Terms of Reference of M4EG Project Manager
- Annex 6:** Terms of Reference of Country Office Project Coordinators
- Annex 7:** Terms of References of Regional Project Team: Strategic Designer, Learning Manager, Project Associate
- Annex 8:** Terms of Reference of Criteria Guidance for Selection of Local Authorities for Portfolio Development
- Annex 9:** Concept and Agenda for Internal Launch of M4EG Phase II